PRINCIPLES OF ACCOUNTING I
ACC 2110

Catalog Course Description:
A study of financial accounting theory and practice. Includes analyzing and preparing financial statements for sole proprietorships, corporations, and merchandising firms. Also includes accounting for cash, receivables, inventories, plant and equipment, and current liabilities and payroll. Emphasis is placed on analyzing, preparing, and reporting financial information.

Entry Level Standards:
The student must be able to read and comprehend at the college level. The student must have a working knowledge of college-level algebra and business mathematics.

Corequisite:
College-level math

Textbook(s) and Other Reference Materials Basic to the Course:

Required:
Accounting Paper, 82" x 11", 2-column Calculator

Recommended:
Study Guide to accompany text.

Note: Programmable calculators (TI 85, etc.) may not be used on exams or quizzes in this course. In addition, no sharing of calculators will be allowed during exams or quizzes.

I. Week/Unit/Topic Basis:

<table>
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<tr>
<th>Week</th>
<th>Topic</th>
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<tr>
<td>1</td>
<td>Summarizing Business Activity and Using Financial Statements</td>
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II. Course Objectives*:

A. Develop an understanding of basic accounting and simple financial statements.  
   I, III, IV, V, VI, VII

B. Apply generally accepted accounting principles to a corporation and a merchandising business.  I, III, V, VI, VII, VIII

C. Demonstrate a basic knowledge of the accounting cycle, measuring business income, and the impact of transactions on the statement of cash flows.  I, III, V

D. Exhibit an understanding of internal control, cash, short-term investments and receivables.  I, III, V, VI, VIII

E. Acquire an understanding of inventories, the various cost flow assumptions, and their effect on income, assets, and cash flows.  I, III, V

F. Develop an understanding of accounting for property, plant, and equipment.  I, III, V

G. Demonstrate knowledge of current liabilities, payroll and payroll taxes, and long-term liabilities.  I, III, V, VIII

H. Acquire an understanding of accounting for stockholders’ equity of a corporation.  I, V

I. Demonstrate knowledge of financial statement ratios used to evaluate performance.  I, III

*Roman numerals after course objectives reference goals of the Business and Computer Technologies department.

III. Instructional Processes*:

Students will:

1. Discuss Generally Accepted Accounting Principles and how economic events are identified, recorded, and communicated to internal and external user groups.  Communication Outcome, Problem Solving and Decision Making Outcome, Numerical Literacy Outcome, Information Literacy Outcome, Active Learning Strategies

2. Discuss how internal, and primarily external, user groups interpret financial accounting data
and make informed judgements about this data to facilitate decision making and problem solving strategies. *Communication Outcome, Personal Development Outcome, Problem Solving and Decision Making Outcome, Numerical Literacy Outcome, Information Literacy Outcome, Active Learning Strategies*

3. Use critical thinking skills to interpret and evaluate the financial statements of existing companies and make informed judgements about these statements to facilitate in decision making and problem solving strategies. *Personal Development Outcome, Problem Solving and Decision Making Outcome, Numerical Literacy Outcome, Information Literacy Outcome, Active Learning Strategies*

4. Take part in course assignments involving team discussions. *Communication Outcome, Problem Solving and Decision Making Outcome, Cultural Diversity and Social Adaptation Outcome, Numerical Literacy Outcome, Information Literacy Outcome, Transitional Strategies, Active Learning Strategies*

5. Discuss ethical issues and their impact on corporate financial statements. *Communication Outcome, Personal Development Outcome, Cultural Diversity and Social Adaptation Outcome, Numerical Literacy Outcome*

6. Practice elements of the work ethic such as professionalism, preparedness, punctuality, honesty, cooperation, dependability, contribution, effectiveness, and good manners. *Personal Development Outcome, Cultural Diversity and Social Adaptation Outcome*

7. Prepare and discuss individual written assignments. *Communication Outcome, Problem Solving and Decision Making Outcome, Numerical Literacy Outcome, Information Literacy Outcome*

*Strategies and outcomes listed after instructional processes reference Pellissippi State’s goals for strengthening general education knowledge and skills, connecting coursework to experiences beyond the classroom, and encouraging students to take active and responsible roles in the educational process.

**IV. Expectations for Student Performance**: 

Upon successful completion of this course, the student should be able to:

1. Explain the meaning of accounting. A
2. Identify the users and uses of accounting information. A
3. Understand ethical considerations in accounting and business. A
4. Identify the types of business organizations. A
5. Explain the meaning of the entity concept, the reliability principle, the cost principle, the going-concern concept, and the stable-monetary-unit concept. A
6. State the basic accounting equation and explain the meaning of the assets, liabilities, and owners’ equity. A, B
8. Explain what the statement of cash flows and the impact of various activities have on operating, investing, and financing activities. C
9. Analyze the effect of business transactions on the basic accounting equation. A, B, C
10. Explain what a T-account is and the rules of debits and credits. A, C
11. Record transactions in the general journal. A, B, C
12. Explain what a ledger is and its role in the recording process. A, C
13. Explain the process of posting and its role in the recording process. A, C
14. Explain what a trial balance is and its purpose. A, C
15. Explain what a chart of accounts is and its purpose. A, C
16. Describe the differences between accrual and cash basis accounting. A, B, C
17. Explain the time-period concept. A, B, C
18. Explain the revenue recognition and matching principles. A, B, C
19. Explain why adjusting entries are needed. A, C
20. Identify the major types of adjusting entries. A, C
21. Prepare adjusting entries related to prepaid expenses. A, C
22. Prepare adjusting entries to record depreciation. A, C
23. Prepare adjusting entries to record accruals. A, C
24. Prepare adjusting entries related to unearned revenues. A, C
25. Describe the nature and purpose of an adjusted trial balance. A, C
26. Discuss ethical issues in accrual accounting. A
27. Distinguish between temporary and permanent accounts. A, C
28. Prepare closing entries. A, C
29. Explain the purpose of the income summary account. A, C
30. Discuss the detailed classification of assets and liabilities. C
31. Discuss the different formats used for preparing financial statements. C
32. Calculate and discuss the current ratio. I
33. Calculate and discuss the debt ratio. I
34. Define and discuss the basic principles of internal control. D
35. Prepare a bank reconciliation. D
36. Prepare the adjusting entries related to the bank reconciliation. D
37. Discuss how managers and owners use the bank reconciliation. D
38. Discuss the operating cycle for a business. D
39. Discuss the process of managing cash. D
40. Describe the internal controls over cash receipts and cash disbursements. D
41. Record and discuss petty cash disbursements. D
42. Discuss the use of budget to manage cash and prepare a cash budget. D
43. Describe how cash is reported on the balance sheet. D
44. Explain basic terminology in accounting for short-term investments and receivables. D
45. Describe the different types of receivables. D
46. Discuss internal controls over the collection of receivables. D
47. Distinguish between the methods used to account for uncollectible accounts receivables. D
48. Explain how credit-card sales are accounted for. D
49. Compute the maturity date of, and interest on, notes receivable. D
50. Explain how notes receivable are recognized in the accounts. D
51. Discuss how receivables are used to finance operations. D
52. Discuss contingent liabilities on discounted notes receivable. D
53. Calculate and discuss the acid-test (quick) ratio. I
54. Calculate and discuss days' sales in receivables. I
55. Discuss the relationship between short-term investments and receivables and the statement of cash flows. C, D
56. Distinguish between the perpetual and the periodic inventory system. B, E
57. Calculate and discuss cost of goods sold. B, E
58. Calculate and discuss gross margin. B, E
59. Compute the cost of inventory. E
60. Determine cost of goods sold and ending inventory under the four inventory costing methods allowed by GAAP using a periodic inventory system. E
61. Discuss the income effects of FIFO, LIFO, and weighted-average costing methods. E
62. Discuss the consistency principle, disclosure principle, materiality concept, and accounting conservatism and describe their relevance to inventories. A, E
63. Discuss the effects of inventory errors. E
64. Discuss ethical issues in accounting for inventory. A, E
65. Describe the gross profit method of estimating inventory. E
66. Calculate and discuss the gross margin percentage. I
67. Calculate and discuss the inventory turnover ratio. I
68. Discuss internal control over inventory. D, E
69. Describe how inventory transactions are reported on the statement of cash flows. E
70. Discuss the types of long-term assets. F
71. Measure the cost of plant assets. F
72. Describe and calculate depreciation using the straight-line, units-of-production, and double-declining-balance methods. F
73. Discuss the relationship between depreciation and income taxes. F
74. Describe depreciation for partial years. F
75. Discuss the disposal of plant assets. F
76. Describe accounting for intangible assets and amortization. F
77. Discuss capital expenditures versus revenue expenditures. F
78. Discuss ethical issues in accounting for plant assets and intangibles. A, F
79. Describe the reporting of plant assets transactions on the statement of cash flows. C, F
80. Discuss how short-term notes payable are accounted for. G
81. Describe how sales taxes are reported for. G
82. Discuss payroll liabilities and payroll taxes. G
83. Discuss contingent liabilities. G
84. Discuss the basics of bonds. G
85. Describe the issuance of bonds at face-value, at a discount, and at a premium. G
86. Calculate and record interest on notes payable. G
87. Calculate and record the amortization of a discount and a premium on notes payable using the straight-line method. G
88. Discuss the advantages of financing operations with bonds versus stock. B, G, H
89. Discuss how current and long-term liabilities are reported on the balance sheet. G
90. Discuss the reporting of financing activities on the statement of cash flows. C
91. Describe the characteristics of a corporation. H
92. Discuss the organization of a corporation. H
93. Describe the rights of stockholders.  H
94. Discuss paid-in capital and retained earnings.  H
95. Describe the classes of stock.  H
96. Account for the issuance of stock.  B, H
97. Discuss ethical considerations in accounting for the issuance of stock.  A, H
98. Discuss donations received by a corporation.  B, H
99. Discuss treasury stock and describe how it is reported on corporate financial statements.  B, H
100. Describe how cash and stock dividends are accounted for.  B, H
101. Discuss stock splits.  B, H
102. Calculate and discuss return on assets.  I
103. Calculate and discuss return on equity.  I
104. Discuss reporting stockholders' equity transactions on the statement of cash flows.  C
105. Discuss the corporate income statement.  C
106. Discuss the basics of financial statement analysis.  I
107. Describe horizontal and vertical analysis.  I

*Letters after performance expectations reference the course objectives listed above.

V. Evaluation:

A. Testing Procedures:

The instructor's policies on exams, quizzes, homework, attendance, and grades will be provided on a supplement to the course syllabus. A minimum of 4 major exams is recommended.

B. Laboratory Expectations:

None

C. Field Work:

None

D. Other Evaluation Methods:

This information, if applicable, will be provided by the instructor in full detail during the first week of class via syllabus supplement.

E. Grading Scale:

92 - 100  A
VI. Policies:

Attendance Policy:

Pellissippi State Technical Community College expects students to attend all scheduled instructional activities. As a minimum, students in all courses must be present for at least 75 percent of their scheduled class and laboratory meetings in order to receive credit for the course.