
Financial Accounting Principles, Grade 12, University/College Preparation

(BAT4M)

This course introduces students to advanced accounting principles that will prepare them for postsecondary studies in business. Students will learn about financial statements for various forms of business ownership and how those statements are interpreted in making business decisions. This course expands students' knowledge of sources of financing, further develops accounting methods for assets, and introduces accounting for partnerships and corporations.

Prerequisite: Financial Accounting Fundamentals, Grade 11, University/College Preparation

The Accounting Cycle

Overall Expectations

By the end of this course, students will:

- demonstrate an understanding of accounting principles and practices;
- demonstrate an understanding of the accounting cycle in a computerized environment for a service business and a merchandising business;
- demonstrate an understanding of ethics and issues in accounting.

Specific Expectations

Accounting Principles and Practices

By the end of this course, students will:

- apply Generally Accepted Accounting Principles (GAAP) (e.g., matching principle, conservatism principle, realization principle) in the accounting cycle;
- demonstrate the relationship between GAAP and accounting practices (e.g., matching principle and adjusting entries, cost principle and asset valuation);
- describe the roles of various agencies (e.g., Canadian Institute of Chartered Accountants, Certified General Accountants Association of Ontario, Society of Management Accountants of Ontario, Ontario Securities Commission, Canada Revenue Agency) and their effects on accounting practices.

Accounting Cycle in a Computerized Environment

By the end of this course, students will:

- record transactions, using a computerized accounting system, for a service business and a merchandising business;
- prepare a trial balance and detailed financial statements, using applications software;
- record adjusting, closing, and reversing entries, using a computerized accounting system.

Ethics and Issues in Accounting

By the end of this course, students will:

- describe the impact of ethical issues on accounting practices;
- analyse the effects of current issues on financial accounting (e.g., transactions off the balance sheet, fraudulent practices in financial statement reporting, manipulation of GAAP, move towards global accounting practices);
- evaluate the impact of the evolution of technology on the field of accounting.

Accounting Practices for Assets

Overall Expectations

By the end of this course, students will:

- demonstrate an understanding of accounting procedures for short-term assets;
- analyse accounting procedures for inventories;
- demonstrate an understanding of methods of accounting for capital assets.

Specific Expectations

Short-Term Assets

By the end of this course, students will:

- record transactions for different terms of sales (e.g., sales on account, credit card sales, debit card sales);
- record transactions related to accounts receivable, including doubtful accounts, write-offs, and recoveries;
- explain the accounting procedures for notes receivable.

Inventory Procedures

By the end of this course, students will:

- compare the characteristics of the periodic and perpetual inventory systems;
- describe and apply different methods of inventory valuation, including average cost; first-in, first-out; last-in, first-out; and specific identification;
- explain the effects of each method of inventory valuation on financial statements;
- explain the effects of an error in valuing inventory on financial statements;
- analyse the role of technology in the management and control of inventory;
- explain the role of internal controls (e.g., paper trails, numbered documents, authorization).

Capital Assets

By the end of this course, students will:

- distinguish between capital expenditures and revenue expenditures;
- identify the elements used in determining the cost of plant and equipment, natural resources, and intangibles;
- record transactions related to amortization and depletion of tangible assets (e.g., straight-line, declining balance, units of output, revisions, disposals);
- record transactions related to intangible assets (e.g., goodwill, patents, trademarks, copyright);
- analyse methods of amortization (e.g., straight-line, declining balance, units of output) and their effects on financial statements.

Partnerships and Corporations

Overall Expectations

By the end of this course, students will:

- demonstrate an understanding of accounting in partnerships;
- demonstrate an understanding of accounting in corporations.

Specific Expectations

Partnerships

By the end of this course, students will:

- explain the differences between limited and general partnerships;
- record transactions relating to partnerships, including formation, admission of a new partner, retirement of a current partner, and dissolution;
- record the distribution of income among partners;
- prepare the partnership equity section of the balance sheet.

Corporations

By the end of this course, students will:

- describe types of corporations (e.g., public, private, not-for-profit) and classes of shares (e.g., common, preferred, voting);
- record transactions related to common and preferred stocks (e.g., issue, buy back, subscriptions);
- record transactions related to the declaration and distribution of dividends;
- compare the impact of various forms of dividend distribution (e.g., cash dividends, stock dividends, stock splits) on shareholders' equity;
- prepare the financial statements for a corporation, including an income statement, a statement of retained earnings, and the shareholders' equity section of the balance sheet.

Financial Analysis and Decision Making

Overall Expectations

By the end of this course, students will:

- compare methods of financing;
- explain and interpret a corporation's annual report;
- use financial analysis techniques to analyse accounting data for decision-making purposes.

Specific Expectations

Methods of Financing

By the end of this course, students will:

- explain the characteristics of debt financing (e.g., bonds, notes payable, loans) and equity financing (e.g., sale of common or preferred shares) as methods of financing;
- compare the advantages and disadvantages of debt financing and equity financing;
- describe alternative sources of funding available to businesses (e.g., venture capital, government loans and grants).

Annual Reports

By the end of this course, students will:

- describe the purpose of each section common to a corporation's annual report;
- contrast the annual reports of comparable publicly traded corporations (e.g., of similar size, in the same industry, Canadian versus international);
- assess the current and projected financial strength of a corporation based on an analysis of its annual report.

Financial Analysis for Decision Making

By the end of this course, students will:

- evaluate the role and impact of accounting information in decision making;
- analyse the financial status of a company (e.g., liquidity, solvency, profitability) by using horizontal and vertical analysis;
- analyse the financial status of a company, using financial ratios (e.g., turnover ratios, book value, earnings per share, times interest earned, return on assets);
- prepare and analyse cash flow statements (i.e., statements of changes in financial position);
- use information technology to conduct financial analysis.