

Addis Ababa University
College of Business and Economics (CoBE)
Department of Accounting and Finance

Course Outline

Course Code: AcFn 2082

Course Title: Intermediate Financial Accounting II

Credit/Contact Hours: 4/4

Prerequisite: AcFn 2081

Degree Program: BA Degree in Accounting and Finance

Course Description

This course is the continuation of Intermediate Financial Accounting I. Like the first part, it deals with theory of financial accounting for business organizations. It also tries to introduce students with the applications of financial accounting concepts and theories in the Ethiopian business environment. Topics included in the course are: inventories, long-term operating assets, investments, current and noncurrent liabilities, leases and pension liabilities.

Course Objectives

The course is designed to enable students to gain an in depth understanding of international financial reporting standards in relation to plant, property, and equipment (PPE), intangible assets, financial instruments, provisions, investments, leases. The exercises and problems that the students are supposed to workout at the end of each chapter are expected to make the students internalize different business cases that may be similar to cases of real business entities in Ethiopia. After completion of the course, students are expected to:

- Analyze and account transactions relating to inventories, property, plant and equipment, intangible assets, recognize, measure, present, and disclose such transactions.
- Analyze and account transactions relating to financial instruments particularly investments, equities financial liabilities, provisions, and contingent liabilities by properly classifying, recognizing measuring, presenting and disclosing for such transactions.
- Analyze and account transactions relating to leases by properly classifying, recognizing measuring, presenting and disclosing for such transactions.

- Analyze and account transactions relating to pension obligations.

Course Contents

1.Inventories

- 1.1 Nature and classification of inventory
- 1.2 Recognition of Physical Goods Included in Inventory
- 1.3 Inventory Errors
- 1.4 Measurement of Inventory-Costs Included
- 1.5 Measurement and Cost Formulas
- 1.6 Measurement and the Lower of Cost and Net Realizable Value (LC&NRV) Principle
- 1.7 Lower-of-cost-or-net realizable value (LCNRV) method
- 1.8 Exceptions to Lower of Cost and Net Realizable Value
 - 1.8.1 Inventories Measured at Net Realizable Value
 - 1.8.2 Inventories Measured at Fair Value Less Costs to Sell
 - 1.8.2.1 Inventories of Commodity Broker-Traders and Similar Entities
 - 1.8.2.2 Biological Assets and Agricultural Produce at Point of Harvest
 - 1.8.3 Measuring Inventory Using Estimates
 - 1.8.3.1 The Need for Estimates
 - 1.8.3.2 Gross profit method
 - 1.8.3.3 Retail-inventory method
- 1.9 Presentation and Disclosure of Inventories

2.Long-Term Operating Assets

2.1 Property, Plant, and Equipment

- 2.1.1 Definition and Characteristics
- 2.1.2 Cost Elements
 - 2.1.2.1 Directly attributable costs
 - 2.1.2.2 Self-Constructed Assets
 - 2.1.2.3 Borrowing Costs
 - 2.1.2.4 Dismantling and Restoration Costs
- 2.1.3 Measurement of Cost for Nonmonetary Exchange
 - 2.1.3.1 Cash Discounts Not Taken
 - 2.1.3.2 Deferred Payment Terms
 - 2.1.3.3 Lump-Sum Purchases
 - 2.1.3.4 Nonmonetary Exchanges

- 2.1.3.5 Contributed Assets and Government Grants
- 2.1.4 Measurement of Costs Associated with Specific Assets
 - 2.1.4.1 Land
 - 2.1.4.2 Buildings
 - 2.1.4.3 Leasehold Improvements
 - 2.1.4.4 Equipment
 - 2.1.4.5 Investment Property
 - 2.1.4.6 Natural Resource Properties
 - 2.1.4.7 Biological Assets
- 2.1.5 Subsequent Costs
 - 2.1.5.1 Additions
 - 2.1.5.2 Replacements, major overhauls, and inspections
 - 2.1.5.3 Rearrangement and reinstallation
 - 2.1.5.4 Repairs
- 2.1.6 Measurement Subsequent to Acquisition
 - 2.1.6.1 Depreciation and Impairment
 - 2.1.6.2 Subsequent measurement models
 - 2.1.6.3 Cost Model
 - 2.1.6.4 Revaluation Model
 - 2.1.6.5 Fair value model – Investment Property
- 2.1.7 Derecognition
 - 2.1.7.1 Reporting Non-Current Assets Held for Sale
 - 2.1.7.2 Discarding, Sale, Exchange
- 2.1.8 Presentation and Disclosure
- 2.2 Intangible Assets**
 - 2.2.1 Characteristics of Intangible Assets
 - 2.2.2 Recognition and Measurement of Intangible Assets at Acquisition
 - 2.2.2.1 Acquired Intangible Assets
 - 2.2.2.2 Internally Developed Intangible Assets
 - 2.2.3 Recognition and Measurement of Intangible Assets after Acquisition
 - 2.2.3.1 Impairment and Derecognition
 - 2.2.4 Measurement and impairment of Goodwill
 - 2.2.5 Presentation and Disclosure
- 3.Current Liabilities, Provisions, and Contingencies**
 - 3.1 Liability Definitions and Characteristics
 - 3.2 Financial Liabilities and Non-Financial Liabilities
 - 3.3 Common Current Liabilities
 - 3.4 Employee Related Liabilities
 - 3.5 Decommissioning and Restoration Obligations
 - 3.6 Provision and Contingencies
 - 3.7 Presentation and Disclosure

4. Investments

- 1.1 Nature and Type of Investments
- 1.2 Measurement-Cost/Amortized Cost Model
 - 1.2.1 Investments in Shares of Other Entities
 - 1.2.2 Investments in Debt Instruments of Other Entities
- 1.3 Measurement-Fair Value Through Net Income (FV-NI) Model
- 1.4 Measurement-Fair Value Through Other Comprehensive Income (FV-OCI)
 - 1.4.1 Investments in Shares of Other Entities
 - 1.4.2 Investments in Debt Instruments of Other Entities
- 1.5 Measurement-Impairment Models
 - 1.5.1 Expected Loss Impairment Model
 - 1.5.2 Fair Value Loss Impairment Model
- 1.6 Strategic Investments-Investments in Associates
 - 1.6.1 Significant Influence
 - 1.6.2 Equity Method
- 1.7 Strategic Investments-Investments in Subsidiaries 9-38
- 1.8 Presentation and Disclosure

5. Long-Term Financial Liabilities

- 5.1 Nature of Long-Term Debt Instruments
- 5.2 Measurement
- 5.3 Recognition and Derecognition
- 5.4 Presentation and Disclosure

6. Leases

- 6.1 The Leasing Environment
 - 6.1.1 Advantages of Leasing
 - 6.1.2 Conceptual Nature of a Lease
 - 6.1.3 Determination of Rental Payments
 - 6.1.4 Lease Criteria for Lessees
 - 6.1.5 Accounting for Right-of-Use Assets and Capital Leases
 - 6.1.6 Accounting for Residual Values and Purchase Options in a Leased Asset
 - 6.1.7 Accounting for Short-Term and Low-Value Leases
 - 6.1.8 Presentation and Disclosure
 - 6.1.9 Lease Criteria for Lessors
 - 6.1.10 Accounting for Financing and Manufacturer/Dealer or Sales-Type Leases
 - 6.1.11 Accounting for Residual Values and Purchase Options in a Manufacturer/Dealer or Sales-Type Leases

- 6.1.12 Accounting for an Operating Lease
- 6.1.13 Presentation and Disclosure

7.Revisiting Statement of Cash Flows

- 7.1 Purposes, Uses, and Importance of Cash, Cash Equivalents, and Cash Flows
- 7.2 Classification of Cash Flows
- 7.3 Format of the Statement
- 7.4 Basic Steps in the Preparation of the Statement of Cash Flows
- 7.5 Preparing a Statement of Cash Flows using the Direct Method
- 7.6 Preparing a Statement of Cash Flows using the Indirect Method
- 7.7 Presentation and Disclosure

Teaching & Learning Methods/Strategy

The teaching and learning methodology include lecturing, discussions, problem solving, and analysis. Take-home assignment will be given at the end of each chapter for submission within a week. Solution to the assignments will be given once assignments are collected. Cases with local relevance will also be given for each chapter for group of students to present in a class room. The full and active participation of students is highly encouraged.

Roles of the Instructor

He/she will come to the class regularly on time and deliver the lecture in a well-organized manner. Besides, at the end of each class he/she gives reading assignment for the next class. He/she will make sure that proper assessments are given. He/she is also responsible to give feedback for each assessment.

Roles of the Students

The success of this course depends on the students' individual and collective contribution to the class discussions. Students are expected to participate voluntarily, or will be called upon, to contribute to set exercises and problems. Students are also expected to read the assigned readings and prepare the cases before each class so that they could contribute effectively to class discussions. Students must attempt assignments by their own. Proficiency in this course comes from individual knowledge and understanding. Copying the works of others is considered as serious offence and leads to disciplinary actions.

Assessment Scheme

This is a summary of the assessment in the course.

<u>Assessment task</u>	<u>Weighting</u>
1. Tests	30%
2. Quiz	10%
3. Assignment	10%
4. Final Exam	50%
Total	100%

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Text Book

Kieso, Weygandt and Warfield IFRS 2nd Edition, Vol. 1 & 2, Pearson Education-Prentice Hall.

Reference Books

Alan Melville (2019). International Financial Reporting, A Practical Guide, Seventh edition Pearson Education Limited.

A.N. Mosich, E. John Larsen (1989), Intermediate Accounting, 6th ed.

Gordon, Elizabeth A., Raedy, Jana Smith, and Sannella, Alexander John (2019). Intermediate Accounting. Second Edition. Pearson Education, Inc.

Kieso D.E., Weygandt J.J. and Warfield T.D. (2012). Intermediate Accounting, 14th Ed. John Wiley & Sons, Inc.

Kieso D.E., Weygandt J.J., Warfield T.D., Wiecek I.M., and McConomy B.J. (2019). Twelfth Canadian Edition. Vol. 1. John Wiley & Sons Canada, Ltd.

Kieso D.E., Weygandt J.J., Warfield T.D., Wiecek I.M., and McConomy B.J. (2019). Twelfth Canadian Edition. Vol. 2. John Wiley & Sons Canada, Ltd.

Nelson Lam and Peter Lau (2009). Intermediate Financial Reporting. An IFRS Perspective. McGraw-Hill Education (Asia).

Nikolai, Bazley and Jones, Intermediate Accounting, (10th Ed. McGraw-Hill co.2007).

David Spiceland, Mark Nelson, Wayne Thomas and Jennifer Winchel 2023). Intermediate Accounting, 11th Edition. McGraw Hill.
IFRS Blue Book, IFRS Green Book, IFRS Red Book (Latest editions)

Commercial Code of Ethiopia

Journal of Accountancy

Accounting Horizons