Inventory

• Basic LIFO/FIFO Calculations
  • Using periodic inventory
• How the LIFO/FIFO choice affects the Cost of Goods Sold and Inventory valuation.
  • Where are the most current costs?
  • Which numbers are most meaningful?
• What the LIFO reserve represents
• LIFO Liquidation
  • When does it occur?
  • What are the implications for a company?
  • How does it affect net income?
• Lower of Cost or Market
  • Basic calculation (defining market)
  • Implications for financial statements
  • Understanding of terminology
Fixed Assets

- General Rule for capitalization of costs
  - Land
  - Interest
- General Rule for depreciation of assets
  - When do you start and stop depreciating assets?
- Research and Development
  - General Rule
  - Software development costs
  - Purchased R&D

Investments

- Categorization of Investments
- Securities to be held to maturity
- Available for sale securities
- Trading Securities
- Equity Method
  - When to apply the equity method
  - How the accounting differs from available for sale securities
Current Liabilities

- Classification of current vs noncurrent
- Obligations with noncurrent maturities that are callable by creditor
- Current maturities that are expected to be refinanced with long-term loans
- Contingent Liabilities
  - When to recognize in financial statements
  - Recognition vs. Disclosure
- Warranty Accrual

Bonds and Notes

- Issuance of bonds with premiums and discounts
- Recording interest using the effective interest rate method
- Difference between the coupon rate, historical effective interest rate and current yield.
- Determining the fair value of debt
  - Why the fair value could differ from the carrying value.
  - How changes in interest rates create unrealized holding gains and losses
- Early extinguishment of debt
- Troubled debt restructuring
Leases

- Lease Classification
  - Present value of minimum lease payments
  - Guaranteed vs. unguaranteed residuals
  - Discount rates
- Lease entries
  - Initiation of lease
  - Interest accruals and depreciation
  - Termination of lease at the end of the lease term.
  - Lessee and lessor
  - Sales-Type Lease and Direct Financing Lease
- Financial Reporting Implications

Pensions

- Meaning of the Projected Benefit Obligation
- Factors that change the PBO over time
- Calculation of pension expense
- Factors that affect changes in the fair value of plan assets
- Overfunding vs. underfunding
- Reconciling funding to the ending asset/liability
- Minimum Pension Liability
- Financial statement implications
Employee Stock Options & Equity

- APB #25 vs. SFAS #123
- Basic issues involved in the controversy over the accounting for stock options
  - Why the Black-Scholes model may not work for employee stock options
- Recognition vs. disclosure
- Calculation of Pro forma earnings
- Importance of parameter estimates in determining option value
- Restricted Stock
- Treasury Stock Transactions (Cost Method)