



## ACC330: Intermediate Accounting - II

**Credit Hours:** 3

**Contact Hours:** This is a 3-credit course, offered in accelerated format. This means that 16 weeks of material is covered in 8 weeks. The exact number of hours per week that you can expect to spend on each course will vary based upon the weekly coursework, as well as your study style and preferences. You should plan to spend 10-25 hours per week in each course reading material, interacting on the discussion boards, writing papers, completing projects, and doing research.

### Faculty Information



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Office Hours/Time: Wednesdays & Fridays – 10:30am – 1:30pm EDT

### Course Description and Outcomes



This course builds on the basic financial accounting skills developed in the intermediate accounting I based on generally accepted accounting principles (GAAP). The course explores the accounting concepts, strategies and policies of business transactions. It provides students an understanding of the theory and logic that underlie basic accounting procedures, reporting, and practices. Major topics include property, plant, and equipment, and intangible assets acquisition, investments, current liabilities and contingencies, bonds and long-term notes, leases, pensions and other postretirement benefits, shareholders' equity, and accounting changes and error corrections.

## Course Learning Outcomes

1. Assess property, plant, and equipment and intangible assets acquisition.
2. Describe accounting for investments.
3. Examine current liabilities and contingencies.
4. Evaluate bonds and long-term notes.
5. Describe accounting for leases.
6. Analyze pensions and other postretirement benefits.
7. Explain shareholders' equity.
8. Analyze accounting changes and error corrections.

## Participation & Attendance



Prompt and consistent attendance in your online courses is essential for your success at **Gunu-Institute**. Failure to verify your attendance within the first 7 days of this course may result in your withdrawal. If for some reason you would like to drop a course, please contact your advisor.

Online classes have deadlines, assignments, and participation requirements just like on-campus classes. Budget your time carefully and keep an open line of communication with your instructor. If you are having technical problems, problems with your assignments, or other problems that are impeding your progress, let your instructor know as soon as possible.

## Course Materials



### Required:

Spiceland, D., Nelson, M., Thomas, W., & Winchel, J. (2023). Intermediate accounting. (11th ed.). McGraw Hill. ISBN-13: 9781264134526.

## Course Schedule



### Due Dates

The Academic Week at **Gunu-Institute** begins on Monday and ends the following Sunday.

- Discussion Boards: The original post must be completed by **Thursday at 12 midnight EST** and Peer Responses posted by **Sunday 12 midnight EST**. Late posts may not be awarded points.
- Mastery Exercises: Students may access and retake mastery exercises through the last day of class until they achieve the scores they desire.
- Critical Thinking Activities: Assignments are due **Sunday at 12 midnight EST**.

Week #	Readings	Assignments
1	<ul style="list-style-type: none"> <li>Chapters 10 &amp; 11 in Intermediate Accounting (11th ed.).</li> </ul>	<ul style="list-style-type: none"> <li>Discussion Board (25)</li> <li>Mastery Exercises (10)</li> </ul>
2	<ul style="list-style-type: none"> <li>Chapter 12 in Intermediate Accounting (11th ed.).</li> </ul>	<ul style="list-style-type: none"> <li>Discussion Board (25)</li> <li>Mastery Exercises (10)</li> <li>Critical Thinking (60)</li> </ul>
3	<ul style="list-style-type: none"> <li>Chapter 13 in Intermediate Accounting (11th ed.).</li> </ul>	<ul style="list-style-type: none"> <li>Discussion Board (25)</li> <li>Mastery Exercises (10)</li> <li>Critical Thinking (60)</li> </ul>
4	<ul style="list-style-type: none"> <li>Chapter 14 in Intermediate Accounting Entities (11th ed.).</li> </ul>	<ul style="list-style-type: none"> <li>Discussion Board (25)</li> <li>Mastery Exercises (20)</li> <li>Critical Thinking (60)</li> </ul>
5	<ul style="list-style-type: none"> <li>Chapter 15 in Intermediate Accounting (11th ed.).</li> </ul>	<ul style="list-style-type: none"> <li>Discussion Board (25)</li> <li>Mastery Exercises (10)</li> <li>Critical Thinking (60)</li> </ul>
6	<ul style="list-style-type: none"> <li>Chapter 17 in Intermediate Accounting (11th ed.).</li> </ul>	<ul style="list-style-type: none"> <li>Discussion Board #1 (15)</li> <li>Discussion Board #2 (10)</li> <li>Critical Thinking (110)</li> </ul>
7	<ul style="list-style-type: none"> <li>Chapter 18 in Intermediate Accounting (11th ed.).</li> </ul>	<ul style="list-style-type: none"> <li>Discussion Board (25)</li> <li>Mastery Exercises (20)</li> </ul>
8	<ul style="list-style-type: none"> <li>Chapters 20 in Intermediate Accounting (11th ed.).</li> </ul>	<ul style="list-style-type: none"> <li>Discussion Board - #1 (15)</li> <li>Discussion Board - #2 (10)</li> <li>Mastery Exercises (20)</li> <li>Portfolio Assignment (350)</li> </ul>

### Assignment Details



This course includes the following assignments/projects:

## **Week 2: Critical Thinking Assignment (60 points)**

### **Week Two Critical Thinking Assignment (60 Points)**

Fair Value Option, Bond Investment, Effective Interest, Financial Statement Effects

Fuzzy Monkey Technologies, Inc., purchased as a long-term investment \$80 million of 8% bonds, on January 1, 2024. Management intends to have the investment available for sale when circumstances warrant. When the company purchased the bonds, management elected to account for them under the fair value option. For bonds of similar risk and maturity the market yield was 10%. The price paid for the bonds was \$66 million. Interest is received semiannually on June 30 and December 31. Due to changing market conditions, the fair value of the bonds at December 31, 2024, was \$70 million.

#### **You are required to:**

1. Prepare the journal entry to record Fuzzy Monkey's investment on January 1, 2024.
2. Prepare the journal entry by Fuzzy Monkey to record interest on June 30, 2024 (at the effective rate).
3. Prepare the journal entries by Fuzzy Monkey to record interest on December 31, 2024 (at the effective rate).
4. At what amount will Fuzzy Monkey report its investment in the December 31, 2024, balance sheet? Why? Prepare any entry necessary to achieve this reporting objective.
5. How would Fuzzy Monkey's 2024 statement of cash flows be affected by this investment? (if more than one approach is possible, indicate the one that is most likely).
6. How would your answers to requirements 1 – 5 differ if management had the intent and ability to hold the investments until maturity?

**Refer to the rubric to ensure meeting all assignment criteria.**

**Due Saturday by 11:59 PM EST**

## **Week 3: Critical Thinking Assignment (60 points)**

### **Various Liabilities, Financial Statement Effects**

Holmes Watson (HW) is considering what the effect would be of reporting its liabilities under IFRS rather than GAAP. The following facts apply:

- a. HW is defending against a lawsuit and believes it is virtually certain to lose in court. If it loses the lawsuit, management estimates it will need to pay a range of damages that falls between \$5,000,000 and \$10,000,000, with each amount in that range equally likely.
- b. HW is defending against another lawsuit that is identical to item (a), but the relevant losses will only occur far into the future. The present values of the endpoints of the range are \$3,000,000 and \$8,000,000, with the timing of cash flow somewhat uncertain. HW considers these effects of the time value of money to be material.
- c. HW is defending against another lawsuit for which management believes HW has a slightly better than 50/50 chance of losing in court. If it loses the lawsuit, management estimates HW will need to pay a range of damages that falls between \$3,000,000 and \$9,000,000, with each amount in that range equally likely.
- d. HW has \$10,000,000 of short-term debt that it intends to refinance on a long-term basis. Soon after the balance sheet date, but before issuance of the financial statements, HW obtained the financing necessary to refinance the debt.

#### **You are required to:**

1. For each item, indicate how treatment of the amount would differ between GAAP and IFRS
2. Consider the total effect of items a through d. If HW's goal is to show the lowest total liabilities, which set of standards, GAAP or IFRS best helps HW meet its objective or goal?

**Refer to the rubric to ensure meeting all assignment criteria.**

**Due Saturday by 11:59 PM EST**

## **Week 4: Critical Thinking Assignment (60 points)**

Issuance of Bonds; Effective Interest; Amortization Schedule; Financial Statement Effects

When Patey Pontoons issued 6% bonds on January 1, 2024, with a face amount of \$600,000, the market yield for bonds of similar risk and maturity was 7%. The bonds mature December 31, 2027 (4 years). Interest is paid semiannually on June 30 and December 31.

### **Required:**

1. Determine the price of the bonds at January 1, 2024
2. Prepare journal entry to record their issuance by Patey on January 1, 2024
3. Prepare an amortization schedule that determines interest at the effective rate each period
4. Prepare the journal entry to record interest on June 30, 2024
5. What is the amount(s) related to the bonds that Patey will report in its balance sheet at December 31, 2024?
6. What is the amount(s) related to the bonds that Patey will report in its income statement for the year ended December 31, 2024? (Ignore income taxes).
7. Prepare the appropriate journal entries at maturity on December 31, 2027

**Refer to the rubric to ensure meeting all assignment criteria.**

**Due Saturday by 11:59 PM EST**

## Week 5: Critical Thinking Assignment (60 points)

### Lease Amortization Schedule

On January 1, 2024, National Insulation Corporation (NIC) leased equipment from United Leasing under a finance lease. Lease payments are made annually. Title does not transfer to the lessee and there is no purchase option or guarantee of a residual value by NIC. Portions of the United Leasing's lease amortization schedule appear below:

<u>Jan. 1</u>	<u>Payments</u>	<u>Effective Interest</u>	<u>Decrease in Balance</u>	<u>Outstanding Balance:</u>
				192,501
2024	20,000		20,000	172,501
2025	20,000	17,250	2,750	169,751
2026	20,000	16,975	3,025	166,726
2027	20,000	16,673	3,327	163,399
2028	20,000	16,340	3,660	159,739
2029	20,000	15,974	4,026	155,713
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2041	20,000	7,364	12,636	61,006
2042	20,000	6,101	13,899	47,107
2043	20,000	4,711	15,289	31,818
2044	35,000	3,182	31,818	0

#### Required:

1. What is the lease term in years?
2. What is the asset's residual value expected at the end of the lease term?
3. What is the effective annual interest rate?
4. What is the amount of the lease payment for United?
5. What is the total amount of lease payments for NIC?
6. What is United's net investment at the beginning of the lease (after the first payment)?
7. What is United's total effective interest revenue recorded over the term of the lease?
8. What amount would NIC record as a right-of-use asset at the beginning of the lease?

**Refer to the rubric to ensure meeting all assignment criteria.**

**Due Saturday by 11:59 PM EST**



## Week 6: Critical Thinking Assignment (110 points)

PBO Calculations; ABO Calculations; Present Value Concepts

Clark Industries has a defined benefit pension plan that specifies annual, year-end retirement benefits equal to:

$$1.2\% \times \text{Service years} \times \text{Final year's Salary.}$$

Stanley Mills was hired by Clark at the beginning of 2005. Mr. Mills is expected to retire at the end of 2049 after 45 years of service. His retirement is expected to span 15 years. At the end of 2024, 20 years after being hired, his salary is \$80,000. Clark's actuary projects Mr. Mills' salary to be \$270,000 at retirement. The actuary's discount rate is 7%.

### Required:

1. Estimate the amount of Mr. Mill's annual retirement payments for the 15 years earned as of the end of 2024.
2. Suppose Clark's pension plan permits a lump-sum payment at retirement in lieu of annuity payments. Determine the lump-sum equivalent as the present value as of the earned retirement annuity at the expected date of retirement (the end of 2049).
3. What is the company's projected benefit obligation at the end of 2024 with respect to Mr. Mills.
4. Even though pension accounting centers on the PBO calculation, the ABO still must be disclosed in the pension disclosure note. What is the company's accumulated benefit obligation at the end of 2024 with respect to Mr. Mills?
5. If we assume no estimates change in the meantime, what is the company's projected benefit obligation at the end of 2025 with respect to Mr. Mills?
6. What portion of the 2025 increase in the PBO is attributable to 2025 service (the service cost component of pension expense) and to accrued interest (the interest cost component of pension expense?).

**Refer to the rubric to ensure meeting all assignment criteria.**

**Due Saturday by 11:59 PM EST**

## WEEK 8 FINAL PORTOFOLIO PROJECT

### Accounting Changes and Error Corrections GAAP vs. IFRS (350 Points)

This is a two-part project: You are required to answer both (Parts 1 and 2):

**Part 1: Target Corporation:** Target Corporation prepares its financial statements according to U.S GAAP. Target's financial statements and disclosure notes for the year ended February 1, 2020, are available on the [www.sec.gov](http://www.sec.gov) website or available at [www.target.com](http://www.target.com) or you may Google "Target Corporation February 1, 2020 audited financial statements."

#### Required:

1. Refer to Target's financial statements for the year ended February 1, 2020. Note 8 provides information on Target's inventories. What method does Target use to report most of its inventories?
2. If Target changed that method to another method, how would it account for the change?
3. Suppose that Target uses the FIFO costing method but decided to change to the LIFO method. How would it account for the change?

**Part 2: Air France-KLM (AF):** AF, a Franco-Dutch Company, prepares its financial statements according to International Financial Reporting Standards. AF's financial statements and disclosure notes for the year ended December 31, 2019, are available at: <https://www.airfranceklm.com/en/finance/financial-results> or you may Google "Air France-KLM December 31, 2019 financial statements."

#### Required:

1. Refer to AF's disclosures notes, in particular Note 2: Restatement of 2018 Financial Statements. Was the first of the two changes described in the note a change in estimate, a change in principle, a change in reporting entity, or an error correction? Explain your position thoroughly with examples.
2. Is this the same approach AF would follow if using U.S GAAP? Why? Or why not? Explain your position thoroughly with examples.

**Note:**

Your paper must:

- Be 5 to 8 pages in length
- Include a proper introduction and conclusion
- Include a reference page
- Provide your reader with an overall understanding of the financial health of the two companies.

Ensure your written project is APA-formatted according to **Gunu Institute's** APA policy; include a title page and use Times New Romans 12-point font and double-spaced throughout.

**Refer to the rubric to ensure meeting all project criteria.**

**Project Due Saturday by 11:59 PM EST**

## Course Policies



### Late Work

Students are permitted a 7-day grace period during which they may submit a Critical Thinking assignment after the original due date without penalty. Papers submitted between 8 and 14 days after the original due date will be accepted with a potential 10 percent reduction in grade for late submission. Papers submitted 15 or more days beyond the original due date may not be accepted unless prior arrangements have been made with the instructor. **No Portfolios will be accepted late** and no assignments will be accepted after the last day of class unless a student has requested an incomplete grade in accordance with the Incomplete Policy.

### Course Grading

20% Discussion Participation  
10% Mastery Exercises  
35% Critical Thinking  
Activities  
35% Final Portfolio Paper

### Grading Scale

A	95.0 – 100
A-	90.0 – 94.9
B+	86.7 – 89.9
B	83.3 – 86.6
B-	80.0 – 83.2
C+	75.0 – 79.9
C	70.0 – 74.9
D	60.0 – 69.9
F	59.9 or below
FN*	Failure for Nonparticipation
I**	Incomplete

### Artificial Intelligence (AI) Policy:

Students must consult with their instructors before using an AI tool such as GPTZero, ChatGPT, QuillBot etc... in their academic papers.

\* Students who stop attending class and fail the course for nonparticipation will be issued the “FN” grade. The FN grade may have implications for financial aid and scholarship awards.

\*\* An “I” grade may be assigned at the instructor’s discretion to students who are in good standing (passing) in the course. Students should have completed a majority of the coursework in order to be eligible for the “I” grade. Students should request an “I” grade from the instructor with a written justification, which must include explanation of extenuating circumstances that prevented timely completion of the coursework. If the request is approved, the instructor will require a written agreement consisting of **a)** the specific coursework to be completed, **b)** the plan to complete the coursework, and **c)** the deadline for completion. The agreement will be kept on file at **GunU-Institute Campus**. An incomplete course must be satisfactorily completed within the time frame stipulated in the agreement, but no later than the end of the following semester from the date the “I” was given. An incomplete not removed within one year shall convert to an F and be included in the computation of the student’s grade point average.

### **Academic Integrity**

Students must assume responsibility for maintaining honesty in all work submitted for credit and in any other work designated by the instructor of the course. Academic dishonesty includes cheating, plagiarism, unauthorized possession of academic materials, and falsification. The **Student Handbook** provides information on how students can avoid plagiarism by understanding what it is and how to use the library and Internet resources appropriately with proper citation. Please refer to the **Academic Catalog** for complete policies regarding plagiarism and academic dishonesty.

### **APA**

Students are expected to follow the **GunU-Institute** requirements when citing in APA (based on the APA Style Manual, 6th edition). For details on **GunU-Institute’s** APA style, please review the APA resources located under the library tab in the course management system.

### **Netiquette**

All posts and classroom communication must be conducted in a professional and respectful manner in accordance with the student code of conduct. Think before you push the Send or Post button. Did you say just what you meant? How will the person on the other end read the words?

Any derogatory or inappropriate comments regarding race, gender, age, religion, sexual orientation, are unacceptable and subject to disciplinary action. If you have concerns about something that has been said, please let your instructor know.

### **Institutional Policies**

Refer to the Academic Catalog for comprehensive documentation of **GunU-Institute’s** institutional policies