Student Learning Outcomes

- Explain advanced accounting terminology, concepts, principles, and frameworks.
- Perform related calculations and demonstrate the ability to use methods and/or procedures to solve advanced accounting problems.

Description

Presents financial accounting theories and practices related to business combinations and consolidated financial reporting. This includes the development of complex business structures and forms of business combinations; consolidated financial reporting for intercorporate acquisitions and operations; and the accounting for transactions of affiliated companies. Also includes accounting and reporting issues in the multinational business environment. Accounting theory and practice related to the formation, operation, and liquidation of partnerships is covered.

Course Objectives

The student will be able to:

a. Define, describe, and compare forms of business combinations
b. Define, compare, and differentiate forms of accounting for business combinations
c. Describe, distinguish, and assess methods of accounting for investments in common stock, including the cost and equity methods
d. Recognize and evaluate the advantages and limitations of consolidated financial statements
e. Examine and compare traditional concepts of corporate control with changing definitions of the financial reporting entity
f. Define and examine the consolidation process
g. Prepare elimination entries, consolidation worksheets, and financial statements at the point of acquisition of a corporate subsidiary
h. Prepare elimination entries, consolidation worksheets, and financial statements for ongoing operations of affiliated companies
i. Analyze, calculate, and assess the impact of the transfer of noncurrent assets between affiliated parties
j. Define, examine, and evaluate multinational accounting issues, including foreign currency transactions and the management of international currency risks
k. Identify, examine, and assess the impact of multinational operations on financial reporting, including issues of the translation of foreign entity statements
l. Define, describe, and compare accounting methods for partnership formation, operation, and liquidation

Course Content

a. Define, describe, and compare forms of business combinations
   i. Reasons for and methods of business combinations
   ii. Definitions of consolidated entity and discussion of Special Purposes Entities (SPEs) in the "post-Enron" world
   iii. Purchase vs. Pooling of Interest accounting approaches
b. Define, compare, and differentiate forms of accounting for business combinations
   i. Determination of purchase price
   ii. Purchase of net assets
   iii. Purchase of common stock
   iv. Goodwill
c. Describe, distinguish, and assess methods of accounting for investments in common stock, including the cost and equity methods
   i. Cost method
   ii. Equity method
   iii. Amortization of differential under equity method
d. Recognize and evaluate the advantages and limitations of consolidated financial statements
   i. Long term investor, long term creditor, and short term creditor perspectives
   ii. Advantages such as ability to evaluate total resources of consolidated entity
   iii. Disadvantages such as information loss due to aggregation of data
e. Examine and compare traditional concepts of corporate control with changing definitions of the financial reporting entity
   i. FASB Statement 94 rules regarding consolidation of majority owned subsidiaries
   ii. Direct and indirect control
   iii. Recent developments regarding Special Purpose Entities and Variable Interest Entities
f. Define and examine the consolidation process
   i. Intercorporate stockholdings
   ii. Intercompany receivables and payables
   iii. Intercompany sales
   iv. Minority interest
   v. Proprietary theory, parent company theory, and entity theory
   vi. Definition of consolidated net income and consolidated retained earnings
g. Prepare elimination entries, consolidation worksheets, and financial statements at the point of acquisition of a corporate subsidiary
   i. One hundred percent ownership at book value
   ii. One hundred percent ownership at more than book value—differential and goodwill
   iii. One hundred percent ownership at less than book value
   iv. Less than 100% ownership at book value—minority interest
   v. Less than 100% ownership at other than book value—minority interest

h. Prepare elimination entries, consolidation worksheets, and financial statements for ongoing operations of affiliated companies
   i. One hundred percent ownership at book value—first and subsequent years
   ii. Less than 100% ownership at book value—first and subsequent years
   iii. Less than 100% ownership at more than book value—first and subsequent years

i. Analyze, calculate, and assess the impact of the transfer of noncurrent assets between affiliated parties
   i. Elimination of intercorporate transfers and unrealized profits and losses
   ii. Upstream sale of land and depreciable assets—first and subsequent years
   iii. Downstream sale of land and depreciable assets—first and subsequent years

j. Define, examine, and evaluate multinational accounting issues, including foreign currency transactions and the management of international currency risks
   i. Foreign currency exchange rates
   ii. Foreign currency transactions
   iii. Managing international currency risk
   iv. Derivatives designated as hedges
   v. Forward exchange contracts

k. Identify, examine, and assess the impact of multinational operations on financial reporting, including issues of the translation of foreign entity statements
   i. Differences in accounting principles
   ii. Determining functional currency
   iii. Translation of foreign currency statements
   iv. Remeasurement of the books of record into the functional currency
   v. Foreign investments
   vi. Disclosure requirements

l. Define, describe, and compare accounting methods for partnership formation, operation, and liquidation
   i. Nature of partnership entity
   ii. Partnership formation
   iii. Partnership operation
   iv. Allocation of profit and loss
   v. Changes in membership
   vi. Lump-sum liquidation
   vii. Installment liquidation
   viii. Partnership financial statements

Lab Content
Not applicable.

Special Facilities and/or Equipment
When taught via Foothill Global Access, on-going access to computer with email software and hardware; email address.

Method(s) of Evaluation
Methods of Evaluation may include but are not limited to the following:

Midterm exam
Final exam
Quizzes
Projects
Computerized assignments
Research activities (online and traditional)
Presentations
Writing assignments
Student participation
Group work

Method(s) of Instruction
Methods of Instruction may include but are not limited to the following:

Lecture
Discussion
Cooperative learning exercises
Self-paced
Electronic discussions/chat
Independent study

Representative Text(s) and Other Materials

Types and/or Examples of Required Reading, Writing, and Outside of Class Assignments
a. Reading of corporate annual reports
b. Reading and written analysis of Financial Accounting Standards Board Statements (FASB) and other Generally Accepted Accounting Principles (GAAP) literature (e.g., the FASB codification)
c. Reading of internet articles and writing on accounting topics or accounting-related current events and/or careers (e.g., journal of accountancy)

Discipline(s)
Accounting