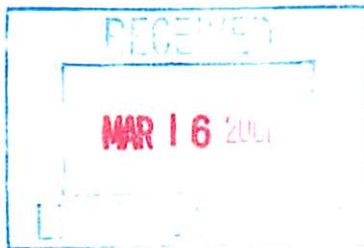


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Number: _____
Submission Date: _____
Action-Date: _____



UWUCC USE Only 01-16a
Number: ~~00-59a~~
Submission Date: _____
Action-Date: App 2/12/02
Senate App 2/26/02

CURRICULUM PROPOSAL COVER SHEET
University-Wide Undergraduate Curriculum Committee

I. CONTACT

Contact Person DR THOMAS PRESSLY Phone 72753
Department ACCOUNTING

PROPOSAL TYPE (Check All Appropriate Lines)

☒ **COURSE** FIN SYSTEM ANALYSIS
Suggested 20 character title

☒ **New Course *** ACCT 303 FINANCIAL SYSTEM ANALYSIS
Course Number and Full Title

☐ **Course Revision** _____
Course Number and Full Title

☐ **Liberal Studies Approval +** _____
for new or existing course Course Number and Full Title

☐ **Course Deletion** _____
Course Number and Full Title

☐ **Number and/or Title Change** _____
Old Number and/or Full Old Title

New Number and/or Full New Title

☐ **Course or Catalog Description Change** _____
Course Number and Full Title

☐ **PROGRAM:** _____ Major _____ Minor _____ Track

☐ **New Program *** _____
Program Name

☐ **Program Revision *** _____
Program Name

☐ **Program Deletion *** _____
Program Name

☐ **Title Change** _____
Old Program Name

New Program Name

II. Approvals (signatures and date)

T. Pressly 3/18/99
Department Curriculum Committee

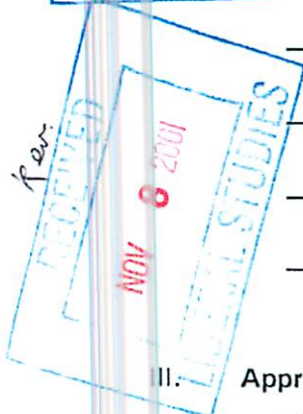
[Signature] 3/18/99
Department Chair

[Signature]
College Curriculum Committee

[Signature] 2/28/01
College Dean

+ Director of Liberal Studies (where applicable)

*Provost (where applicable)



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

1. Creditors
2. Equity Investors
3. Financial Analysts
4. Auditors
5. Regulatory Agencies – Securities and Exchange Commission
6. Employees
7. Financial Advisors
8. Suppliers
9. Customers

B. Financial Business Activities

1. Planning – Budgets
2. Operating
3. Investing
4. Financing

C. Primary Financial System Statements

1. The Accounting Equation
2. Balance Sheet
3. Income Statement
4. Statement of Shareholders' Equity (Retained Earnings)
5. Statement of Cash Flows
6. Statement Articulation

D. Supporting Information

1. Management Discussion and Analysis
2. Management Report
3. Auditor Report
4. Explanatory Notes
5. Supplementary Information – SEC Filings

E. Elements of Financial System Analysis

1. Comparative Analysis
 - a. Time Series (Horizontal)
 - b. Standardized (Vertical)
 - c. Financial Ratios

II. Fundamental Financial Reporting Concepts (3 hours)

A. Generally Accepted Accounting Principles

- 1. Standard-Setting Process**
 - a. Financial Accounting Standards Board (FASB)**
 - b. Securities and Exchange Commission**
 - c. American Institute of Certified Public Accountants**

B. Conceptual Framework

- 1. Concepts System No. 2**
 - a. Relevance**
 - b. Reliability**
- 2. Concepts System No. 5**
 - a. Revenue Recognition**
 - b. Matching Principle**
- 3. Concepts System No 6.**
 - a. Elements of Financial Systems**
 - i. Assets**
 - ii. Liabilities**
 - iii. Equity**
 - iv. Revenues**
 - v. Expenses**
 - vi. Gains and Losses**
 - vii. Comprehensive Income**

III. Review of the Accounting Information System (3 hours)

- A. The Accounting Equation**
- B. Rules of Debits and Credits**
- C. Journal Entries**
- D. Ledger Posting**
- E. Trial Balance**
- F. Adjusting Entries**
- G. Closing Entries**
- H. Financial Statement Preparation**

IV. Income Statement – Analyzing Operating Activities (4 hours)

A. Revenue and Gains

- 1. Recognition Criteria**
- 2. Installment Sales Method**
- 3. Right of Return**
- 4. Completion of Production**
- 5. Long-Term Contracts**
 - a. Percentage of Completion**
 - b. Completed Contract**

- B. Expenses and Losses**
 - 1. Matching Principle**
 - 2. Common Categories**
 - a. Operating**
 - i. Product (Cost of Goods Sold)**
 - ii. Period (Selling and Administrative)**
 - b. Depreciation**
 - i. Straight-Line**
 - ii. Accelerated**
 - c. Pension and Postretirement Benefits Expenses**
 - d. Employee Compensation**
 - i. Compensated Absences**
 - ii. Cash Bonuses**
 - iii. Stock Option Plans**
 - iv. Stock Appreciation Rights**
 - e. Research and Development Costs**
 - f. Amortization of Intangible Assets**
 - i. Goodwill**
 - g. Interest Costs**
 - i. Interest Capitalization**
 - h. Income Taxes**
 - i. Deferred Income Taxes**
 - aa. Permanent vs. Temporary Differences**
 - bb. Tax Carryforwards and Carrybacks**
 - i. Extraordinary Items**
 - i. Recognition Criteria**
 - ii. Financial System Disclosure**
 - j. Discontinued Operations**
 - i. Recognition Criteria**
 - ii. Financial Statement Disclosure**
 - k. Accounting Changes in Accounting Principle**
 - i. Changes in Accounting Principle**
 - ii. Changes in Accounting Estimates**
 - iii. Correction of Errors**
 - iv. Financial Statement Disclosure**

V. The Balance Sheet – Assets (3 hours)

A. Current Assets

1. Definition
2. Cash and Cash Equivalents
3. Compensating Balances
4. Marketable Securities
 - a. Trading
 - b. Available-for-Sale
 - 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
 - i. Raw Materials
 - ii. Work in Process
 - iii. Finished Goods
 - c. Cost Flow Methods
 - i. First-In, First-Out
 - ii. Last-In, First-Out
 - iii. Average Cost
 - d. Lower of Cost or Market Valuation
 - e. Purchase Commitments
 - f. Long-Term Contracts (Construction In Progress)
 - g. Analysis Implications
 - i. Consistency
 - ii. Comparability

B. Noncurrent Assets

1. Long-Term Investments
 - a. Equity Securities
 - b. Debt Securities
 - c. Analysis Implications
2. Plant Assets
3. Natural Resources
4. Intangible Assets
 - a. Identifiable – Patents, Copyrights, Franchises
 - b. Unidentifiable – Goodwill
 - c. Analysis Implications
5. Deferred Charges

VI. The Balance Sheet – Liabilities (3 hours)

- A. Current Liabilities**
 - 1. Definition
- B. Noncurrent**
 - 1. Corporate Bonds
 - 2. Long-Term Notes
 - 3. Lease Obligations
 - 4. Capital vs. Operating Lease Criteria
 - 5. Pensions
 - a. Defined Contribution Plans
 - b. Defined Benefit Plans
 - c. Vested Benefit Obligation
 - d. Accumulated Benefit Obligation
 - e. Projected Benefit Obligation
 - f. Other Postretirement Benefits Obligation
 - 6. Deferred Income Taxes
 - 7. Contingencies
 - a. Probable
 - b. Reasonably Possible
 - c. Remote

VII. The Balance Sheet - Owners' Equity (3 hours)

- A. Paid-In Capital**
 - 1. Preferred Stock
 - a. Characteristics
 - i. Cumulative
 - ii. Participating
 - iii. Convertible
 - iv. Callable
 - v. Asset Preference
 - vi. Dividend Preference
 - 2. Common Stock
 - 3. Par Value
 - 4. Additional Paid-In Capital
- B. Treasury Stock**
- C. Retained Earnings**
 - 1. Cash Dividends
 - 2. Stock Dividends
 - 3. Appropriations

VIII. Statement of Cash Flows (3 hours)

- A. Purpose**
 - 1. Liquidity
 - 2. Solvency
 - 3. Financial Flexibility
- B. Categories**
 - 1. Operating
 - a. Indirect Method
 - b. Direct Method
 - 2. Investing
 - 3. Financing
- C. Noncash Transactions**
- D. Statement Preparation**
- E. Comparisons of Cash Flows and Net Income (Quality of Earnings)**
- F. Alternative Cash Flow Measures**
 - 1. Net Income + Noncash Expenses
 - 2. Free Cash Flows

IX. Financial System Analysis – Short-Term Liquidity (4 hours)

- A. Working Capital**
- B. Current Ratio**
- C. Cash Ratio**
- D. Acid-Test Ratio**
- E. Cash to Current Liabilities Ratio**
- F. Accounts Receivable Turnover**
- G. Receivables Collection Period**
- H. Inventory Turnover**
- I. Days to Sell Inventory**
- J. Days' Purchases in Accounts Payable**
- K. Operating Cash Flows Ratio**
- L. Ratio Interpretation**

X. Financial System Analysis – Solvency (4 hours)

- A. Financial Leverage – Trading on Equity**
- B. Financial Leverage Index**
- C. Financial Leverage Ratio**
- D. Total Debt Ratio**
- E. Total Debt to Equity Capital Ratio**
- F. Long-Term Debt to Equity Ratio**
- G. Asset Composition Analysis – Common-Size Systems**
- H. Asset Coverage**
 - 1. Fixed Assets to Equity
 - 2. Net Tangible Assets to Long-Term Debt
 - 3. Total Liabilities to Net Tangible Assets
- I. Times Interest Earned Ratio**

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
 - e. Sales to Current Liabilities
- F. Equity Growth Rate**
- G. Return on Shareholders' Investment**
- H. Shareholder Multiple Ratio**

XII. Financial System Analysis – Profitability (2 hours)

- A. Trend Analysis**
- B. Gross Profit Margin**
- C. Selling Expenses to Revenues**
- D. Average Effective Interest Rate**
- E. Effective Tax Rate**
- F. Variation Analysis**

XIII. Financial System Analysis – Earnings (2 hours)

- A. Quality of Earnings**
 - 1. Repairs and Maintenance Expense to Sales Ratio
 - 2. Advertising Expenses to Sales Ratio
 - 3. Research and Development Costs to Sales Ratio
- B. Trend Analysis**
- C. Analyzing Extraordinary Items**
- D. Price to Book Ratio**
- E. Price to Earnings Ratio**

XIV. Two Semester Examinations (2 hours)

XV. Final Examination (2 hours)

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 popularly employed by businesses and used throughout the accounting curriculum.

The required computer simulation projects will introduce students to the design of accounting information system and processing of financial information through financial accounting software commonly used in business environments. Students will learn how to input financial information to produce conventional financial statements covered in the first portion of this course along with reinforcing basic financial reporting principles initially discussed in ACCT201 – Accounting Principles I. Computer simulation projects will begin with the accounting information section of this course (see Part III of course curriculum). It would be expected that project assignments would continue through the conclusion of the review of financial systems (Part VI - System of Cash Flows) and preceding financial system analysis material and assignments.

25% Financial system analysis project. Students will be required to prepare a comprehensive comparative financial analysis of the annual reports of three companies from a similar industry category.

The financial system analysis project can take a variety of forms. For example, case studies can require students to develop written and oral reports on financial situations facing companies and industry groups. Comparative studies of corporate annual reports from companies in similar industries can provide students with the opportunity to investigate financial situations involving business environments that they may enter upon graduation, along with cultivating business communications skills through formal requests to corporations for annual financial information.

The financial system analysis project should be designed to maximize student exposure to differences in financial reporting terminology found across different companies and industries and financial ratio computation and interpretation.

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 evaluation content under a traditional 100-point scale (i.e., 90-100 = "A", 80-90 = "B", 70-80 = "C", 60-70 = "D", below 60 = "F").

V. Required Textbooks, Supplemental Books and Readings

Required Textbook:

Bernstein, L. A., & Wild, J. J. (2001). Financial Statement Analysis: Theory, Application, and Interpretation, 7th edition. Boston, Mass.: Irwin/McGraw-Hill.

Required Computer Workbooks:

Arens, A. A and Ward, D. D. (1999). Computerized Accounting Using Great Plains Dynamics, Armond Dalton Publishers.

Osteraa, E. F. (1999). Peachtree for College Accounting, Prentice Hall.

Supplemental Books and Readings

Gibson, C. H. (1995). Financial Statement Analysis Using Financial Accounting Information. Cincinnati, Ohio: Southwestern Publishing Company.

VI. Special Resource Requirements – None

VII. Bibliography

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Chaney, P., Hogan C., and Jeter D. (1999). The Effect of Reporting Restructuring Charges on Analysts' Forecast Revisions and Errors. Journal of Accounting and Economics, 27, 1999, 261-84.

Chang, C. S. A., Lui C., and Schaefer T. F. (1997). The Value-Relevance of SFAS No. 95 Cash Flows From Operations as Assessed by Security Market Effects. Accounting Horizons, 11, 1-15.

Dechow P. M. (1994). Accounting Earnings and Cash Flows as Measures of Firm Performance: The Role of Accounting Accruals. Journal of Accounting and Economics, 18, 3-42.

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- Dhaliwal, D., Subramanyam, K. R, and Trezevant, R. (1999). Is Comprehensive Income Superior to Net Income as a Measure of Firm Performance? Journal of Accounting and Economics, 26, 43-67.
- Fairfield, P. M., Sweeney R. J., and Yohn, T. L. (1996, Summer). Non-Recurring Items and Earnings Predictions. The Journal of Financial Statement Analysis, 30-40.
- Finger C. (1994). The Ability of Earnings to Predict Future Earnings and Cash Flow. Journal of Accounting Research, 32, 21-23.
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- Jennings, R., Simko P., and Thompson R. (1996). Does LIFO Inventory Accounting Improve the Income Statement at the Expense of the Balance Sheet? Journal of Accounting Research, 34, no. 1.
- Kwon, S. S., and Wild, J. J. (1994, Fall). The Informativeness of Annual Reports for Firms in Financial Distress. Contemporary Accounting Research, 11, no. I-II, 331-51.
- Livnat, J., and Zarowin P. (1990). The Incremental Information Content of Cash-Flow Components. Journal of Accounting and Economics, 25, 133-68.
- Mikhail, M., Walther B., and Willis, R. (1999). Does Forecast Accuracy Matter to Security Analysts? The Accounting Review, 74, 185-200.
- Ou, J. A., and Penman, S. H. (1989). Accounting Measurement: Price-Earnings Ratio, and the Information Content of Security Prices. Journal of Accounting Research, Supplement, 111-44.
- Ou, J. A., and Penman, S. H. (1989, November). Financial Statement Analysis and the Prediction of Stock Returns. Journal of Accounting and Economics, 295-329.
- Skinner, D. J. (1999). How Well Does Net Income Measure Firm Performance? A Discussion of Two Studies. Journal of Accounting and Economics, 26, 1999, 105-11.
- Stickney, C. P. (1996). Financial Reporting and Statement Analysis: A Strategic Perspective. Orlando, Florida: Dryden Press.

White, G. I., Sondhi A. C, and Fried, D. (1994). The Analysis and Use of Financial Statements. New York, NY: John Wiley and Sons.

Zarowin, P. (1990, Summer). What Determines Earnings-Price Ratios: Revisited. Journal of Accounting, Auditing and Finance, 439-54.

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 graduate course in Financial Statement Analysis has been offered for many years within the Masters of Business Administration program at IUP.

A4. This particular course in financial system analysis will be directed only to undergraduate students planning on entering a variety of business areas.

A5. Students successfully completing this course will earn a fixed three hours of undergraduate credit.

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 accounting knowledge recently demonstrated by many business graduates. It is also an attempt to rectify the difficulties facing accounting majors and minors as they enter the complexity of intermediate accounting coursework with financial accounting fundamentals acquired only at a general introductory level. Therefore, this course design addresses internal and external instructional needs within a rather unique presentation format at the undergraduate level (at least within the SSHE system).

A7. The analytical skills required to be demonstrated in this course correspond favorably with knowledge, skills, and abilities criteria for new accounting graduates established by the American Accounting Association, American Institute of Certified Public Accountants and the Institute of Management Accountants. Please refer to the conclusion of the program revision section for copies of papers prepared by these organizations advocating development of analytical abilities of accounting students.

As further evidence of the unique aspects of this course relative to other accounting topics, a recent survey revealed 63 accounting programs across the United States and Canada that offered various forms of financial statement analysis courses within their curricula (Koehn and Hallam, 1999). This article is attached to this new course proposal for review.

Section B: Interdisciplinary Implications

B1. Because the intent of this course offering will be an understanding of financial systems and providing an **introductory** insight into financial information interpretation, this course will be singularly taught by accounting faculty.

B2. Other disciplines employ financial data in their coursework. Particularly, the IUP finance department offers several courses containing financial analysis requirements. The course description for FI310 – Finance I includes the financial analysis of a corporation. In addition, FI355 – Financial Analysis Using Lotus 1-2-3 focuses on spreadsheet applications of financial problems. Finally, it would also be expected that investment analyses courses offered within the finance areas would also utilize financial data for investment decisions.

However, within all of these finance-based course descriptions and titles, a key word that is not mentioned is “system”. The new ACCT303 will concentrate on relationships existing within financial **system** information regularly presented to the public. The new ACCT303 is **NOT** intended to become a surrogate for applying interdisciplinary interpretations and uses of financial data. The intent of ACCT303 is to serve as an **introduction** to accounting and other business majors of the **diverse** uses of financial system information in decision-making processes of **many** user groups. The intent of the new ACCT303 is not to conflict with specific applications of other disciplines, but rather to complement these subsequent courses by providing a framework by which students can build upon when taking more advanced coursework.

The IUP finance department has provided written evidence of support for instruction of ACCT303 by accounting faculty and plans to include the course in their list of controlled electives for finance majors (see attached letter of support included in program revision section).

In addition, the scope of this course will also create a better understanding of financial reporting terminology and structure frequently employed by business professionals and elementary functions of accounting system software for all business majors.

B3. This course will be available to students with appropriate backgrounds in the School of Continuing Education.

Section C: Implementation

C1. Because of the direct replacement of the new ACCT303 for ACCT412 course sections within the accounting major core curriculum, current faculty levels will be adequate to teaching this course.

C2. This course will not require any additional resources beyond those already available within the Eberly College of Business.

C3. No resources needed for this course are funded by grants.

C4. Once fully implemented, this course will be offered regularly throughout the academic year.

C5. At current levels of accounting enrollment, it would be expected that approximately 4-5 course offerings per semester would be required during the regular academic year, and 1-2 offerings during the summer semester. If other business disciplines require their majors to enhance their accounting knowledge bases, additional course offerings would be necessary.

C6. Enrollment would be limited to 30 students per class section because of potential capacity restrictions within some ECOB computer labs.

C7. No professional society advocates limited enrollment in a course of this nature.

Section D: Miscellaneous Comments

The premise for this course has come from financial professionals (particularly IUP alumni) who have communicated their desire for new business graduates to have a greater understanding of the complexities of financial system technology and reporting. Furthermore, the traditional format of journal entries and financial system construction found in introductory accounting courses does not adequately address the needs of new hires to fully comprehend the impact of financial results on business planning and performance evaluation. It is the goal of this course to provide these essential technological and conceptual fundamentals to IUP accounting majors and other business students to meet increasing employer needs for enhanced awareness of basic financial reporting technology and interpretation from new employees from all disciplines.

It is also the intention of this new course to build analytical and technological skills required by accounting practitioners for new accounting employees. This new course will strengthen the accounting knowledge base of accounting majors and minors prior to encountering the rigors of intermediate accounting coursework. It is hoped that increased retention of accounting majors and minors will result from implementation of this new course requirement.