

# Introduction to Financial Accounting: Assets [FA2]

## Course purpose

*Financial Accounting: Assets [FA2]* is the second of five courses on this subject in the CGA program of professional studies. This intermediate financial accounting course builds on the basic understanding that you should have acquired in *Financial Accounting Fundamentals [FA1]* or an equivalent introductory course. It is designed to enable you to further develop accounting knowledge and skills in preparation for the subsequent three courses in financial accounting, and to relate this knowledge to other courses in the program of professional studies.

The primary aim of *FA2* is to assist you in developing professional competence and skills that will enable you to understand and apply the concepts, methods, and techniques concerning the valuation of assets and the application of generally accepted accounting principles. You also develop your understanding of the various ethical issues related to the use of accounting information.

The course integrates the use of accounting and spreadsheet software in the setup and solution of accounting problems.

There are three financial accounting courses subsequent to *Financial Accounting: Assets [FA2]* in the CGA program of professional studies. *Financial Accounting: Liabilities & Equities [FA3]* is another intermediate-level course focusing on the liabilities and equities side of the balance sheet. *Financial Accounting: Consolidations & Advanced Issues [FA4]* deals with consolidations, foreign currency, income tax allocations, and not-for-profit organizations. *Accounting Theory & Contemporary Issues [AT1]* deals with conceptual issues in accounting, taking real-world examples from specialized sectors, industry, and government, as well as current issues in accounting policy and theory.

## Course prerequisites

- **Foundation courses:** The prerequisite for this course is the introductory course *Financial Accounting Fundamentals [FA1]* or equivalent. You will find a course description of *FA1* in the [CGA-Canada Syllabus](#).
- **Mathematics:** You are also expected to have a sound understanding of basic mathematics and its application in the business context; the expected level of knowledge is that which can be gained from any standard business mathematics text.
- **Ethics:** An understanding of ethical principles and how the accounting profession addresses ethical issues is an essential part of the CGA program of professional studies. The *Ethics Readings Handbook [ERH]* has been developed as a resource in this area and is provided under "Resources/Reference Library."

In *FA2* you are expected to be familiar with Section A of *ERH*. This section clarifies important concepts and terms used throughout the Handbook and is necessary background knowledge for *ERH* readings referenced in this and other courses.

- **Software skills:** When working with *FA2*, you are expected to have basic competence with Microsoft

Windows, Microsoft Excel, and Sage AccpacERP. (If you need to build your Windows, Excel, or Sage Accpac ERP skills, refer to the CGA computer tutorials, *CT1*, *CT2*, and *CT3*.) For information on how to work with software in this course, see Resources/How to/Use software.

## Structure and delivery

*FA2* comprises 10 modules that can be studied over a 12-week period, 1 module per week, followed by preparation for the final examination. Each module should take between 15 and 20 hours to complete. The modules are delivered online and can be saved to your hard drive and/or printed.

## Textbook and reference materials

The textbook, reference materials, and software for *FA2* are the following:

- Thomas Beechy and Joan Conrod , *Intermediate Accounting*, 4th Canadian Edition (Toronto, Ontario: McGraw-Hill Ryerson, 2008), Volume I only.
- Excerpts from the pre-publication version of Lo Fisher, *Intermediate Financial Accounting*, Volumes I and II (Toronto, Ontario: Pearson Education Canada, 2010), by George Fisher and Kin Lo. Links to PDF files of these readings are provided in the modules.
- *Model Financial Statements*, 17th Edition (Vancouver, BC: CGA-Canada, 2010). The electronic version is under Resources/Reference library/Model Financial Stmts.
- *Ethics Readings Handbook [ERH]*, 3rd Edition (Vancouver, BC: CGA-Canada, 2010). The electronic version is under Resources/Reference library/Ethics Readings Hbk.
- Sage Accpac ERP 5.6A CGA Edition and Sage Accpac ERP 5.6A CGA Edition Installation Instructions.
- *Computer Tutorial 3: Accounting Using Sage Accpac ERP [CT3]*.

**Note:** The Beechy and Conrod textbook is currently being revised for IFRS compliance, but this revised edition is not yet available. The Fisher/Lo readings are included in the course to provide current information where there are differences between IFRS and the *CICA Handbook*.

## Modules

The *FA2* course modules serve several purposes:

- to provide guidance on and supplement the textbook readings and the online readings
- to provide guidance with online work
- to provide practice and assessment tools to measure learning and achievement

The modules contain some important tools that will help you to master and apply the *FA2* concepts. You are encouraged to make use of these tools as time permits during your work on each module and in preparation for the mid-term project and course examination. (See the final section of this introduction for a recommended study approach.)

- **Test-your-knowledge questions** are accessible through a link on the module overview page. They help you gauge the depth of study required for the module.
- **Activities** (inserted at various points in the topics) reinforce your knowledge by giving you an opportunity to research topic issues. Some activities point the way to books, articles, or websites with up-to-date information on the public sector, while others provide issues to consider, with suggested solutions. While the information you acquire and the thinking you do about the issues will help you to

achieve success in the assignments, the content of readings recommended in the activities is **non-examinable**.

- **Web links** provide relevant examples and clarify the context and scope of topic material. Simply click the hyperlink in the notes to access the web page.
- **Self-test questions** following the topics help you identify areas of content that you need to review. Previous assignment questions are included in the self-tests to provide guidance on how to approach such questions.

**Special note about web links:** Websites commonly go through structural changes, so you may encounter a broken link. A website may also be down temporarily, so if you have time, try revisiting it the next day before deciding that the link is broken. If you are sure a link is broken, please report it to CGA Support. (In the meantime, for your study purposes, if a site is inaccessible, use your own initiative to locate similar online sources of learning and adapt the online activity or study material accordingly.)

## Extend your knowledge

At various places in the module notes, you may encounter comments directing you to the "Extend your knowledge" section. Here you will find suggestions of additional readings, online resources, and other materials that will help you learn more about a particular topic. Extend your knowledge material is provided for your enrichment and is **non-examinable**. It is accessed by clicking the following icon.



## Textbook activities

Online activities from the textbook [Online Learning Centre \(OLC\)](#) are provided in the module notes, including multiple-choice quizzes and additional case questions. The assigned textbook readings and the module notes form the basis of the examinable material. CGA-Canada is not responsible for any errors that may occur in the Online Learning Centre.

## Use of tables in the examination

Although the textbook does refer occasionally to the use of the tables at the end of the book, FA2 does not explain the use of tables and students are not required to use them. The examination does not include tables.

## Data files

**Note:** The following instructions require you to have a compression utility (for unzipping files) on your computer. If these instructions don't work or you are not sure you have such a utility, please contact CGA technical support (click Computer Technical Support under the Support Centre tab).

Before you begin working on the data files in this course, you must first download them from a zipped file and save them to your hard drive. Follow these steps:

1. Click the "Download data files" link at the end of these instructions.
2. When asked "Do you want to open the file?" click Save. Click Save again to save the zipped file to your desktop. When the download is complete, click Close.
3. Double-click the zipped file on your desktop to open it. Click Extract from the menu bar and choose a

location on your hard drive for the data files using the New Folder button. Then click Extract once again to save the files to that location. Click Close.

4. You are now ready to open and work with the data files on your hard drive.

[Download data files - Session 1 students only](#)

[Download data files - Session 2 students only](#)

[Download data files - Session 3 students only](#)

## Course assessments

The assessments in this course consist of the following:

- **Five quizzes**, one each in Modules 2, 4, 6, 8, and 10: These are in the form of multiple-choice questions that you complete online and submit for marking. For instructions on accessing and submitting quizzes, see Submit assignments and quizzes in the FA2 Assignment/Group work area.
- **Assignment 1** (due at the end of week 5 — see Course Schedule), **Assignment 2** (due at the end of week 7), and **Assignment 3** (due at the end of week 9). You prepare your assignment responses in Word (or in Accpac and Word as required) and submit them to your marker in your FA2 Assignment /Group work area. For instructions on accessing and submitting quizzes, see Submit assignments and quizzes.
- **Course examination**: As with other foundation-level CGA courses, the final examination is three hours long.

Your final course mark will be the combined quiz/assignment mark and examination mark (30 for the quiz/assignment mark and 70 for the examination). The five quizzes will be worth a combined maximum score of 10 (each quiz has a maximum score of 2). Assignment 1 and Assignment 3 will be worth a maximum score of 5 each. Assignment 2 will be worth a maximum score of 10. Your final examination will be graded out of 100, and your raw examination mark will be scaled into a mark out of 70. Your quiz/assignment mark (with a maximum score of 30) will then be added to the scaled examination mark.

Several resources are available to help you prepare for the final examination:

- two practice examinations, which show you the general form of the final examination, including the types of questions you can expect
- examination reviews, in the form of recorded lectures, available approximately two weeks before the course examination
- an examination blueprint, which outlines the primary content areas covered on the examination, the related learning objectives, the proportion of marks assigned, and the weighting for different types of questions

These resources are available under the Exam Preparation tab.

## Course roadmap

The course schedule contains a link to the course roadmap. This document allows you to trace the topics you have studied across the various modules to the assignments and to trace each assignment question to the modules and topics it draws on. Use this document as a helpful guide to working through the course material.

## **The *CICA Handbook — Accounting: A new look***

In 2006, the Accounting Standards Board (AcSB) fundamentally changed its strategy. Rather than adopting a one-size-fits-all philosophy, the AcSB determined that it was in Canada's best interest to pursue separate accounting strategies for entities with different needs. The result of this is that the *CICA Handbook — Accounting* now comprises four parts :

- Part I International Financial Reporting Standards
- Part II Accounting Standards for Private Enterprises
- Part III Accounting Standards for Not-for-Profit Organizations
- Part IV Accounting Standards for Pension Plans

On a temporary basis, there will also be a Part V of the Handbook. This is the previous version of the Handbook as it existed at December 31, 2010. Throughout the module notes this is referred to as the "pre-IFRS *CICA Handbook*."

## **International Financial Reporting Standards**

As you are aware, the Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants (CICA) adopted international financial reporting standards (IFRS) for publicly accountable entities (PAE) for fiscal years beginning on or after January 1, 2011. For this reason, the *FA2* course materials reflect IFRS as proclaimed by the International Accounting Standards Board (IASB).

CGA-Canada took this proactive step to ensure that you, our students, are well versed in the application of accounting standards that apply to PAEs in Canada and to most of the industrialized world. One of the challenges of this switchover, however, is the lack of a suitable published Canadian text written to IFRS. For the transitional period, CGA-Canada has secured the rights to use excerpts from the pre-publication version of *Intermediate Financial Accounting*, which is written to IFRS (Volumes I and II, by George Fisher and Kin Lo).

The primary sources of information for *FA2* are the governing standards and these module notes that fully incorporate the effect of the amendments. Unless specifically stated otherwise, all assessments, including the final examination, are based on IFRS 2009 as set out in the International Financial Reporting Standards and as explained in the module notes. The text supplements these materials, but does not supplant them. That is, when differences exist between the text and the primary source of information, the guidance provided in the module notes and IFRS should prevail.

The basic IFRS standards are provided free on the IAS website. Please note that there may be changes between the release of *FA2* and the standards available on IAS at the time of your taking this course. The examination and assignments will be based on the 2009 version, and you are not responsible for any changes made since then. See <http://www.iasb.org/IFRSs/IFRS.htm>.

## **Terminology**

The Accounting Standards Board prepares the *CICA Handbook — Accounting* and the International Accounting Standards Board prepares IFRS. The terminology used by these two bodies varies somewhat. A list of some of the more common differences follows. Because they may be used interchangeably in the CGA course

materials, you need to be familiar with the terms used by both sources.

### Comparison of commonly used terms — Pre-IFRS *CICA Handbook* and IFRS

CICA	IFRS
Accumulated other comprehensive income	Reserves
Amortization	Depreciation
Balance sheet	Statement of financial position
Common shares	Ordinary shares
Future income tax	Deferred income tax
Held for trading	At fair value through profit and loss
Income statement, statement of income	Statement of profit and loss
On the income statement	Through profit or loss
Statement of retained earnings	Statement of changes in equity

Keep in mind that the terms **amortization** and **depreciation** have been used interchangeably over the years. IFRS uses "depreciation" primarily in conjunction with the expensing of capital assets over time and "amortization" mainly with respect to the systematic expensing of premiums and discounts on debt securities. During the transition period, however, you will likely continue to see these terms used interchangeably.

### Referencing

International Financial Reporting Standards include a number of component parts:

- Introductory Materials
- IFRS (these are the financial reporting standards)
- IFRICs (pronouncements of the International Financial Reporting Interpretation Committee)
- Exposure Drafts

IFRS include both IFRS and IAS. The notations IFRS and IAS refer to the governing body that prepared them. IFRS were prepared by the International Accounting Standards Board (IASB), while IAS were prepared by the IASB's predecessor, the International Accounting Standards Committee (IASC).

IFRS and IAS are both structured using sequentially numbered paragraphs. This organization is illustrated in the following excerpt from IAS 1:

4	This Standard does not apply to the structure and content of condensed interim financial statements prepared in accordance with IAS 34 <i>Interim Financial Reporting</i> . However, paragraphs 15–35 apply to such financial statements. This Standard applies equally to all entities, including those that present consolidated financial statements and those that present separate financial statements as defined in IAS 27 <i>Consolidated and Separate Financial Statements</i> .
5	This Standard uses terminology that is suitable for profit-oriented entities, including public sector business entities. If entities with not-for-profit activities in the private sector or the public sector apply this Standard, they may need to amend the descriptions used for particular line items in the financial statements and for the financial statements themselves.

There is no single accepted convention of referring to paragraphs within IFRS and IAS. *FA2* and the other courses in CGA-Canada's financial accounting series use a common shortcut method of referring to the

standards; for example, paragraph 4 of IAS 1 is denoted "IAS 1 p4" (note that the "p" refers to the numbered paragraph, not the page number).

### **Important reminder:**

For CGA-Canada's policy regarding original work on assignments, check out the [Academic integrity policy](#).

## **Recommended study approach**

Here is a recommended study approach for each module. You can develop variations on it to suit your own learning style.

- Check the course schedule for an overview of your required reading and assignment responsibilities.
- Try the test-your-knowledge questions and use the instant feedback to gauge the depth of study required for the module.
- Read the assigned pages from the readings in conjunction with the module notes. If you are working from a printed copy of the module notes, you will need to allot some time each week to access online articles, web links, and so on.
- Do the activities.
- Do the self-test questions and check your responses against the solutions.
- Complete the online quiz and assignment.

## **Copyright**

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Both the curriculum and the content of this course have been reviewed by the School of Commerce of Laurentian University and have been found to meet acceptable standards.