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Part II. Description of Curricular Changes**I. Catalog Description****ACCT 303 Financial System Analysis****3 credit hours****Prerequisite: "C" or better in ACCT202 – Accounting Principles II****0 lab hours****3 semester hours****(3c-0l-3sh)**

This course focuses on preparation and analysis of financial information for business performance and financial condition decisions. Financial accounting software will be integrated throughout the course to demonstrate financial accounting system design. Basic accounting standards, concepts and current issues underlying financial reporting will be reviewed.

II. Course Objectives

1. Students will be exposed to the accounting standard-setting process and major users of financial accounting information,
2. Students will understand components of financial accounting software systems and their application in financial statement preparation,
3. Students will be exposed to basic accounting concepts underlying the preparation of financial statements,
4. Students will review the structure of the fundamental financial system (balance sheet, income system, system of cash flows),
5. Students will be introduced to new accounting terminology associated with current financial reporting disclosures,
6. Students will increase awareness of the relationships of financial system data and their interpretation,
7. Students will improve analytical skills through computation of financial ratios and translation of those ratios into logical performance and financial condition conclusions.

III. Detailed Course Outline (42 semester hours)

I. Introduction to Financial System Analysis (2 hours)

A. Financial System Users

II. Fundamental Financial Reporting Concepts (3 hours)

A. Generally Accepted Accounting Principles

1. Standard-Setting Process

B. Expenses and Losses

1. Matching Principle

2. Common Categories

a. Operating

i. Product (Cost of Goods Sold)

ii. Period (Selling and Administrative)

c. Pension and Postretirement Benefits Expenses

d. Employee Compensation

i. Compensated Absence

V. The Balance Sheet – Assets (3 hours)

A. Current Assets

- 1. Definition**
- 2. Cash and Cash Equivalents**
- 3. Compensating Balances**
- 4. Marketable Securities**

- c. Held-to-Maturity**
- d. Analysis Implications**
- 5. Receivables**
 - a. Accounts Receivable**
 - b. Valuation – Net Realizable Value**
 - c. Notes Receivable**
- 6. Inventories**
 - a. Inventory Equation**
 - b. Categories**

VI. The Balance Sheet – Liabilities (3 hours)

A. Current Liabilities

1. Definition

B. Noncurrent

1. Corporate Bonds

2. Long-Term Notes

3. Lease Obligations

VIII. Statement of Cash Flows (3 hours)

A Purpose

- b. Direct Method
- 2. Investing
- 3. Financing
- C. Noncash Transactions

XI. Financial System Analysis - Return on Invested Capital (4 hours)

A. Purpose

1. Evaluate Managerial Effectiveness
2. Evaluate Profitability
3. Evaluation of Earnings Forecasts

B. Return on Invested Capital

C. Return on Total Assets

D. Return on Stockholders' Equity

E. Return on Assets

1. Profit Margin Ratio
2. Asset Turnover Ratio
 - a. Sales to Cash
 - b. Sales to Receivables
 - c. Sales to Inventories
 - d. Sales to Fixed Assets

IV. Evaluation Methods

The final grade for the course will be determined based upon the following:

- 45% Three written examinations (two semester and final exam). These exams will be comprised primarily of multiple choice, short answer, and problem-solving questions.
- 25% Computer simulation projects. These projects will be determined by the individual instructor but will employ an accounting software package

Another possible financial system project assignment could incorporate the use of spreadsheets in comparative financial evaluations. It is also recommended that instructors include computer application situations in homework assignments.

- 5% Class participation. Will include randomly collected homework assignments from students.

Semester grades should be based upon a weighted average of the above mentioned

Dechow, P. M., Kothari S. P, and Watts, R. L. (1998). The Relationship Between Earnings and Cash Flows. Journal of Accounting and Economics, 25, 1998, 133-68.

White, G. I., Sondhi, A. C. and Fried, D. (1994). *The Analysis and Use of Financial*

Statements. New York, NY: John Wiley and Sons.

Course Analysis Questionnaire**Section A: Details of the Course**

A1. This course will replace ACCT412 Advanced Cost Accounting as a required course for accounting majors and minors. The course prerequisite will be earning a "C" or better in ACCT202 – Accounting Principles II that completes the introductory accounting sequence (ACCT201 and 202).

This course is also highly recommended for all business majors in that it is designed to acquaint these students with additional common accounting terminology and financial information systems found regularly in business and financial environments. In addition, this course will allow future business professionals to further their understanding of the interrelationships underlying financial reporting and how successful businesses process and utilize financial data to determine competitive position while signaling present and future success to financial system users.

This course would also benefit students outside of the College of Business by exposing these students to the efficiencies of accounting software in any business arrangement and to the logic and interpretation of financial data for decision-making and investigative purposes.

A2. This course will become a part of a significant change in curricular presentation of the undergraduate accounting program. Accompanying this course proposal, course revisions are submitted for the following required courses:

ACCT304 – Intermediate Accounting I (number change and revised course),
ACCT305 – Intermediate Accounting II (number change and revised course), and
ACCT311 – Cost Accounting (revised course).

A3. This course has not been offered at the undergraduate level at IUP. However, a

A6. This course represents a somewhat novel approach in addressing the expressed
concerns of business professionals as to the lack of analytical skills and fundamental

The IUP finance department has provided written evidence of support for instruction of

Section D: Miscellaneous Comments

The premise for this course has come from financial professionals (particularly IIIP

alumni) who have communicated their desire for new business graduates to have a