

CHAPTER 1: INTRODUCTION TO ACCOUNTING

LEARNING OBJECTIVES

- Recognize the primary statements used and the key areas of accounting.
- Recognize major accounting rule-making organizations.
- Identify the global focus in financial reporting.
- Identify the basic accounting principles.
- Identify the different types of business entities.

TOPICS COVERED

- Nature and Scope of Accounting
 - Accounting: The Basis for Decision Making
- The Major Areas of Accounting
 - Private Accounting
 - Public Accounting
 - Governmental Accounting
- Major Accounting Rule-Making Organizations
 - American Institute of CPAs
 - Financial Accounting Standards Board (FASB)
 - Securities and Exchange Commission (SEC)
 - The International Accounting Standards Board (IASB)
 - Public Company Accounting Oversight Board (PCAOB)
 - Governmental Accounting Standards Board (GASB)
 - Other Organizations
- The Global Trends and Developments in Financial Reporting
- The Basic Accounting Principles
 - Historical Cost
 - Conservatism
 - Consistency
 - Comparability
 - Going Concern
 - Matching
 - Realization
 - Accrual
 - Materiality
 - Disclosure
 - Objectivity
 - Timeliness
 - Relevant
 - Stable Dollar
 - Accounting Period
 - Entity
- The Concept of the Business Entity
 - Sole Proprietorship
 - Partnership
 - Corporation
 - Limited Liability Corporation (LLC)
- Presenting Accounting Information through Financial Statements
 - Balance Sheet
 - Owners' Equity
 - Income Statement
 - Statement of Cash Flows

CHAPTER 2: UNDERSTANDING THE FINANCIAL STATEMENTS

LEARNING OBJECTIVES

- Recognize the primary purpose and use of different accounting financial statements.
- Identify the format of the income statement.

TOPICS COVERED

- The Income Statement and Balance Sheet
 - Revenue
 - Expenses
 - Net Income (Loss)
 - Assets
 - Liabilities
 - Equity
- The Statement of Cash Flows
 - FASB Requirements
 - Accrual Basis of Accounting
 - Operating Activities
 - Investing Activities
 - Financing Activities
 - Considerations of Certain Cash Receipts and Cash Payments
- Notes to Financial Statements

CHAPTER 3: RECORDING FINANCIAL INFORMATION AND ACCOUNTING CONVENTIONS

LEARNING OBJECTIVES

- Recognize the double entry system and the accounting equation.
- Recognize the system of debits and credits.
- Identify different depreciation methods and calculate depreciation rates.

TOPICS COVERED

- Double Entry and the Accounting Equation
 - The Accounting Equation

- The Account
- Ledger
- A Chart of Accounts
- The System of Debits and Credits
- The "How and Why" of Debits and Credits
- Journals
- Types of Depreciation Methods
 - Straight-Line Method
 - Sum-of-the-Years'-Digits (SYD) Method
 - Double-Declining-Balance (DDB) Method
 - Units of Production Method
 - Which Method to Use

CHAPTER 4: ANALYSIS OF THE FINANCIAL STATEMENTS

LEARNING OBJECTIVES

- Recognize the benefits of financial statement analysis, and how key ratios are applied.
- Distinguish among trend analysis, vertical analysis, and horizontal analysis.
- Recognize various ratios used in financial analysis.

TOPICS COVERED

- Who Uses Financial Analysis?
 - Internal Managers
 - External Users
 - Horizontal and Vertical Analysis
- Financial Statement Analysis
 - Trend Analysis
- Ratio Analysis
 - Liquidity Analysis
 - Working Capital
 - Accounts-Receivable Ratios
 - Inventory Ratios
 - Interrelationship of Liquidity and Activity to Earnings
 - Measuring a Company's Ability to Pay Its Long-Term Debt
 - Profitability Ratios
 - Earnings per Share
 - Evaluating Stock as an Investment
 - Book Value and Market Value for Selected Companies
- Limitations of Ratio Analysis

CHAPTER 5: WHAT IS MANAGEMENT ACCOUNTING?

LEARNING OBJECTIVES

- Recognize the benefits of and applications of management accounting and different management systems.
- Identify how to classify different costs in management accounting.

TOPICS COVERED

- Financial Accounting versus Management Accounting
- The Work of Management
- Cost Accounting versus Management Accounting
- Controllership
- Managerial Accounting in the New Production Environment
 - Total Quality Management and Quality Costs
 - Continuous Improvement (CI) and Benchmarking
 - Business Process Reengineering (BPR)
 - Just-in-Time and Lean Production
 - Theory of Constraints (TOC) and Bottlenecks Management
- Cost Classifications and Profit Concepts
- Costs by Management Function
- Product Costs and Period Costs
- Direct Costs and Indirect Costs
 - Direct Costs of Nonmanufacturing Firms
- Variable Costs, Fixed Costs, and Mixed Costs
- Unit Costs and Total Costs
- Costs for Planning, Control, and Decision Making
- Merchandising vs Manufacturing Organizations
- Income Statements and Balance Sheets - Manufacturer
- The Contribution Income Statement

CHAPTER 6: PRODUCT COSTING METHODS: JOB ORDER COSTING, PROCESS COSTING, AND ACTIVITY-BASED COSTING

LEARNING OBJECTIVES

- Recognize basic assumptions and uses of different cost systems.

TOPICS COVERED

- Job Order Costing and Process Costing Compared
- DIFFERENCES BETWEEN JOB ORDER COSTING AND PROCESS COSTING
- Job Order Costing
- Job Cost Records
- Factory Overhead Application
 - Predetermined Factory Overhead Rate
 - Disposition of Under- and Over-Applied Overhead
 - Plantwide versus Departmental Overhead Rates
- TOTAL PRODUCT COSTS AND PROFITS
- Activity-Based Costing
- Composition of Product Cost
 - First-Stage Procedure
 - Second-Stage Procedure
- Using Activity-Based Costing to Make Marketing Decisions

CHAPTER 7: COST BEHAVIOR AND COST-VOLUME-PROFIT ANALYSIS

LEARNING OBJECTIVES

- Identify the benefits of developing a cost-volume profit analysis.
- Compute the sales necessary to break even or to achieve a target income.
- Perform a variety of "what-if" analyses using the contribution approach.

TOPICS COVERED

- A Further Look at Costs by Behavior
- Types of Fixed Costs Committed or Discretionary
- Analysis of Mixed (Semi-variable) Costs
 - Relevant Range
- Engineering Analysis
- Account Analysis
- The High-Low Method
- Questions Answered by CVP Analysis
 - Contribution Margin (CM)
- Break Even Analysis
 - Graphical Approach
 - Determination of Target Income Volume
 - Impact of Income Taxes
 - Margin of Safety
- Present
- Proposed
- Difference
 - Sales Mix Analysis
 - Deluxe
 - Standard

CHAPTER 8: BUDGETING AND STANDARD COST SYSTEMS

LEARNING OBJECTIVES

- Identify the different budgets used in an organization and their purpose.
- Recognize characteristics of a standard costing system and different cost variances.

TOPICS COVERED

- Types of Budgets
 - The Sales Budget
 - Monthly Cash Collections from Customers
 - The Production Budget
 - Inventory Purchases – Merchandising Firm
 - The Cash Budget
 - The Budgeted Income Statement
 - The Budgeted Balance Sheet
 - Financial Modeling
- Standard Costs and Variance Analysis
- General Model for Variance Analysis
 - Materials Variances
 - Labor Variances
 - Variable Overhead Variances
- Nonfinancial Performance Measures

CHAPTER 9: RESPONSIBILITY ACCOUNTING

LEARNING OBJECTIVES

- Identify uses and attributes of a contribution margin approach.
- Recognize and compute return on investment (ROI) by means of the Du Pont formula.
- Identify how ROI and Residual Income (RI) measures affect the division's investment decision.

TOPICS COVERED

- Responsibility Accounting and Responsibility Center
- Control of Profit Centers
- Segmental Reporting for Profit Centers
- Control of Investment Centers
 - Rate of Return on Investment (ROI)
 - The Breakdown of ROI -- Du Pont Formula
 - ROI and Profit Planning
 - Residual Income (RI)
 - Residual Income and Economic Value Added
- Investment Decisions under ROI and RI

CHAPTER 10: RELEVANT COSTS AND SHORT-TERM DECISIONS

LEARNING OBJECTIVES

- Identify the costs that are relevant for different financial decisions.
- Recognize factors used in making a short-term profit maximization decision.

TOPICS COVERED

- Relevant Costs Defined
- Pricing a Special Order
- Outsourcing: The Make or Buy Decision
- The Sell-or-Process-Further Decision
- Keeping or Dropping a Product Line
- Product Mix Decisions in the Presence of Limited Resources
- Theory of Constraints
 - You Should Remember

CHAPTER 11: CAPITAL BUDGETING DECISIONS

LEARNING OBJECTIVES

- Identify different attributes and ratios used in capital budgeting decisions.
- Calculate payback period for capital expenditures.

TOPICS COVERED

- What Are the Features of Investment Projects?
- Understanding the Concept of Time Value of Money
 - What Is Present Value - How Much Is Money Worth Now?
 - Present Value of Mixed Streams of Cash Flows
 - Present Value of an Annuity
- How Do You Measure Investment Worth?
 - Payback Period
 - Accounting Rate of Return
 - Internal Rate of Return
 - Net Present Value
 - NPV versus IRR: Mutually Exclusive Projects
- Time Value Tables
 - Table 1 – The Present Value of \$1.00
 - Table 2 – The Present Value of an Ordinary Annuity of \$1.00