ACCT 332 - Section 5
Intermediate Financial Accounting II
Th, 7:20 – 10:00 pm, ENT 173

Instructor: William A. Gray
Office: Adjunct Offices Enterprise Hall
Phone: 703-674-6180
Email: wag9463@aol.com (for course material questions, please post to the Blackboard Discussion Board)
Office Hours: Th 6:00-7:00 pm, or by appointment.

Web Address: http://courses.gmu.edu. The course Blackboard website will have slides for each chapter and other materials I will provide. It is your responsibility to download these materials before class. Please also note that any questions related to the course material must be submitted to the Blackboard Discussion Board.

Course Objectives: Upon completing this course, students should:
A. Be competent in the material covered by the course.
B. Be knowledgeable about global business and trade as it applies to International Financial Reporting Standards.
C. Be capable of recording, analyzing, interpreting and communicating financial and non-financial information for users of such information in accordance with applicable professional authoritative literature.
D. Possess the research skills to access, understand and apply relevant professional authoritative literature.

Prerequisites: ACCT 331 with a grade of “C” or better

Required Materials:
- Instructor Power Point Presentation Slides and Other Notes
- McGraw Hill Connect Accounting accompanying Spiceland et al. textbook. Connect Accounting can either purchased in the bookstore.
- The Connect Accounting sites are as follows:
  http://connect.mcgraw-hill.com/class/wgraysection5

Please note that the assigned homework problems and exercises are listed on Connect Accounting sites only and are not included in this syllabus. This is done because homework assignments are subject to change.
Communication between instructor and students:
I will be in contact with you regularly via email and/or Blackboard announcements about administrative issues, related to the course. It is your responsibility to read your email/Blackboard announcements regularly and stay informed of all the class developments. Please make sure that your email mail-boxes are functioning to avoid missing important announcements.

Calculator:
Only non-programmable calculators are allowed on the exams. I recommend buying a cheap non-programmable calculator in the school bookstore. They run for about $4 a piece.

Grading:

<table>
<thead>
<tr>
<th>Component</th>
<th>Points</th>
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</thead>
<tbody>
<tr>
<td>Midterm</td>
<td>150</td>
</tr>
<tr>
<td>Homework</td>
<td>50</td>
</tr>
<tr>
<td>Case</td>
<td>50</td>
</tr>
<tr>
<td>Tests</td>
<td>50</td>
</tr>
<tr>
<td>Comprehensive Final Exam</td>
<td>200</td>
</tr>
<tr>
<td>Total Points</td>
<td>500</td>
</tr>
</tbody>
</table>

Final grades shall be determined by a ranking of all students who complete the course. Letter grade shall be assigned based upon the total points earned throughout the course. After each examination, a grade to date will be communicated to the class.

Midterm and Final Exams:
- There will be a common midterm exam and a comprehensive common final examination during the semester. Both exams are common for all sections of Acct 332 (i.e. commonly administered and commonly graded by all faculty members teaching the course). The midterm exam will be on Saturday, March 26th, 10:30-1:15 pm. The final will be on May 11th, 2011, 7:30 am-10:15 am.

Should any changes occur, you will be notified via email.

You are expected to be present for all examinations. If a last minute emergency arises that will prevent you from taking an examination, get in touch with me as soon as possible (e.g., call and leave an appropriate message on my voice mail). Be prepared to provide acceptable, official documentation supporting your case. An unapproved absence will result in a grade of zero on the exam.

If you have a justifiable conflict with taking the exams on scheduled dates, please contact me in advance to schedule a make-up exam. Mid-term exam must be taken within reasonable time limit (usually no more than a week after the scheduled date). Final exam must be taken within 3 days of the scheduled time. By justifiable conflict, I mean a religious obligation, illness, etc. Note that it is a student’s responsibility to make required arrangements for alternative exam dates in advance. An example of un-justifiable conflict is wanting to go on break early, etc.
Tests:
There will be a 30-45 minute test for each chapter that is covered during the semester. The test will be administered at the beginning of the class period following the completion of the chapter. The test will be worth a cumulative of 50 points for the semester. The test are designed to ensure that you are on track with your studies.

NOTE TO STUDENTS WHO NEED TO TAKE TESTS/EXAMS IN THE OFFICE OF STUDENTS WITH DISABILITIES:

You must make arrangements with me in advance if you need special accommodations with the ODS office, such as alternative quiz/exam time.

Case:
Each student must submit one written case. The case is due on or before March 1st, 2011 in the beginning of class. The case should be word-processed and written in memo form as if it were to be presented to the partner in charge of an audit client and should represent a staff accountant’s opinion as to the appropriate treatment of an accounting problem. You must submit both a paper copy to the instructor and an electronic copy to SAFEASSIGN (available through Blackboard).

Reference should be made to the appropriate accounting literature and indicate the alternatives available to account for the problem, the advantages and disadvantages of each alternative and reasons for the recommended treatment.

Grades will be based upon both the answer and rationale for selecting the alternative. The form of the memo will also be evaluated; this includes proper style, grammar, spelling, and so forth. The case will be worth 50 points and, as a guideline, should probably be no more than 3 single-spaced pages in length. No late cases will be accepted.

Sources to answer case question(s)

- FASB Codification System:
  You may log in at http://aaahq.org/ascLogin.cfm using the following:

  Username – AAA52638
  Password – Srgwkie

- Accounting Research Manager (must be accessed through SOM computer or proxy server): http://www.accountingresearchmanager.com

- FASB website: http://www.fasb.org

- IASB website: http://www.iasb.org

- SEC website: http://www.sec.gov
Homework Problems:
For each of 9 chapters you will be assigned at least one homework worth 5 points. For some chapters, which are considered more difficult or important, you are assigned two homeworks. You can accumulate up-to 50 points on homework (even though the total cumulative points exceed this number). Homework deadlines are as follows: March 25th, 2011 (11:59 pm) for pre-midterm assignments, and Tuesday, May 10th, 2011 (11:59 pm) for post-midterm assignments. You cannot submit the homework after the deadline. You can consult with others or work in groups on homework; however, the actual submission of answers must be your own work. Note that even though the homework deadlines are sometimes substantially later than the classes covering their respective topics, you must do homework earlier to be successful in the course. We assign the deadlines to be later in order to accommodate your busy schedules, but it is your responsibility to be on track with your studies.

Withdrawal Policy:
If you desire to withdraw from the course, you must submit a drop form to Student Services on or before April 1st, 2011.

Accommodations for Students with Disabilities:
The Disability Resource Center (located in 234 Student Union Building I) provides a wide variety of academic support services to all currently enrolled GMU students who have an type of mental or physical disability or either a temporary or permanent nature. These services include assistance with course accommodations, adaptive equipment, individualized exam administration, taped textbooks, wheelchair repair, library needs, registration, handicapped parking, accessible housing and transportation, as well as many other needs. If you feel that you may need assistance of this nature, call the Center at (703) 993-2474. In addition, you should notify me about any special needs as soon as possible.

Honor Code:
All work on tests and examinations is expected to be completed on your own. You may work with other students while doing homework and in learning the material. On the case assignment, you may discuss the case questions with other students, but the actual write up and analysis must be your own work. You are also expected to understand and follow the GMU Honor Code. Suspected Violations of the Honor Code will result in the immediate referral to the Honor Code Committee.

Note to students:
I reserve the right to change the provisions of the syllabus, as the semester progresses. If any changes are made, students will be notified.
## Course schedule (tentative and subject to change)

<table>
<thead>
<tr>
<th>Week</th>
<th>Class</th>
<th>Topic</th>
<th>Note</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Jan 27&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Current Liabilities (Chapter 13)</td>
<td></td>
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<tr>
<td>2</td>
<td>Feb 3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>Bonds (Chapter 14 and part of Chapter 12 related to debt investments)</td>
<td></td>
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<tr>
<td>3</td>
<td>Feb 10&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Bonds, Leases (Chapter 15)</td>
<td></td>
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<tr>
<td>4</td>
<td>Feb 17&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Leases</td>
<td></td>
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<tr>
<td>5</td>
<td>February 24th</td>
<td>Leases</td>
<td><em>Last day to drop the class - February 25&lt;sup&gt;th&lt;/sup&gt;, 2011</em></td>
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<tr>
<td>6</td>
<td>March 3rd</td>
<td>Leases, Deferred taxes (Chapter 16)</td>
<td><em>Case is due March 1&lt;sup&gt;st&lt;/sup&gt; in the beginning of class.</em></td>
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<td>7</td>
<td>March 10&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Deferred taxes</td>
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<td></td>
<td>March 17&lt;sup&gt;th&lt;/sup&gt;</td>
<td><strong>Spring break</strong></td>
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<tr>
<td>8</td>
<td>March 24&lt;sup&gt;th&lt;/sup&gt;</td>
<td></td>
<td></td>
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<tr>
<td>9</td>
<td>Saturday, March 26&lt;sup&gt;th&lt;/sup&gt;</td>
<td><strong>Midterm examination</strong></td>
<td></td>
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<tr>
<td>10</td>
<td>March 31&lt;sup&gt;st&lt;/sup&gt;</td>
<td>Pensions (Chapter 17)</td>
<td></td>
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<tr>
<td>11</td>
<td>April 7th</td>
<td>Pensions, Equity (Chapter 18)</td>
<td><em>Last day to selectively withdraw: April 1&lt;sup&gt;st&lt;/sup&gt; 2011</em></td>
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<tr>
<td>12</td>
<td>April 14&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Equity, Share-based payments/EPS (Chapter 19)</td>
<td></td>
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<tr>
<td>13</td>
<td>April 21&lt;sup&gt;st&lt;/sup&gt;</td>
<td>Share-based payments/EPS</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>April 28&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Statement of Cash Flows (Chapter 21)</td>
<td></td>
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<tr>
<td>15</td>
<td>May 5th</td>
<td>Statement of Cash Flows/Accounting Errors and Changes (Chapter 20)</td>
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<td></td>
<td>May 11, 2011, 7:30am-10:15 am</td>
<td><strong>Final Examination</strong></td>
<td></td>
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</table>
Appendix A:

Mapping of the Undergraduate Program Learning Goals into Course Objectives:

Course Objectives: Upon completing this course, students should:
A. Be competent in the material covered by the course.
B. Be knowledgeable about global business and trade as it applies to International Financial Reporting Standards.
C. Be capable of recording, analyzing, interpreting and communicating financial and non-financial information for users of such information in accordance with applicable professional authoritative literature.
D. Possess the research skills to access, understand and apply relevant professional authoritative literature.

<table>
<thead>
<tr>
<th>Learning goals for the Undergraduate Programs</th>
<th>Acct 332 Course Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Our students will be competent in their discipline.</td>
<td>A</td>
</tr>
<tr>
<td>2. Our students will be competent with technology.</td>
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<tr>
<td>3. Our students will be effective communicators.</td>
<td>C,D</td>
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<tr>
<td>4. Our students will have an interdisciplinary perspective.</td>
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<tr>
<td>5. Our students will be knowledgeable about global business and trade.</td>
<td>B</td>
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<tr>
<td>6. Our students will be ethically aware (or ethical decision makers).</td>
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<td>7. Our students will be effective team members.</td>
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<td>8. Our students will be accepting of diversity.</td>
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<tr>
<td>9. Our students will be critical thinkers.</td>
<td>A,B,C,D</td>
</tr>
</tbody>
</table>

Appendix B:

Acct 332: Detailed Content Outline

Note to students: This outline is a list of topics and concepts which we will be covering in each chapter. This outline should serve as your study guide of topic coverage for quizzes and exams.
Current Liabilities—Chapter 13
- Accounts payable, short-term notes payable, commercial paper
- Accruals (interest payable, salaries accruals, vacation pay, bonuses, other payroll related liabilities)
- Advances from customers
- Collections from third parties
- Current vs. non-current classification
- Obligations expected to be re-financed
- Loss contingencies
- Warranties and guarantees
- Subsequent events
- Relevant differences between IFRS and US GAAP

Bonds and Long-Term Notes—Chapter 14 (part of Investments from Chapter 12)
- Effective interest amortization method. Amortization table. Interest expense journal entries.
- Straight line amortization method. Interest expense journal entries.
- Investments in the other companies bonds and notes
  - Investments held to maturity
    - Accounting at initial purchase
    - Amortization of interest
    - Recording of periodic interest revenue
    - Accounting at the sale of the securities
- Mark-to-market and fair value accounting for bond investments for both bond issuer and holder
- Early retirement of debt
- Debt issue costs
- Installment Notes
- Notes issued for assets or services
- Convertible bonds
  - Issuance
  - Exercise of the conversion option
  - Relevant differences between IFRS and US GAAP-convertible debt
- Bonds with detachable warrants
- Troubled debt restructuring
  - Debt settlement
  - Modification of debt terms
- Relevant differences between IFRS and US GAAP

Leases—Chapter 15
- Economic definition of a lease: when to capitalize (passage of substantive economic ownership)
- Advantages of leasing
- Concept of off-balance sheet financing: effects of lease capitalization on firms’ capital
structure

- Criteria for lease capitalization. Know what they are and what each means. Be able to apply to determine whether to capitalize or not
- Understand what types of payments are included in the minimal lease payments, and which ones are not (e.g. executory costs)
- Compute present value of minimum lease payments.
- Be able to record lease accounting journal entries from perspective of both lessor and lessee
- Be able to construct lease amortization schedule in Excel and by hand
- Understand how to record depreciation on capitalized lease
- Basic understanding of how to differentiate between current and non-current portion of lease obligation
- Understand operating lease treatment and how to record depreciation on operating leases
- Basic differences in timing expense patterns between capital and operating leases
- Understand the distinctions in lessor accounting for direct financing and sales type leases
- Be able to make journal entries for direct financing type lease
- Understand what is meant by guaranteed and unguaranteed residual values. Understand how to include these in minimal lease payments calculations for lessor and lessee
- Understand how to calculate implied profit on the sales type lease
- Understand how guaranteed/un-guaranteed residual values impact sales-type lease accounting
- Understand the accounting for bargain purchase option
- Understand the accounting for direct lease financing costs
- Understand basic disclosures required for leases
- Relevant differences between IFRS and US GAAP

**Taxes—Chapter 16**

- Understand why taxable income is different from GAAP income and how it leads to creation of deferred taxes;
  - Permanent differences vs. temporary differences
  - Examples of types of transactions resulting in permanent differences
  - Examples of types of transactions resulting in temporary differences
  - Difference between current tax expense and deferred tax expense
  - Be able to create a basic tax differences schedule and to compute deferred and current taxes on the basis of that schedule
  - Basic journal entries for deferred taxes in the first and subsequent years
  - Know which differences result in deferred tax assets and which result in deferred tax liabilities, and how journal entries will differ
  - Deferred tax asset valuation allowance for deferred tax assets and net operating loss carryforwards.
- Revision of future tax rates
- Treatment of net operating losses
- Basic financial statement presentation
- Relevant differences between IFRS and US GAAP
Pensions-Chapter 17

- Understand what is meant by pension fund
- Understand differences between employer accounting for pensions and fund accounting for pensions
- Defined benefit vs. defined contribution plan
- Know what journal entry is made for defined contribution plan
- Understand pension obligation concepts:
  - Projected Benefit Obligation
- Be able to compute PBO from basic examples
- Know how to calculate all the components of pension expense
  - Service Cost
  - Interest Cost
  - Expected Return on Plan Assets
  - Amortization of Prior Service Cost
  - Amortization of Pension Gains/Losses
- Understand how to treat pension plan funding status under SFAS 158
- Relevant differences between IFRS and US GAAP

Chapter 18-Equity

- Basic overview of corporation lingo:
  - Limited Liability
  - Double Taxation
  - Corporate Charter
  - Corporate By-laws
  - Paid-in capital
  - Authorized, issued and outstanding shares
  - Par value
  - Legal capital
- Understand differences between preferred and common stock
- Be able to record basic stock issuance transactions for cash and other types of consideration
- Understand pre-incorporation subscription agreements and their accounting
- Accounting for share issue costs
- Stock repurchases (treasury stock transactions)-book value and market value methods
- Stock retirements
- Accounting for dividends and retained earnings
  - Cash dividends
  - Stock dividends
  - Retained earnings restrictions
- Stock splits
  - Why firms do them
- Basic understanding for accounting for hybrid securities
- Be able to prepare Statement of Retained Earnings and Statement of Changes in Shareholders’ Equity.
- Relevant differences between IFRS and US GAAP
Chapter 19- Stock Options and EPS

- Reasons for compensating employees with
- Accounting for restricted stock
- Accounting for employee stock options
  - Conceptual understanding of how to value options
  - Be able to make stock option expense journal entries on the basis of stock options valuation information given
  - Understand differences between qualified and non-qualified stock options and implications for deferred tax accounting
  - Conceptually understand implications of contingencies in stock option plans
- Stock appreciation rights
  - Settled with cash
  - Settled with equity
- Earnings Per Share
  - Simple vs. complex capital structure
  - Computing weighted average shares outstanding
  - Computation of basic EPS
    - Effects of stock dividends and stock splits
    - Cumulative dividends on preferred stock
  - Diluted EPS
    - Definition of dilutive securities
    - Impact of convertible bonds
    - Impact of unexercised stock options
    - Treatment of anti-dilutive securities: be able to assess anti-dilutive effects.
  - EPS presentation on the income statement
- Relevant differences between IFRS and US GAAP

Chapter 21-Statement of Cash Flows

- Be able to prepare Statement of Cash Flows using both direct and indirect method
- Be able to calculate Investing and Financing Cash Flows incorporating information on various accounts (e.g. acquisitions and disposals of PPE, non-cash transactions, calculating the effects of bond amortization, bond conversions, etc.)
- Relevant differences between IFRS and US GAAP

Chapter 20-Error Corrections

- Understand treatment of accounting changes due to
  - Principles changes
  - Changes in estimates
  - Changes in reporting entity
- Be able to correct errors in various accounts by restating or by correcting through retained earnings
- Be able to make error corrections while giving consideration to tax effects
- Know about consequences of restatements for firms.
- Relevant differences between IFRS and US GAAP