

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

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

Code: CONT 4002

Description: 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: Philosophy, Theory and Problems of Financial Accounting I (CONT 4001)

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. Critically evaluate 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.
- O2. Interact with other colleagues in team work allowing them to recognize the value of reaching consensus when complex situations and unstructured problems are faced.
- O3. 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.
- O4. 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.
- O5. 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.
- O6. Consult electronic bibliographic resources and databases to carry out research in the discipline.

COURSE OUTLINE:

I. INTRODUCTION

- A. Course Objectives
- B. Course requisites
- C. Norms and evaluation methods

II. CURRENT OBLIGATIONS

- A. Concepts and definitions
- B. Identification, measurement and presentation of current debts
 - 1. Trade accounts payable
 - 2. Notes payable and Lines of Credit
 - a. with stipulated interests
 - b. with interests not stipulated
 - 3. Commercial paper
 - 4. Accrued liabilities
 - a. Interests payable
 - b. Payroll, withholdings and payroll taxes
 - c. Compensated absences and bonuses
 - 5. Debts for advanced collections (unearned income)
 - a. Refundable deposits
 - b. Advances from customers
 - i. Gift cards
 - 6. Sales tax
 - 7. Current maturity of long-term debt and Redeemable debt (callable)
 - 8. Debt refinancing
 - 9. Contingencies (estimated debts)
 - a. Contingencies by lawsuits
 - b. Warranties and product recalls
- C. Presentation and disclosure of current debts and contingencies.

III. LONG-TERM OBLIGATIONS

- A. Bonds payable
 - 1. Description, classification and evaluation
 - 2. Accounting procedures
 - a. Issuance
 - b. Issuance between interest dates
 - c. Amortization of premium and discount
 - i. Straight line method - conceptual discussion
 - ii. Effective interest method
 - 3. Debt issuance costs
 - 4. Retirement of debt
 - 5. Convertible debt
 - a. Book value method
- B. Notes payable in the long term
 - 1. Notes issued in exchange for cash

- a. documents with implicit interests
- b. documents with imputed interests
- 2. Notes issued in exchange for assets or services
 - a. with implicit interests
- 3. Installment notes
- C. Valuation and presentation of long-term debt in the financial statements
 - 1. Fair Value Option
- D. Accounting for troubled debt (Troubled debt restructurings)
 - 1. Loss in value or impairment (impairment)
 - 2. Restructuring of the problematic debt

IV. SHAREHOLDERS' EQUITY

- A. Paid in capital
 - 1. Basic rights of shareholders
 - 2. Terminology
 - 3. Authorized capital
 - a. General Corporations Law of Puerto Rico
(Law No. 164 of December 16, 2009)
<http://www.lexjuris.com/lexlex/Leyes2009/lexl2009164.htm>
 - 4. Accounting procedures for the issuance of shares
 - a. In exchange for cash
 - i. Issue costs
 - b. In exchange for other assets or services
 - c. Sale of stocks for one price (more than one security for a single price)
 - 5. Types of preferred shares
 - a. callable shares
 - b. redeemable shares
 - c. preemptive rights
 - d. debt characteristics of preferred shares
redeemable
 - 6. Portfolio actions versus withdrawal of shares
 - a. Purchase of treasury stock versus retirement of stock
 - i. cost method
 - b. resale of treasury stock
 - i. Effect on retained earnings and paid in capital
 - 7. Presentation of paid in capital
- B. Retained earnings
 - 1. Transactions and events that affect it
 - a. net profit or loss
 - b. dividends
 - i. cash
 - ii. in other assets or in kind (property dividends)
 - iii. liquidating dividends
 - iv. big vs. small stock dividends
 - c. effect of some treasury stock transactions
 - d. restrictions on retained earnings

e. correction of accounting errors committed in previous years – conceptual discussion

f. changes in principle - conceptual discussion

C. Stock splits

a. Stock Split versus Reverse Stock Split

D. Basic and Diluted earnings per share

E. Statement of shareholders' equity

1. Other comprehensive income and Other accumulated comprehensive income

F. Presentation of shareholders' equity

V. COMPENSATION PLANS WITH STOCK OPTIONS

A. Non-compensatory plans vs. Compensatory

1. Disclosures about compensatory plans

B. SARs

C. RSUs

D. RSAs

VI. INVESTMENTS

A. Investments in debt securities

1. Held to maturity (HTM), available for sale (AFS) and trading securities (TS)

i. Purchase

ii. Amortization- premium or discount

a) straight line method

b) effective interest method

iii. Sale of the investment before maturity

2. Assessment and presentation in the financial statements

3. Transfers between categories (conceptual),

4. Fair value option (conceptual)

5. Loss in value or impairment (impairment)

B. Investments in equity securities

1. When investment is less than 20%

i. Purchase

ii. Amortization- Premium or discount

a) straight method

b) effective interest method

iii. Sale of the investment

iv. Evaluation and presentation in financial statements

a) Investments in short-term equity securities

b) Investments in long-term equity securities

2. When significant influence is held (between 20% and 50%)

a. economic method

b. disclosures under the economic method

c. Change of methods (conceptual)

d. Fair Value and Economic Method Comparison

3. When you have financial control (conceptual)

C. Special aspects of investments

1. Cash value of a life insurance policy

VII. STATEMENT OF CASH FLOWS

A. Objectives, uses and limitations

B. Classification of cash flows

1. Operating activities

2. Investing activities

3. Financing activities

C. Format or Structure of the Cash Flow Statement

D. Steps for the preparation of the statement of cash flows

E. Methods of presenting the net flow of operational activities

1. Direct method

2. Indirect method

3. Advantages and disadvantages

F. Special problems in the preparation of the statement of cash flows

1. Adjustments similar to depreciation (compensation expense with options, amortization, impairment)

2. Accounts receivable and provision for uncollectible accounts (elimination of uncollectible accounts and expense of uncollectible accounts)

3. Economic method

4. Amortization of the discount and premium on bonds payable

5. Unrealized gains and losses on trading and available for sale investments.

6. Net losses

7. Significant transactions that do not affect cash

8. Other

G. Analysis of the cash flow statement