

Withdrawn 04-79a 05-8a  
4/18/06

### Undergraduate Distance Education Review Form

(Required for all courses taught by distance education for more than one-third of teaching contact hours.)

#### Existing and Special Topics Course

Course: ACCT 303: Financial System Analysis

Instructor(s) of Record: See Attached

Phone: 724-357-2686

Email: gpkline@iup.edu



#### Step One: Proposer

A. Provide a brief narrative rationale for each of the items, A1- A5.

1. How is/are the instructor(s) qualified in the distance education delivery method as well as the discipline?
2. How will each objective in the course be met using distance education technologies?
3. How will instructor-student and student-student, if applicable, interaction take place?
4. How will student achievement be evaluated?
5. How will academic honesty for tests and assignments be addressed?

B. Submit to the department or its curriculum committee the responses to items A1- A5, the current official syllabus of record, along with the instructor developed online version of the syllabus, and the sample lesson. This lesson should clearly demonstrate how the distance education instructional format adequately assists students to meet a course objective(s) using online or distance technology. It should relate to one concrete topic area indicated on the syllabus.

#### Step Two: Departmental/Dean Approval

Recommendation:  Positive (The objectives of this course can be met via distance education)  
 Negative

*Marguerite Palma* 4/7/2005  
\_\_\_\_\_  
Signature of Department Designee Date

Endorsed: *R. O'Connell* 4/7/05  
\_\_\_\_\_  
Signature of College Dean Date

Forward form and supporting materials to Liberal Studies Office for consideration by the University-wide Undergraduate Curriculum Committee. Dual-level courses also require review by the University-wide Graduate Committee for graduate-level section.

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**Step Three: University-wide Undergraduate Curriculum Committee Approval**

Recommendation:  Positive (The objectives of this course can be met via distance education)

Negative *The door was left open for resubmittal  
this summer.*

*Gail Schmitt*      *4/19/05*  
Signature of Committee Co-Chair      Date

Forward form and supporting materials to the Associate Provost within 30 calendar days after received by committee.

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**Step Four: Provost Approval**

Approved as distance education course

Rejected as distance education course

\_\_\_\_\_  
Signature of Provost

\_\_\_\_\_  
Date

Forward form and supporting materials to Associate Provost.

**ACCT 303: Financial System Analysis**

**Instructor of Record:** Dr. Faye Bradwick, Dr. Mohamed Ghobashy, Dr. Thomas Pressly, Dr. Ronald Woan, Mr. Stan Yerep

## **Step One: Proposer**

A. Provide a brief narrative rationale for each of the items, A1-A5.

**1. How is/are the instructor(s) qualified in the distance education delivery method as well as the discipline?**

The instructors of record are academically qualified to teach this course. Faculty who have taught on-line will serve as mentors to any newly assigned faculty in addition to their receiving training provided through the Instructional Design Center. When eligible faculties are scheduled to teach, they will be qualified in distance education.

**2. How will each objective in the course be met using distance education technologies?**

Integrated into the on-line course will be additional supplemental materials to enhance the assigned text readings and assignments:

- Video presentations
- Power point presentations
- Self study quizzes
- Links to other sites and informational materials
- Supporting materials from the publishers

**3. How will instructor-student and student-student, if applicable, interaction take place?**

There are several venues in which interaction will take place:

- On-line communications via
  - \*\* individual email
  - \*\* chat rooms
  - \*\* bulletin board
- direct communications via
  - \*\* phone conversations
  - \*\* office visits

**4. How will student achievement be evaluated?**

See the On-Line Syllabus of Record.

**5. How will academic honesty for tests and assignments be addressed?**

The University's academic integrity policy will be posted and any violations will be subject to disciplinary action. Certain on campus activities may be scheduled to ensure the academic honesty and homework assignments and discussion questions will be required to be submitted to verify independence of the student learning function.

## **ACCT 303 Financial System Analysis Syllabus of Record**

### **I. Catalog Description**

#### **ACCT 303 Financial System Analysis**

Prerequisite: Grade of C or better in ACCT 202

3 class hours  
0 lab hours  
3 credit hours  
3c-01-3cr

Focuses on preparation and analysis of financial information for business performance and financial condition decisions. Financial Accounting software will be integrated throughout the course to demonstrate financial accounting system design. Basic accounting standards, concepts and current issues underlying financial reporting will be reviewed.

### **II. Course Objectives**

1. To expose students to the accounting standard-setting process and major users of financial accounting information.
2. To increase student understanding of the components of financial accounting software systems and their application in financial statement preparation.
3. To explain basic accounting concepts underlying the preparation of financial statement.
4. To review the structure of the fundamental financial system (balance sheet, income system, system of cash flows).
5. To introduce new accounting terminology associated with current financial reporting disclosure.
6. To increase awareness of the relationships of financial system data and their interpretation.
7. To improve analytical skills through computation of financial ratios and translation of those ratios into logical performance and financial condition conclusion.

### **III. Detailed Course outline (42 semester hours)**

- I. Introduction to financial System Analysis (2 hours)**
  - A. Financial System users**
    - 1. Creditors
    - 2. Equity investors
    - 3. Financial Analysis
    - 4. Auditors
    - 5. Regulatory Agencies – Securities and Exchange Commission
    - 6. Employees
    - 7. Financial advisor
    - 8. Suppliers
    - 9. Customers
  - B. Financial Business activities**
    - 1. Planning – Budgets
    - 2. Operation
    - 3. Investing
    - 4. Financing
  - C. Primary Financial System statement**
    - 1. The Accounting Equation
    - 2. Balance Sheet
    - 3. Income Statement
    - 4. Statement of Shareholders' Equity (Retained Earnings)
    - 5. Statement of Cash Flows
    - 6. Statement Articulation
  - D. Supporting Information**
    - 1. Management Discussion and Analysis
    - 2. Management Report
    - 3. Auditor Report
    - 4. Explanatory Notes
    - 5. Supplementary Information – SEC filings
  - E. Elements of Financial System Analysis**
    - 1. Comparative Analysis
      - a. Time Series (Horizontal)
      - b. Standardize (Vertical)
      - c. Financial Ratios

**II. Fundamental Financial Reporting Concepts (3 hours)**

**A. Generally Accepted Accounting Principles**

**1. Standard – Setting Process**

**a. Financial Accounting Standard Board (FASB)**

**b. Securities and Exchange Commission**

**c. American Institute of Certified Public Accountants**

**B. Conceptual Framework**

**1. Concepts System No. 2**

**a. Relevance**

**b. Reliability**

**2. Concepts System No. 5**

**a. Revenue Recognition**

**b. Matching Principle**

**3. Concepts System No. 6**

**a. Elements of Financial systems**

**i. Assets**

**ii. Liabilities**

**iii. Equity**

**iv. Revenues**

**v. Expenses**

**vi. Gains and Losses**

**vii. Comprehensive Income**

**III. Review of the Accounting Information System (3 hours)**

**A. The Accounting Equation**

**B. Rules of Debits and Credits**

**C. Journal Entries**

**D. Ledger Posting**

**E. Trial Balance**

**F. Adjusting Entries**

**G. Closing Entries**

**H. Financial Statement Preparation**

**IV. Income Statement – Analyzing Operating Activities (4 hours)**

**A. Revenue and Gains**

**1. Recognition Criteria**

**2. Installment Sales Method**

**3. Right of Return**

**4. Completion of Production**

**5. Long-Term Contracts**

**a. Percentage of Completion**

**b. Completed Contract**



- B. Expenses and Losses**
  - 1. Matching Principle**
  - 2. Common Categories**
    - a. Operating**
      - i. Product (Cost of Goods Sold)**
      - ii. Period ( Selling and Administrative)**
    - b. Depreciation**
      - i. Straight-Line**
      - ii. Accelerated**
    - c. Pension and Postretirement Benefits expenses**
    - d. Employee Compensation**
      - i. Compensated Absences**
      - ii. Cash Bonuses**
      - iii. Stock Option Plans**
      - iv. Stock Appreciation rights**
    - e. Research and Development costs**
    - f. Amortization of Intangible Assets**
      - i. Goodwill**
    - g. Interest Costs**
      - i. Interest Capitalization**
    - h. Income Taxes**
      - i. Deferred Income Taxes**
        - a) Permanent vs. Temporary Differences**
        - b) Tax Carryforwards and Carrybacks**
    - i. Extraordinary Items**
      - i. Recognition Criteria**
      - ii. Financial System Disclosure**
    - j. Discounted Operations**
      - i. Recognition Criteria**
      - ii. Financial System Disclosure**
    - k. Accounting Changes in Accounting Principle**
      - i. Changes in Accounting Principle**
      - ii. Changes in Accounting Estimates**
      - iii. Correction of Errors**
      - iv. Financial statement Disclosure**

V. The Balance Sheet – Assets (3 hours)

A. Current Assets

1. Definition
2. Cash and Cash Equivalents
3. Compensating Securities
4. Marketable Securities
  - a. Trading
  - b. Available for sale
  - c. Held-to-Maturity
  - d. Analysis Implications
5. Receivables
  - a. Accounts Receivable
  - b. Valuation – Net Realization Value
  - c. Notes Receivable
6. Inventories
  - a. Inventory Equation
  - b. Categories
    - i. Raw Materials
    - ii. Work in Process
    - iii. Finished Goods
  - c. Cost Flow Methods
    - i. First-In, First-Out
    - ii. Last-In, Last-Out
    - iii. Average Cost
  - d. Lower of Cost or Market Valuation
  - e. Purchase Commitments
  - f. Long-Term Contracts (Construction In Process)
  - g. Analysis Implications
    - i. Consistency
    - ii. Comparability

B. Non current Assets

1. Long-Term Investments
  - a. Equity Securities
  - b. Debt Securities
  - c. Analysis Implications
2. Plant Assets
3. Natural Resources
4. Intangible Assets
  - a. Identifiable – Patents, Copyrights, Franchises
  - b. Unidentifiable – Goodwill

- c. Analysis Implications
- 5. Deferred Charges

**VI. The Balance Sheet – Liabilities (3 hours)**

- A. Current Liabilities
  - 1. Definition
- B. Non current
  - 1. Corporate Bonds
  - 2. Long-Term Notes
  - 3. Lease Obligations
  - 4. Capital vs. Operating Lease Criteria
  - 5. Pension
    - a. Defined Contribution Plans
    - b. Defined Benefit Plans
    - c. Vested Benefit Obligation
    - d. Accumulated Benefit Obligation
    - e. Projected Benefit Obligation
    - f. Other Post retirement Benefits Obligation
  - 6. Deferred Income taxes
  - 7. Contingencies
    - a. Probable
    - b. Reasonable Possible
    - c. Remote

**VII. The Balance Sheet – Owners' Equity (3 hours)**

- A. Paid-in-Capital
  - a. Characteristics
    - i. Cumulative
    - ii. Participating
    - iii. Convertible
    - iv. Callable
    - v. Asset Preference
    - vi. Dividend Preference
- B. Treasury Stock
- C. Retained Earnings
  - i. Cash Dividends
  - ii. Stock Dividends
  - iii. Appropriation

VIII. Statement of Cash Flows (3 hours)

- A. Purpose
  - 1. Liquidity
  - 2. Solvency
  - 3. Financial Flexibility
- B. Categories
  - 1. Operating
    - a. Indirect Method
    - b. Direct Method
  - 2. Investing
  - 3. Financing
- C. Non cash Transaction
- D. Statement Preparation
- E. Comparison of Cash Flows and Net Income (Quality of Earnings)
- F. Alternative Cash flows Measures
  - 1. Net Income + non - cash Expenses
  - 2. Free Cash Flows

IX. Financial System Analysis – Short-Term liquidity (4 hours)

- A. Working Capital
- B. Current Ratio
- C. Cash Ratio
- D. Acid-Test Ratio
- E. Cash to Current Liabilities Ratio
- F. Accounts Receivable Turnover
- G. Receivable Collection Period
- H. Inventory Turnover
- I. Days to Sell Inventory
- J. Days' Purchases on Accounts Payable
- K. Operating Cash Flows Ratio
- L. Ratio Interpretation

X. Financial System Analysis – Solvency (4 hours)

- A. Financial Leverage – Trading on Equity
- B. Financial Leverage Index
- C. Financial Leverage Ratio
- D. Total Debt Ratio
- E. Total Debt to Equity Capital Ratio
- F. Long-Term Debt to Equity Ratio
- G. Asset Composition Analysis – Common Size Systems
- H. Asset Coverage
  - 1. Fixed Assets to Equity

- 2. Net Tangible Assets to Long-term Debt
- 3. Total Liabilities to Net Tangible Assets
- I. Times Interest Earned Ratio
- XI. Financial System Analysis – Return on Invested Capital (4 hours)
  - A. Purpose
    - 1. Evaluation Managerial Effectiveness
    - 2. Evaluation Profitability
    - 3. Evaluation of Earnings Forecasts
  - B. Return on Invested Capital
  - C. Return on total Assets
  - D. Return on Stockholders' Equity
  - E. Return on Assets
    - 1. Profit Margin Ratio
    - 2. Asset turnover Ratio
      - a. Sales to Cash
      - b. Sales to Receivables
      - c. Sales to Inventories
      - d. Sales to Fixed Assets
      - e. Sales to Current Liabilities
  - F. Equity Growth Rate
  - G. Return on Shareholders' Investment
  - H. Shareholder Multiplier Ratio
- XII. Financial System Analysis – Profitability (2 hours)
  - A. Trend Analysis
  - B. Gross Profit Margin
  - C. Selling Expenses to Revenues
  - D. Average Effective Interest Rate
  - E. Effective Tax Rate
  - F. Effective Tax Rate
  - G. Variation Analysis
- XIII. Financial System Analysis – Earnings (2 hours)
  - A. Quality of Earnings
    - 1. Repairs and Maintenance Expenses to Sales Ratio
    - 2. Advertising Expenses to Sales Ratio
    - 3. Research and Development Costs to Sales Ratio
  - B. Trend Analysis
  - C. Analyzing Extraordinary Items
  - D. Price to Book Ratio
  - E. Price to Earnings Ratio
- XIV. Two Semester Examinations (2 hours)
- XV. Final Examination (2 hours)

#### **IV. Evaluation Methods**

The final grade for the course will be determined based upon the following:

45% Three written examinations (two semesters and final exam). These exams will be comprised primarily of multiple choice, short answer, and problem-solving questions

25% Computer simulation projects. These projects will be determined by the individual instructor but will employ accounting software package popularly employed by businesses and used throughout the accounting curriculum.

The required computer simulation projects will introduce students to the design of accounting information system and processing of financial information through financial accounting software commonly used in business environments. Students will learn how to input financial information to produce conventional financial statements covered in the first portion of this course along with reinforcing basic financial reporting principles initially discussed in AG201 – Accounting Principles I. Computer simulation projects will begin with the accounting information section of this course (see Part III of the course curriculum). It would be expected that project assignments would continue through the conclusion of the review of financial systems (Part IV – System of Cash Flows) and proceedings financial system analysis material and assignments.

25% Financial systems analysis project. Students will be required to prepare a comprehensive comparative financial analysis of the annual reports of three companies from a similar industry category.

The financial system analysis project can take a variety of forms. For example, case studies can require students to develop written and oral reports of financial situations facing companies and industry groups. Comparative studies to corporate annual reports from companies in similar industries can provide students with the opportunity to investigate financial situations involving business environment that they may enter upon graduation, along with cultivating business communication skills through formal requests to corporations for annual financial information.

The financial system analysis project should be designed to maximize student exposure to differences in financial reporting terminology found across different companies and industries and financial ratio computation and interpretation.

Another possible financial system project assignment could incorporate the use of spreadsheets in comparative financial evaluations. It is also recommended that instructors include computer application situations in homework assignments.

5% Class participation and home work assignments collected periodically from students.

Semester grades should be based upon a weighted-average of the above mentioned evaluation content under a traditional 100-point scale (i.e. 90-100 = "A", 80-90 = "B", etc.).

#### **V. Required Textbooks, Supplements Books and Readings**

Required: Bernstein, L.A., & Wild. J.J. (2004). Financial Statement Analysis. Boston, Mass. Irwin/McGraw-Hill.

#### **Supplemental Books and Readings**

Pasewaric, (2004). Understanding Corporate Annual Reporting: Irwin/McGraw-Hill.  
Mazza, (2003). Computerized Accounting with Peachtree: EMC/Paradigm.

#### **VI. Special Resource Requirements – None**

**ACCT 303 Financial System Analysis  
On-Line Syllabus of Record**

**I. Catalog Description**

ACCT 303 Financial System Analysis

3 credits

Prerequisite: Grade of C or better in ACCT 202

3 lecture hours

3c-01-3sh

This course focuses on preparation and analysis of financial information for business performance and financial condition decisions. Financial Accounting software will be integrated throughout the course to demonstrate financial accounting system design. Basic accounting standards, concepts and current issues underlying financial reporting will be reviewed.

**II. Course Objectives**

1. To expose students to the accounting standard-setting process and major users of financial accounting information.
2. To increase student understanding of the components of financial accounting software systems and their application in financial statement preparation.
3. To explain basic accounting concepts underlying the preparation of financial statement.
4. To review the structure of the fundamental financial system (balance sheet, income system, system of cash flows).
5. To introduce new accounting terminology associated with current financial reporting disclosure.
6. To increase awareness of the relationships of financial system data and their interpretation.
7. To improve analytical skills through computation of financial ratios and translation of those ratios into logical performance and financial condition conclusion.

**III. Detailed Course outline**

- I. Introduction to financial System Analysis
  - A. Financial System users
    1. Creditors
    2. Equity investors



3. Financial Analysis
4. Auditors
5. Regulatory Agencies – Securities and Exchange Commission
6. Employees
7. Financial advisor
8. Suppliers
9. Customers
- B. Financial Business activities
  1. Planning – Budgets
  2. Operation
  3. Investing
  4. Financing
- C. Primary Financial System statement
  1. The Accounting Equation
  2. Balance Sheet
  3. Income Statement
  4. Statement of Shareholders' Equity (Retained Earnings)
  5. Statement of Cash Flows
  6. Statement Articulation
- D. Supporting Information
  1. Management Discussion and Analysis
  2. Management Report
  3. Auditor Report
  4. Explanatory Notes
  5. Supplementary Information – SEC filings
- E. Elements of Financial System Analysis
  1. Comparative Analysis
    - a. Time Series (Horizontal)
    - b. Standardize (Vertical)
    - c. Financial Ratios

## II. Fundamental Financial Reporting Concepts

- A. Generally Accepted Accounting Principles
  1. Standard – Setting Process
    - a. Financial Accounting Standard Board (FASB)
    - b. Securities and Exchange Commission
    - c. American Institute of Certified Public Accountants
- B. Conceptual Framework
  1. Concepts System No. 2
    - a. Relevance
    - b. Reliability
  2. Concepts System No. 5
    - a. Revenue Recognition
    - b. Matching Principle
  3. Concepts System No. 6
    - a. Elements of Financial systems

- i. Assets
- ii. Liabilities
- iii. Equity
- iv. Revenues
- v. Expenses
- vi. Gains and Losses
- vii. Comprehensive Income

### III. Review of the Accounting Information System

- A. The Accounting Equation
- B. Rules of Debits and Credits
- C. Journal Entries
- D. Ledger Posting
- E. Trial Balance
- F. Adjusting Entries
- G. Closing Entries
- H. Financial Statement Preparation

### IV. Income Statement – Analyzing Operating Activities

- A. Revenue and Gains
  - 1. Recognition Criteria
  - 2. Installment Sales Method
  - 3. Right of Return
  - 4. Completion of Production
  - 5. Long-Term Contracts
    - a. Percentage of Completion
    - b. Completed Contract
- B. Expenses and Losses
  - 1. Matching Principle
  - 2. Common Categories
    - a. Operating
      - i. Product (Cost of Goods Sold)
      - ii. Period ( Selling and Administrative)
    - b. Depreciation
      - i. Straight-Line
      - ii. Accelerated
    - c. Pension and Postretirement Benefits expenses
    - d. Employee Compensation
      - i. Compensated Absences
      - ii. Cash Bonuses
      - iii. Stock Option Plans
      - iv. Stock Appreciation rights
    - e. Research and Development costs
    - f. Amortization of Intangible Assets
      - i. Goodwill

- g. Interest Costs
  - i. Interest Capitalization
- h. Income Taxes
  - i. Deferred Income Taxes
    - a) Permanent vs. Temporary Differences
    - b) Tax Carryforwards and Carrybacks
  - i. Extraordinary Items
    - i. Recognition Criteria
    - ii. Financial System Disclosure
- j. Discounted Operations
  - i. Recognition Criteria
  - ii. Financial System Disclosure
- k. Accounting Changes in Accounting Principle
  - i. Changes in Accounting Principle
  - ii. Changes in Accounting Estimates
  - iii. Correction of Errors
  - iv. Financial statement Disclosure

## V. The Balance Sheet – Assets

- A. Current Assets
  - 1. Definition
  - 2. Cash and Cash Equivalents
  - 3. Compensating Securities
  - 4. Marketable Securities
    - a. Trading
    - b. Available for sale
    - c. Held-to-Maturity
    - d. Analysis Implications
  - 5. Receivables
    - a. Accounts Receivable
    - b. Valuation – Net Realization Value
    - c. Notes Receivable
  - 6. Inventories
    - a. Inventory Equation
    - b. Categories
      - i. Raw Materials
      - ii. Work in Process
      - iii. Finished Goods
    - c. Cost Flow Methods
      - i. First-In, First-Out
      - ii. Last-In, Last-Out
      - iii. Average Cost
    - d. Lower of Cost or Market Valuation
    - e. Purchase Commitments
    - f. Long-Term Contracts (Construction In Process)

- g. Analysis Implications
  - i. Consistency
  - ii. Comparability

**B. Non current Assets**

- 1. Long-Term Investments
  - a. Equity Securities
  - b. Debt Securities
  - c. Analysis Implications
- 2. Plant Assets
- 3. Natural Resources
- 4. Intangible Assets
  - a. Identifiable – Patents, Copyrights, Franchises
  - b. Unidentifiable – Goodwill
  - c. Analysis Implications
- 5. Deferred Charges

**VI. The Balance Sheet – Liabilities**

**A. Current Liabilities**

- 1. Definition

**B. Non current**

- 1. Corporate Bonds
- 2. Long-Term Notes
- 3. Lease Obligations
- 4. Capital vs. Operating Lease Criteria
- 5. Pension
  - a. Defined Contribution Plans
  - b. Defined Benefit Plans
  - c. Vested Benefit Obligation
  - d. Accumulated Benefit Obligation
  - e. Projected Benefit Obligation
  - f. Other Post retirement Benefits Obligation
- 6. Deferred Income taxes
- 7. Contingencies
  - a. Probable
  - b. Reasonable Possible
  - c. Remote

**VII. The Balance Sheet – Owners' Equity**

**A. Paid-in-Capital**

- a. Characteristics
  - i. Cumulative
  - ii. Participating
  - iii. Convertible
  - iv. Callable
  - v. Asset Preference

- vi. Dividend Preference
- B. Treasury Stock
- C. Retained Earnings
  - i. Cash Dividends
  - ii. Stock Dividends
  - iii. Appropriation

#### VIII. Statement of Cash Flows

- A. Purpose
  - 1. Liquidity
  - 2. Solvency
  - 3. Financial Flexibility
- B. Categories
  - 1. Operating
    - a. Indirect Method
    - b. Direct Method
  - 2. Investing
  - 3. Financing
- C. Non cash Transaction
- D. Statement Preparation
- E. Comparison of Cash Flows and Net Income (Quality of Earnings)
- F. Alternative Cash flows Measures
  - 1. Net Income + non - cash Expenses
  - 2. Free Cash Flows

#### IX. Financial System Analysis – Short-Term liquidity

- A. Working Capital
- B. Current Ratio
- C. Cash Ratio
- D. Acid-Test Ratio
- E. Cash to Current Liabilities Ratio
- F. Accounts Receivable Turnover
- G. Receivable Collection Period
- H. Inventory Turnover
- I. Days to Sell Inventory
- J. Days' Purchases on Accounts Payable
- K. Operating Cash Flows Ratio
- L. Ratio Interpretation

#### X. Financial System Analysis – Solvency

- A. Financial Leverage – Trading on Equity
- B. Financial Leverage Index
- C. Financial Leverage Ratio
- D. Total Debt Ratio
- E. Total Debt to Equity Capital Ratio

- F. Long-Term Debt to Equity Ratio
- G. Asset Composition Analysis – Common Size Systems
- H. Asset Coverage
  - 1. Fixed Assets to Equity
  - 2. Net Tangible Assets to Long-term Debt
  - 3. Total Liabilities to Net Tangible Assets
- I. Times Interest Earned Ratio

XI. Financial System Analysis – Return on Invested Capital

- A. Purpose
  - 1. Evaluation Managerial Effectiveness
  - 2. Evaluation Profitability
  - 3. Evaluation of Earnings Forecasts
- B. Return on Invested Capital
- C. Return on total Assets
- D. Return on Stockholders' Equity
- E. Return on Assets
  - 1. Profit Margin Ratio
  - 2. Asset turnover Ratio
    - a. Sales to Cash
    - b. Sales to Receivables
    - c. Sales to Inventories
    - d. Sales to Fixed Assets
    - e. Sales to Current Liabilities
- F. Equity Growth Rate
- G. Return on Shareholders' Investment
- H. Shareholder Multiplier Ratio

XII. Financial System Analysis – Profitability

- A. Trend Analysis
- B. Gross Profit Margin
- C. Selling Expenses to Revenues
- D. Average Effective Interest Rate
- E. Effective Tax Rate
- F. Effective Tax Rate
- G. Variation Analysis

XIII. Financial System Analysis – Earnings

- A. Quality of Earnings
  - 1. Repairs and Maintenance Expenses to Sales Ratio
  - 2. Advertising Expenses to Sales Ratio
  - 3. Research and Development Costs to Sales Ratio
- B. Trend Analysis
- C. Analyzing Extraordinary Items
- D. Price to Book Ratio
- E. Price to Earnings Ratio

#### XIV. Two Semester Examinations

#### XV. Final Examination

### IV. Evaluation Methods

The final grade for the course will be determined based upon the following:

45% Three examinations (two during the regular semesters and a final exam). These exams will be comprised primarily of multiple choice, short answer, and problem-solving questions

25% Computer simulation projects. These projects will be determined by the individual instructor but will employ accounting software package popularly employed by businesses and used throughout the accounting curriculum.

The required computer simulation projects will introduce students to the design of accounting information system and processing of financial information through financial accounting software commonly used in business environments. Students will learn how to input financial information to produce conventional financial statements covered in the first portion of this course along with reinforcing basic financial reporting principles initially discussed in ACCT201 – Accounting Principles I. Computer simulation projects will begin with the accounting information section of this course (see Part III of the course curriculum). It would be expected that project assignments would continue through the conclusion of the review of financial systems (Part IV – System of Cash Flows) and proceedings financial system analysis material and assignments.

25% Financial systems analysis project. Students will be required to prepare a comprehensive comparative financial analysis of the annual reports of three companies from a similar industry category.

The financial system analysis project can take a variety of forms. For example, case studies can require students to develop written reports of financial situations facing companies and industry groups. Comparative studies to corporate annual reports from companies in similar industries can provide students with the opportunity to investigate financial situations involving business environment that they may enter upon graduation, along with cultivating business communication skills through formal requests to corporations for annual financial information.

The financial system analysis project should be designed to maximize student exposure to differences in financial reporting terminology found

across different companies and industries and financial ratio computation and interpretation.

Another possible financial system project assignment could incorporate the use of spreadsheets in comparative financial evaluations. It is also recommended that instructors include computer application situations in homework assignments.

5% Home work assignments collected periodically from students and required discussion problems.

Semester grades should be based upon a weighted-average of the above mentioned evaluation content under a traditional 100-point scale (i.e. 90-100 = "A", 80-90 = "B", 70-79 = "C", 60-69 = "D" and below 60 = "F").

For any activities in which the student is required to be on campus, alternative arrangement must be made prior to the event if a student is unable to attend due to logistical constraints.

## **V. Required Textbooks, Supplements Books and Readings**

Required: Bernstein, L.A., & Wild. J.J. (2004). Financial Statement Analysis. Boston, Mass. Irwin/McGraw-Hill.

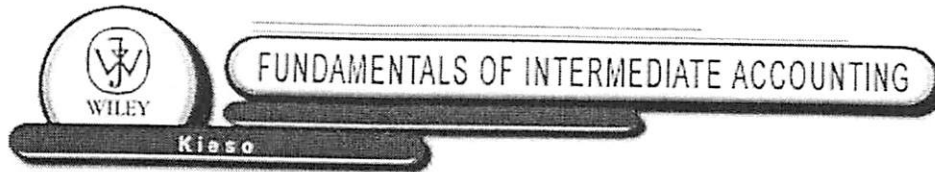
### **Supplemental Books and Readings**

Pasewaric, (2004). Understanding Corporate Annual Reporting: Irwin/McGraw-Hill.  
Mazza, (2003). Computerized Accounting with Peachtree: EMC/Paradigm.

## **VI. Special Resource Requirements –**

To study online you will need regular access to a computer equipped with a modem and appropriate software, internet access and an email address. Minimum hardware requirements: PC, Pentium II or better, or Macintosh 68030 or better. Minimum of 256 MB RAM to run Netscape, minimum 40 MB free disk space modem, 56 Kbps or faster software: (PC) 32-bit enable windows (MAC) system 7.5 or higher communications software, web browser, email program. A word-processing program or at least text editor. You should have a virus scanner such as McAfee or Norton Antivirus to scan incoming and outgoing email. Internet Access: you will need a graphical browser which is Java and JavaScript enabled to use all the features of the online environment. The preferred browser is Netscape 7.0 or higher or Microsoft Internet Explorer 6.0 or higher.





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**BULLETIN BOARD**

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**CHAT**

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**CALENDAR**

[Calendar](#)

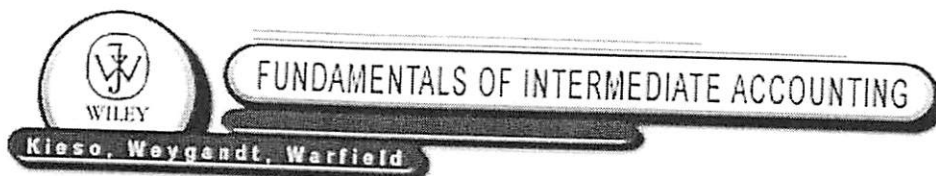


**STUDENT TOOLS**

[Student Tools](#)

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## Chapter 1: Financial Accounting and Accounting Standards

### Chapter Objectives and Overview

#### Objectives

1. Identify the major financial statements and other means of financial reporting.
2. Explain how accounting assists in the efficient use of scarce resources.
3. Identify some of the challenges facing accounting.
4. Identify the objectives of financial reporting.
5. Explain the need for accounting standards.
6. Identify the major policy-setting bodies and their role in the standards-setting process.
7. Explain the meaning of generally accepted accounting principles.
8. Describe the impact of user groups on the standards-setting process.
9. Understand issues related to ethics and financial accounting.

#### Overview

Chapter 1 describes the environment that has influenced both the development and use of the financial accounting process. The chapter traces the development of financial accounting standards, focusing on the groups that have had or currently have the responsibility for developing such standards. Certain groups other than those with direct responsibility for developing financial accounting standards have significantly influenced the standard-setting process. These various pressure groups are also discussed in Chapter 1.



Click here to access the [Chapter Resources](#).

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## Course Materials

The following resources are available for this WebCT course: chapter objectives and overview, reviews, Web discussion questions, and a link to the companion Web site for the text. These features can be found under the Chapter Contents icon.

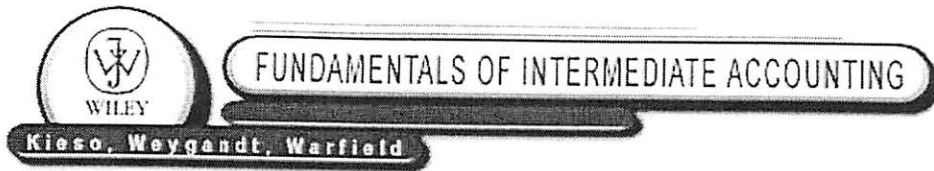


[Chapter 1](#)

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- 1.2. Objective 1 Review
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## Chapter 1: Financial Accounting and Accounting Standards

**Study Objective 1:** Identify the major financial statements and other means of financial reporting.



**Financial accounting** is the process that culminates in the preparation of financial reports on the enterprise as a whole for use by parties both internal and external to the enterprise.

**Financial statements** are the principal means through which financial information is communicated to those outside an enterprise.

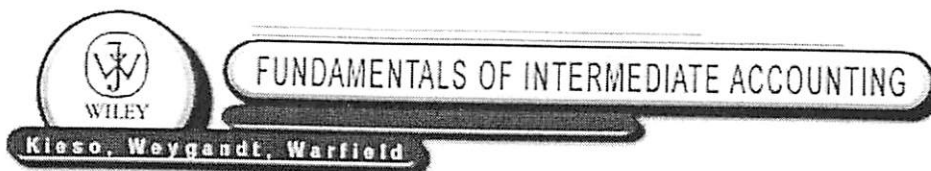
The financial statements most frequently provided are (1) the balance sheet, (2) the income statement, (3) the statement of cash flows, and (4) the statement of owners' or stockholders' equity.

Other means of **financial reporting** include the president's letter or supplementary schedules in the corporate annual report, prospectuses, and reports filed with government agencies.



Click here to access the [Chapter Resources](#).

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## Chapter 1: Financial Accounting and Accounting Standards

### Chapter Resources

This page includes links to the various resources available for this chapter.



Click [here](#) to go to an introduction to the chapter, and a listing of the Study Objectives



The Chapter Review includes a short review of each Study Objective in the chapter. You can advance through these page by page. When you've reviewed the material, proceed on to the Self-Test and Chapter Quiz, and any other materials you've been assigned.

- [Chapter Review 1](#)
- [Chapter Review 2](#)
- [Chapter Review 3](#)
- [Chapter Review 4](#)
- [Chapter Review 5](#)
- [Chapter Review 6](#)
- [Chapter Review 7](#)
- [Chapter Review 8](#)
- [Chapter Review 9](#)



Click "Self-Test" in the ACTION MENU listing on the left to check your understanding of the concepts in this chapter. You can take this Self-Test as many times as necessary; the results will not be recorded in the gradebook.



Click "Quiz" in the ACTION MENU listing on the left to take a quiz on this chapter. The results of this quiz will be recorded in the gradebook.



Click "Bulletin Board" in the Course Menu listing on the left to access the threaded discussion questions for this chapter.



Click [here](#) for information about and access to **Business Extra**, the Wiley/WSJ.com news service for accounting.



At the **Companion Website** for this book, you can access the following additional resources and activities for this chapter.

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## Quiz Introduction:Chapter 1 Quiz

Return to [Quiz](#)

### Before you start the quiz

#### The quiz questions

- all the questions for this quiz will be presented to you at one time.
- the questions may be answered in any order.

#### How do I begin the quiz?

To begin the quiz, click the **Begin quiz** button at the bottom of these instructions. The *quiz screen* appears in a new browser window. **Note:** please allow the quiz to load completely before attempting to do anything else.



### When you are in the quiz

#### What do you see?

##### 1. Quiz summary information

- the title of the quiz
- your name
- your start time
- the time allowed
- the number of questions

##### 2. The quiz questions, and a place for you to answer

##### 3. Your progress

- the time remaining for you to complete the quiz. **Note:** the color of the time gives you an indication of how far the allocated time has progressed.
  - green indicates that you are in the early stages of the quiz
  - blue indicates that you are in the middle stage of the quiz
  - red indicates that you are in final stages of the quiz
- the questions you have answered (green star), and those you have not (red dot).

#### Answering questions

To save your answer to a question, click **Save answer**. **Note:** this will ensure that any work you have done is not lost, in the event of any technical problems(see Troubleshooting below). This also allows you to revisit questions and make changes, if your instructor has allowed this in the quiz.

#### Submitting the quiz for grading



To submit the quiz for grading, click **Finish**. A confirmation message appears. Click **OK**. The *Quizzes and Surveys* screen appears. **Note:** you must click **OK** for your quiz to be submitted for grading.

## Troubleshooting

### Browser configuration

- enable javascript
- set your browser to check for newer versions of pages, every time

See your browser's documentation for details of how to do this.

### Javascript errors

If you encounter a javascript error when you try to begin a quiz, close down the browser *completely*, and restart it.

### Browser/computer crashes

If you experience a browser or computer crash during a quiz, when you begin the quiz again, the answers that you previously saved will be there. **Note:** any time that your computer or browser is unavailable during a quiz will be considered to be part of your total completion time for the quiz.

## Business Extra

Business Extra provides students and students with ongoing access to pertinent articles from **WSJ.com** and other business publications. Accounting articles are posted on a portion of the **Business Extra** site, though the site contains articles in many business areas. Updated every two weeks, the list of articles is available to you by clicking the link above. You will need to purchase a *separate* password to access **Business Extra**.

