Intermediate Accounting 3
ACCT 343/543
Spring quarter, 2014
taught by Dr. David Albrecht

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be happy.
be an accountant.

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# Intermediate Accounting 3

**ACCT 343/543**

**Spring quarter, 2014**

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Intermediate Accounting 3
ACCT 343/543
Winter quarter, 2014
taught by Dr. David Albrecht

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Course: http://accountingprofessor.wordpress.com/intermediate-3
Classes:
Cost ZSB 229 6–10 M
Intermediate 3 ZSB 235 3–5 TTh
Intermediate 3 ZSB ? 6–10 W
Acct Problems ZSB ? ?
Off Hrs: ZSB 204 1–3 TTh
any other time by appointment or walk-in
Walk-ins are always welcome

Prerequisites & position in the accounting program

The prerequisites of this course are (1) passing Principles of Accounting I & 2,
(2) passing Intermediate Accounting 1, and passing Intermediate Accounting 2.

Who should take this course

All accounting majors. Every finance major. Possibly, everyone else.
Why you should take this course

I believe that *Intermediate Accounting I, II &III* are the most valuable courses in the accounting program, and possibly the most valuable courses you will ever take. There are many reasons for this, however, I will focus on only four.

Taking *Intermediate Accounting* now is more important than ever because the rules of financial accounting change all the time. Perhaps you knew something about the financial accounting rules in place two years ago. Well, they have changed so much that publishing houses are giving up on revising older texts that teach accounting. They are commissioning authors to start from scratch in explaining the current rules of accounting.

Second, American businesses are measured by the amount of profit they make. If ever you will be in a position to evaluate a business—for investing in it, selling to it on credit, lending money to it, auditing it—then you will need to know as much as you can about the primary evaluation criterion of profit. If you don’t know about or understand profit, then any decision you will make would have to be suspect—a gamble in part or in whole. Well, the measurement of profit is net income, and net income is an accounting calculation. I don’t know that calculating net income is as difficult as calculating the trajectory needed to take a space shuttle from launch pad to orbiting space station, but I think it is arguable. Net income is the most important number that financial accounting produces and reports. In the same way that the person guiding a space shuttle needs to know about trajectory, business people need to know about accounting’s net income.

Third, accounting is more than the calculation of net income. *It is the language of business!* This language is composed of vocabulary (business and accounting words), grammar (rules for constructing the equivalent of sentences and paragraphs) and idiom (expression of a given language that cannot be understood from the individual meanings of its elements). In the same way that you would need to know Chinese if you were going to emigrate to China, you should know accounting if you are going to work in business.

Finally, there are people who will try to dupe you when they communicate to you in accounting. There are subtle ways to influence the meaning of accounting reports. There are dozens of recent stories of corporate fraud, and the resulting coverup in which the financial statements have been deliberately misstated. Enron, for example, was a complex situation of infectious greed on the part of corporate management. Once their coverup in the financials was discovered, the company
went bankrupt, its auditor (Arthur Andersen) was forced out of business and the financial markets of the world crashed. WorldCom, another example, was a case of a company whose unprecedented growth suddenly stopped. As it turned out, its large, costly investments in additional capacity were unnecessary and bankrupted the company. It hid its losses by a simple (but effective) misstatement of the financials. Then, the truth came out.

In the past few years, there have been nearly thousands of instances of corporations restating their previous financials to correct an error. In many cases, this has been the result of companies pushing the envelope of what is a reasonable disclosure and auditors now finally forcing better accounting.

The public outcry following Enron and WorldCom motivated Congress to pass the Sarbanes-Oxley Act of 2002, the most significant legislation pertaining to the financial markets since the Securities Act of 1933 and the Securities Exchange Act of 1934. We are in a new age where companies simply have to get the numbers right.

And if the companies don’t get the numbers right? *It is the responsibility of auditors and users of financial information to be able to dig into the financial statements to discover what is really going on!*

Most of you hope to start a career in accounting, say as a CPA or a company accountant. Some of you are finance majors who anticipate needing to know about accounting in your future positions. All of you need to understand the precise composition of every financial statement item. We will therefore cover each of the financial statements in great detail.
Approach to the course

Knowledge of generally accepted accounting principles is the foundation of this course. Application of the rules and uses of accounting information cannot be understood until you have mastered the knowledge.

Accounting can be taught from two distinct approaches: learner centered or content/teacher centered. In a learner centered approach, students learn by doing. Content is only important to the extent that students can do something with it after the course is over. In the content/teacher centered approach, students must learn what the professor knows—factual knowledge, concepts and applications.

The content/teacher centered approach is the traditional approach used in most college classrooms. In this approach the professor lectures (or at least is clearly in charge), the students learn to know what the professor wants them to, and there are tests of factual knowledge where students must show what they know. Frequently, discussion and homework are included as part of the course grade. Professors are rated as good if they are organized, good speakers and friendly, and are rated as excellent if they are mesmerizing. Students are supposed to remember the knowledge through subsequent courses and into the real world, where they eventually will have to apply what is remembered. The conclusion from more than one thousand research studies is clear. Most knowledge that the professor wants students to know (i.e., memorize) will soon be forgotten.

The learner centered approach is in use when the course is structured to allow the student opportunities to apply (in realistic simulations) what is learned.

It has frequently been said that students learn best by doing. It’s true. If a teacher is able to show a student what is possible to do with the knowledge and concepts that have been taught, then that student is changed for a life-time. Without being able to do something with knowledge and concepts, the knowledge and concepts soon will be completely forgotten.

How can students be shown how to do things with what they have learned? First, students must be given a realistic context in which to operate. The realistic context should simulate the after-school world as much as possible. Second, in this realistic context, professors show students how to do things with what they have learned, and give them enough guidance and practice so they can learn how to do these things. When the student starts applying knowledge, a statement like “Oh that’s how it works. I see now,” is frequently heard. Class time is enhanced when students get an opportunity to do

“One should be able to do what one knows”  
Milt Hakel
something during each class. This approach is called learning by doing.

I use the learner centered approach. Don’t get me wrong, learning what to know is still a major part of the course, but it isn’t the entirety.

Sometimes opportunities to learn by doing will take place in working a problem, either as homework or work in class. There also will be a major project where the focus will be you putting your knowledge to play in a simulated but realistic business setting. This will help you learn how to do it, and at the same time you’ll learn the knowledge better.

The professor’s goals for this course

After reading the preceding pages, you probably can figure them all out. Of course, I want you to learn about accounting and financial statements. But you are not just learning about them–you are learning to be an accountant and become a more capable human being. Here is my list of goals for this offering of the course:

(1) To drill and train students in the form and structure of all four financial statements.
(2) To train students in the basic policies (rules) governing the preparation of financial accounting reports. In other words, you will be taught generally accepted accounting principles, mostly related to the right side of the balance sheet.
(3) To show how external parties can use financial accounting information.
(4) To give students an opportunity to apply accounting rules in at least one realistic situation.
(5) To help students learn to become better accounting students.
Learning outcomes and assessment for students

After taking this course, you will be able to:

1. Define and explain common accounting terminology without referring to the textbook, your notes or an accounting dictionary. The professor assesses your ability to do this through using vocabulary drills and homework problems (formative), and knowledge oriented tests (summative).

2. Be able to use accounting terminology in presentations and discussions. The professor assesses your ability to do this through class discussions and homework problems (formative), and projects/papers (summative).

3. Read, use and analyze accounting information using debits and credits. This includes journal entries, accounts and trial balances. The professor assesses your ability to do this through working problems (formative), and projects and knowledge oriented tests (summative).

4. Prepare financial statements (with notes) for a business with many types of activities. In addition, to learn how each generally accepted accounting principle covered in this course affects each of the financial statements. The professor assesses your ability to do this through using homework problems (formative), and projects (summative).

5. Apply generally accepted accounting principles to the accounting for leases and pensions. The professor assesses your ability to do this through homework problems (formative), and knowledge oriented tests (summative).

6. Apply appropriate generally accepted accounting principles for required disclosures related to investments, error analysis, EPS and deferred income taxes. The professor assesses your ability to do this through using homework problems (formative), and knowledge oriented tests (summative).

7. Gain greater ability to use a spreadsheet program in accounting applications. The professor assesses your ability to do this through using homework problems (formative), and projects (summative).
What each class is like

I intend for each class period to be so valuable to your learning that you will regret ever missing any class. You should never skip class. Ever. However, you should especially never skip two classes in a row, for to do so will put you so far behind it will cause you to flunk all test questions on that major topic or chapter. It is my intention that when leaving each class, you will feel pleased for having been there. Feeling good.

A comment frequently heard from my students is that I keep students engaged in active learning more so than in any other class they ever have taken. I intend for much learning to take place. How does this happen? Listening to me, responding to me, working problems by yourself, working problems with others, and working problems with the entire class. It most definitely helps if you’re not too tired, because class time is very involved and active.

I am excellent at what professors call working the classroom. I walk around the classroom, constantly providing feedback and assessing how well you are learning each sub topic being covered. I call on individual students throughout class. Since I’ve been checking on students throughout the class, I pretty much know what to ask to get a student to show what he/she has learned, or to lead a student to finally “get” a topic.

Class time will help you to form contacts with the other students so that you will feel comfortable in working with them outside of class.

For class to be effective, you must come prepared for class. I can’t help you mold your clay if you don’t bring it. Both before and after class, your learning process continues away of class as you talk about accounting and business with your class mates.

I never bring a calculator to class. I rely on all students to compute the numbers for examples and homework. I’ll lay out a problem in class, and students work it, step-by-step with me in the lead. Or, it might be that I’ll stop and let everyone in the class do a problem on his/her own. I encourage students to work together in class, check answers with neighbors, and help others until everyone has it figured out. I think students should be able to talk with each other during class.

I rely on students to present problem solutions on the board and to walk the class through the solution.

Periodically, I’ll bring to class financial statements from real companies. If for a few companies in the same industry, we should be able to see which one is doing the best job in one respect or another. If for one company over time, we should be able to figure out the company’s true performance.
Suggested student goal for Intermediate Accounting

I think every student should strive to truly master the material in this course. If you truly master the material in this course, you will receive a top grade and be better prepared for your professional and personal life.

I know that a few of you are coming into this course just hoping to pass it. But that isn’t realistic for life. As you proceed into and through your professional life, others will respect you if you are the real thing. In other words, high quality. Being the real thing means mastering your environment and using your skills to help others do so. A grade of C should be an embarrassment to someone who is trying to be masterful. So is a B.

Take pride in yourself and your ability to learn and apply. Earn a top grade in this course.

Required materials


Kieso’s book is a tried and true textbook, and is used in a majority of accounting programs nation-wide.

It is fine with me if you use the 14th edition of the book. Although accounting rules frequently change, you will be OK with the 14th edition.

Calculator capable of performing present and future value computations.
Grading

Letter grades will be assigned according to relative class standing. In other words, students that score better on tests and projects will receive better grades. Rest assured that the goal is a fair assessment of student knowledge and understanding. When all is said and done, grade assignments remain the result of the professor's professional judgment.

The grade of "A" requires excellent performance on tests and projects. Exam scores are perfect or nearly perfect. Students know everything about every topic. "B" means very good. Often, students really know their stuff, but consistently make small errors. Students know a lot about almost every topic. "C" stands for competent. Students sometimes really know their stuff, and other times make errors because they are only familiar with the material. Students know a lot about some topics, but are lost on other topics. Students who don't get it very well receive a "D." A grade of "F" is for those who don't get it at all.

I don’t assign grades based on a set percentage. However, to get a grade of A, a student probably is scoring somewhere between 100 and the low 90s on tests. To get a B or B+, a student probably is scoring somewhere between the low 90s and the mid 80s. To get a C, a student is probably scoring in the low 80s to the low 70s. I don’t give many grades of D or D+. The grade of F sometimes starts in the mid-60s.

I really expect students to do a very good job.

Your course grade will be assigned on the professor’s subjective evaluation of your tests and papers. The course grade will integrate these items:

<table>
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<tr>
<th>Item</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Exams (two during term &amp; final)</td>
<td>70-75%</td>
</tr>
<tr>
<td>Homework notebook</td>
<td>0%</td>
</tr>
<tr>
<td>Projects &amp; other</td>
<td>25-30%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Exams are scheduled to be taken during a Thursday class. However, you can take the test on the next day (Friday). The primary reason for this is that it permits students some choice as to when to take the test. I hope it helps students to perform better. Exams are problem-oriented, and can contain problems, written response questions and case analysis. Exams are usually closed-book and closed-notes. Calculators should always be used. Approximately one week preceding the date of the exam, each student will receive a copy of an exam preview (detailed description of content and format of test) as well as a copy of a test from a previous semester.
Projects are designed to give you an opportunity to work a real-world problem in a realistic setting. Projects for this course include:

(1) Annual report project.
(3) Spreadsheet projects dealing with loans & bonds.
(4) Comprehensive accounting project, based on topics covered in Intermediate Accounting 1, 2 & 3.

How to study for this course

I have written an article that could help you study for any college course, especially accounting courses. It has been accessed tens of thousands of times. I recommend you download it and read it.

http://profalbrecht.wordpress.com/2008/12/30/ace-your-accounting-classes-12-hints-to-maximize-your-potential/

Attendance policy

You should attend every class. “... Attendance is important and students should ... maintain regular attendance if they are to attain maximum success in the pursuit of their studies [USC Upstate Course Catalog].” For this course, attendance is not part of the course grade.

However, I realize that interviews, work and family commitments sometimes get in the way. If you miss a class, please make arrangements with another student for a copy of their notes. Finally, if you need to miss a class, send me an e-mail letting me know of your absence. You will lose the good will of the professor if you skip a class and don’t send an e-mail.

Assignments

Will be announced on a daily basis. I’ll make announcements far enough in advance for you to have adequate time to work the problems.

Homework

I write almost all of the homework problems you work on during the semester.

Completion of homework problems is a nongraded requirement of the class. Homework problems are assigned for most of the class periods. You will not have to hand in your HW solutions on a daily basis for grading throughout the term. However, you will be expected to be current for discussion purposes. If the class does not stay current on the HW assignments, then daily quizzes will be given. My solutions to the HW problems are posted on the course web page. Many homework problems are worked interactively in class.
In addition, you must maintain a notebook or collection of your hand-written attempts to do the homework problems. This notebook should contain a table of contents listing all homework problems worked. By the date of the final exam for this course, you must turn in your notebook/collection for inspection by Dr. Albrecht. If your notebook does not contain your hand-written solutions for at least 80% of all problems assigned, then your course grade will be docked one letter.

Annual Report Project

The purpose of this project is for you to dig through the most recent annual report for a large company and to identify important financial information.

Spreadsheet Assignments

Accounting and finance majors are expected to be experts in the use of electronic spreadsheets. In this course, you will have assignments that are intended to help you learn good spreadsheet design. This includes a (1) diamond design, (2) use of equations and functions to compute (instead of inserting already computed numbers, and (3) aesthetic appeal. Over the years, students have indicated that this is one of the most beneficial aspects of the course.

Comprehensive Accounting Project

Many students have expressed satisfaction with the Monopoly project from Intermediate 1. But you aren’t finished yet. It is one thing to study accounting techniques for a test, and another thing to apply them in a fairly realistic setting. The accounting practice set assignment has students (1) preparing transaction, adjusting and closing entries, (2) posting to accounts and preparing trial balances, and (3) preparing financial statements. In addition, you will need to perform basic financial statement analysis on your financial statements.

Schedule of approximate due dates

<table>
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<th>Due Date</th>
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<tbody>
<tr>
<td>Test one</td>
<td>Week 4</td>
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<tr>
<td>Test two</td>
<td>Week 7</td>
</tr>
<tr>
<td>Final test</td>
<td>Final exam week</td>
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<tr>
<td>Papers &amp; course projects</td>
<td>various dates</td>
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Other Policies

Class discussion

Everyone is expected to speak up in class. If I do not get adequate participation from each student, I will establish standards and a process to measure your participation.

BYOD

I encourage students to bring a digital device to class, whether it be a computer or tablet. You should be using it for learning purposes. It is my intention to keep you so engaged that you won’t have much of a desire or opportunity to goof off.

E-mail

All students are required to regularly check their e-mail, whether it be La Sierra or a private e-mail. I will send e-mail to your La Sierra account or your other e-mail account. Check your e-mail often, because I’m going to send out notes, assignments, etc., by e-mail. I assume that by 24 hours after I send out an e-mail, everyone has read it.

Academic honesty

La Sierra University views academic honesty as a cornerstone for institutional integrity. As such, the University expects high standards of integrity from all members. Students who commit any offense against academic integrity and honesty may receive from an instructor a failing grade in an assignment or a failing grade in a course, without possibility of withdrawal. The nature of the offense may dictate probation, suspension, dismissal, or permanent expulsion as determined by the Dean and/or the Academic Integrity Committee.

It is the responsibility of the students to avoid both dishonest practices and the appearance of dishonesty. Students should make the necessary effort to ensure that their work is not used by other students. They have the responsibility to protect the integrity of their academic work by doing all
they can to stop the dishonest practices of others.

**Accommodations for disability**

LSU is committed to ensuring equal educational opportunities to students who have a documented disability and are entitled to reasonable accommodations in accordance with the American Disabilities Act (ADA) and Section 504 of the Rehabilitation Act of 1973.

The Director of the Office of Disability Services (ODS), located in Room 100 of the Learning Support & Testing Center (lower level of La Sierra Hall), is available to meet with students regarding documentation guidelines for qualifying disabling conditions. The director of the ODS evaluates the documentation, works with the student to determine appropriate accommodations, and then makes arrangements for those approved accommodations. The type of accommodations provided depends on the nature of the functional limitation that the student is presented with as a result of the disability and could include services such as extended time on tests, testing in a distraction reduced environment, note takers, books on tape/CD, e-texts, assistive technology, etc. Students suspecting any kind of undiagnosed disability may contact the ODS to discuss concerns, documentation guidelines, and referrals for testing and/or assessment. For more information, please contact the Director of the Office of Disability Services at 951-785-2412 or ability@lasierra.edu.

A student needing accommodations should contact the ODS as early in the quarter as possible by calling 951-785-2412 or stopping by the ODS. The instructor will arrange accommodations with the student AFTER the student has worked with the ODS and proper documentation is established.

I am committed to going the extra mile in making reasonable accommodations for a student’s disability.
Topical content in ACCT 343/543

Leases for lessee and lessor
Investments—fair value method
Error analysis
Stockholders equity
Earnings per share
Deferred taxes
Other financial statement disclosures: notes, subsequent events, interim financial statements
Pensions