

**UNIVERSITY OF PUERTO RICO
RÍO PIEDRAS CAMPUS
FACULTY OF BUSINESS ADMINISTRATION
DEPARTMENT OF ACCOUNTING**

COURSE TITLE: Philosophy, Theory and Problems of Financial Accounting I

Code: CONT 4001

Description: Study of the historical development and the elaboration of the fundamental concepts of the discipline of accounting. Discussion of the regulations issued by the governing bodies of the profession and the methods and procedures for the preparation, recording, analysis and dissemination of financial information on companies.

Number of hours/credits: 3 hours / 3 credits

Prerequisites: Introduction to the Fundamentals of Accounting II (CONT 3106 or CONT 3006)

Text book: Spiceland, J.D., Nelson, M.W. and Thomas, W.B. (2018). *Intermediate Accounting*. 9thE
New York: McGraw-Hill Education (**with access to CONNECT**)

Other resources: FASB Accounting Standards Codification, <http://aaahq.org/asclogin.cfm>

Learning objectives of the course: At the end of the course, the student will:

- O1. Describe the factors that affect the practice of the accounting profession to understand the impact that these have on the issuance of regulations and accounting principles.
- O2. Recognize the conceptual accounting framework to identify the theoretical foundations that serve as a basis for the development of the discipline.
- O3. Critically assess standards or accounting principles specific to the various transaction log and the preparation and dissemination of financial information that can be applied to different scenarios.
- O4. Interact with other colleagues in team work allowing them to recognize the value of reaching consensus when complex situations and unstructured problems are faced.
- O5. Organize information in a clear, precise and concise manner through the preparation of examinations, assignments, reports, and presentations, what will allow them to understand different instances in which are expressed as accounting professionals.
- O6. Distinguish between what they are and are not favorable decisions from an ethical point of view so that they can learn to hold a great sense of public and professional responsibility in the practice of accounting.
- O7. Use preset electronic sheets of computations or other productivity tools allowing them to learn how to develop the (cycle) information system accounting and solve other types of problems.

COURSE OUTLINE:

TOPICS	APROX. TIME
I. INTRODUCTION	1.5 hrs.
A. Objectives of the course	
B. Course requirements	
C. Standards and evaluation methods	
II. SOCIO-HISTORICAL JUSTIFICATION OF FINANCIAL ACCOUNTING	1.5 hrs.
A. The economic environment and financial reporting	
1. Definition and function of financial accounting	
2. Cash versus accrual basis of accounting	
B. History and institutional accounting development	
1. Institutions: AICPA, AIA, APB, CAP	
2. Role of the SEC and the FASB	
C. The development of financial and accounting standards	
1. Due Process	
2. FASB Accounting Standards Codification	
3. Updates, Interpretations and technical bulletins	
4. International Accounting Standards (IFRS & IASB)	
5. Coverage efforts	
D. High quality disclosure	
1. Auditors' role	
2. Reform after Enron: Sarbanes Oxley Act (SOX)	
3. Principles versus Rules	
4. Ethics in Accounting	
III. THE CONCEPTUAL FRAMEWORK	3 hrs.
A. Need and development of a conceptual framework	
B. Objectives and qualitative characteristics of accounting information	
1. Definitions and application	
C. Elements of the financial statements	
1. Definitions and application	
a. Assets, Liabilities, Equity (net assets), Contributions from owners, Distributions to Owners, Comprehensive Income, Income, Expenses, Gains and Losses	
D. Assumptions and principles	
1. Definitions and application	
a. Economic entity, going concern, periodicity, monetary unit	
E. Recognition and measurement concepts	
1. Definitions and application	
a. Revenue recognition (Recognition of Expenses)	
b. Measurement: Historical cost, net realizable value, actual cost, present value, fair value	
c. Present value option	
F. Full disclosure	

IV. ACCOUNTING PROCESSING CYCLE	6 hrs.
A. Procedures and steps in the accounting cycle	
1. Transaction analysis	
2. Journal entries	
3. Posting to the general ledger	
4. Preparing an unadjusted trial balance	
5. Adjusting entries	
a. Prepayments	
i. Approach of assets and debts	
ii. Approach of income and expenses	
b. Accruals	
c. Estimates	
d. Correction of errors	
6. Preparing an adjusted trial balance	
7. Preparing the financial statements	
8. Preparing closing entries	
9. Preparing a post-closing trial balance	
V. FINANCIAL STATEMENTS	7.5 hrs.
A. Balance Sheet	
1. Uses and limitations	
2. Presentation: contents, format and valuation	
3. Supplementary information	
B. Income Statement	
1. Uses and limitations	
2. Presentation: contents and format	
3. Quality of earnings	
C. Disclosure and presentation of Comprehensive Income	
D. Comprehensive Income versus Other Comprehensive Income	
E. Statement of Shareholders' Equity	
1. Presentation: contents and format	
2. Retained Earnings	
a. Adjustments for changes in accounting principle	
b. Correction of accounting errors	
3. Accumulated Other Comprehensive Income	
F. Statement of Cash Flows	
1. Uses and limitations	
2. Presentation: contents and format	
VI. CURRENT ASSETS	
A. Cash	3 hrs.
1. Definition	
2. Composition and disclosure	
3. Cash equivalents	
4. Critical aspects and aspects of control	
a. Control procedures for collections	
b. Control procedures for payments	
c. Petty cash	
d. Bank Reconciliation	
5. Restricted cash and compensatory balances	

B. Accounts Receivable	3 hrs.
1. Valuation	
2. Measurement of uncollectible accounts	
a. Net and gross methods	
b. Sales returns and allowances	
3. Uncollectible accounts	
a. Percentage of sales versus percentage of accounts receivable	
b. Expected loss for credit	
4. Impairment of accounts	
5. Presentation and impact on the financial statements	
6. Financing with Receivables	
a. Secured borrowing	
b. Sale of receivables	
c. Transfers of receivables	
d. Deciding whether to account for a transfer as a sale or secured borrowing	
7. Notes Receivable	
1. Definition	
2. Short versus long-term notes	
3. Recognition	
a. Interest bearing notes	
b. Non-interest bearing notes	
4. Disclosure	
8. Inventories	4.5 hrs
1. Definition and valuation	
a. Composition and classification	
b. Inventory systems	
i. Periodic vs. Perpetual	
c. Inventory cost flow assumptions	
i. Specific Identification	
ii. Average Cost	
iii. First-in, First-out (FIFO)	
iv. Last-in, First-out (LIFO)	
v. Dollar Value LIFO	
d. Disclosure	
2. Subsequent Measurement of Inventory	3 hrs.
a. Loss in value	
b. Cost versus Net Realizable Value	
c. Cost versus Lower of Cost or Market (LCM)	
d. Estimation methods	
i. Gross Profit Method	
ii. Retail Method	
e. Inventory Errors	
VII. – ACQUISITION OF TANGIBLE ASSETS	
A. Definition	4.5hrs.
B. Valuation (equipment, land, buildings, improvements and natural resources)	
1. Cash purchases	
2. Noncash acquisitions	

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- a. Deferred Payments
 - b. Issuance of Equity Securities
 - c. Donated Assets
 - d. Exchanges
3. Self-constructed assets and Interest Capitalization
- C. Disposal of Plant Assets

VIII. ACQUISITION OF INTANGIBLE ASSETS

- A. Definition 3 hrs.
- B. Valuation
- C. Types of intangible assets and their accounting treatment
 - 1. Identifiable vs. Not identifiable
- D. Goodwill
- E. Research and Development Costs
- F. Accounting for the cost of computer programs (software costs)
- G. Costs of starting a business or a project (start-up costs)
- H. Disclosure

IX. DISPOSAL OF ASSETS

- A. Methods of depreciation of PP & E (including partial periods) 3 hrs.
 - 1. Straight line
 - 2. Decreasing double rate
 - 3. Activity methods
 - B. Exhaustion of natural resources
 - C. Amortization of intangibles
 - D. Assets held for sale
 - E. Impairment
 - F. Payments subsequent to the acquisition
 - G. Disclosure
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