



This course supports the assessment for Advanced Financial Accounting. The course covers 4 competencies and represents 3 competency units.

Introduction

Overview

Financial accounting skills are highly valued in the industry. The ability to apply generally accepted accounting principles to business combinations and parent/subsidiary relationships, including acquisition and inter-company transactions, are a few of the desired skills. All financial accountants should be able to demonstrate an understanding of the unique accounting for partnership entities, including formation, operations, change in membership, and liquidations. An understanding of foreign currency financial statements translation and the implications of hedging foreign currency transactions are strong skill sets for financial accountants.

Applying financial standards using professional judgment to a variety of business situations is crucial in today's society. Ideally, an individual uses critical thinking skills and applies an advanced level of problem-solving strategies while offering insight to problems that may arise. This course builds upon your accounting knowledge by focusing on advanced financial accounting topics such as consolidations, partnership accounting, and international accounting.

Getting Started

Welcome to Advanced Financial Accounting! This course's primary resource contains an e-text, web activities, practice problems, and quizzes to help you master course concepts. Activities within this course will direct you to utilize the Financial Accounting Standards Board (FASB) database. Additional materials include working documents designed to increase your ability to gain competency. Competency in this course will be demonstrated with an objective assessment.

Competencies

This course provides guidance to help you demonstrate the following 4 competencies:

- **Competency 3023.1.1: Accounting for Business Combinations**
The graduate applies generally accepted accounting principles (GAAP) as they relate to business combinations and parent/subsidiary relationships.
- **Competency 3023.1.2: Partnerships**
The graduate accounts for partnerships, including formation, operations, and liquidations.
- **Competency 3023.1.3: International Accounting Issues**
The graduate can demonstrate hedging for foreign currency transactions and translate foreign currency financial statements.
- **Competency 3023.1.4: Reporting Requirements**
The graduate student will explain reporting requirements for SEC, segment and interim reporting.

Course Instructor Assistance



As you prepare to demonstrate competency in this subject, remember that course instructors stand ready to help you reach your educational goals. As subject matter experts, mentors enjoy and take pride in helping students become reflective learners, problem solvers, and critical thinkers. Course instructors are excited to hear from you and eager to work with you.

Successful students report that working with a course instructor is the key to their success. Course instructors are able to share tips on approaches, tools, and skills that can help you apply the content you're studying. They also provide guidance in assessment preparation strategies and troubleshoot areas of deficiency. Even if things don't work out on your first try, course instructors act as a support system to help you prepare for another attempt. You should expect to work with course instructors for the duration of your coursework, and you are encouraged to contact them as soon as you begin. Course instructors are fully committed to your success!

Preparing for Success

The information in this section is provided to detail the resources available for you to use as you complete this course.

Learning Resources

The learning resources listed in this section are required to complete the activities in this course. For many resources, WGU has provided automatic access through the course. However, you may need to enroll manually in or independently acquire other resources. Read the full instructions provided to ensure that you have access to all of your resources in a timely manner.

Automatically Enrolled Resources

You can access the learning resources listed in this section by clicking on the links provided throughout the course. You may be prompted to log in to the WGU student portal to access the resources.

McGraw Hill Connect E-Text

The following textbook is available to you as an e-text within this course. You will be directly linked to the specific readings required within the activities that follow.

- Christensen, T. E., Cottrell, D.M., Baker, R. E. (EDs) (2014). *Advanced financial accounting* (10th ed.). New York: McGraw-Hill. ISBN-14: 978-0-07-802562-4.

Note: This e-text is available to you as part of your program tuition and fees, but you may purchase hard copies at your own expense through a retailer of your choice. If you choose to do so, please use the ISBN listed to ensure that you receive the correct edition.

Financial Accounting Standards Boards Database

Activities within this course will direct you to utilize the [FASB Codification database](#).

Log in at the link above using the following information:

- Username: AAA52071



- Password: 2ExZr8V

Minimum Technical Requirements

Obtain a Calculator

You will need a financial calculator or access to spreadsheet software, such as Microsoft Excel, for computational problems throughout this course. The recommended financial calculator is the Texas Instruments BA-II Plus. You may only use an approved financial calculator during the pre-assessment and assessment for this course. You are unable to use Excel during the assessments.

Topics and Pacing

This outline is a guided structure of the topics recommended to complete the learning activities. It is provided as a suggested structure and can be adapted according to your knowledge, skills, and experience. Use the topics and pacing outline to support your completion of the course within the recommended timeframe.

Week 1

- Preparing for Success
- Overview of Business Combinations
- Consolidation of Wholly Owned Subsidiaries

Week 2

- Consolidation of Less-than-Wholly Owned Subsidiaries with No Differential
- Consolidation of Wholly-Owned Subsidiaries with Differential
- Consolidation of Less-than-Wholly-Owned Subsidiaries with Differential

Week 3

- Intercompany Transactions

Week 4

- Foreign Currency Transactions and Financial Instruments
- Remeasurement/Translation of Foreign Entity Financial Statements

Week 5

- Segment and Interim Reporting
- SEC Reporting

Week 6

- Partnerships: Foundation, Operation, and Changes in Membership



Week 7

- Partnerships: Liquidation

Week 8

- Final Steps

Advanced Financial Accounting

This course focuses on consolidations, partnership accounting, and international accounting. You will also study business combination, international accounting issues, and reporting requirements. Additionally, accountants should have knowledge and skills in the areas of foreign currency transactions, generally accepted accounting principles as they relate to business combinations and parent/subsidiary relationships. You will also learn about requirements for SEC segment and interim reporting. Upon successful completion of the course you will have researched and practiced advanced financial accounting topics that target these important attributes of a qualified accountant.

Overview of Business Combinations

This topic provides an overview of business combinations including the purpose of, reasons for, and types of combinations. Journal entries are also furnished to illustrate the methodologies used. Special situations such as goodwill and a bargain purchase option are also discussed.

This topic addresses the following competency:

- **Competency 3023.1.1: Accounting for Business Combinations**
The graduate applies generally accepted accounting principles (GAAP) as they relate to business combinations and parent/subsidiary relationships.

This topic highlights the following objectives:

- Describe the purpose of business combinations.
- Explain the reasons for different forms of business combinations.
- Prepare journal entries in the presence of differential, goodwill, or a bargain purchase element.

Read: Chapter 1

Research the different types of business combinations, and the advantages and disadvantages of each. This topic describes the purpose of business combinations and explains the reasons for different forms of business combinations. Refer to key points below as a guide to completing this activity.

As you read the listed material below, pay attention to the following key points:

- how different mergers are financed
- the business purpose of different types of combinations



- the different levels of control a parent company has over a subsidiary company
- advantages and disadvantages of various types of business combinations

Access [McGraw Hill Connect](#) and read all sections of Chapter 1 ("Overview of Business Combinations") of *Advanced Financial Accounting*.

Self-Check: Chapter 1 Activities

Complete the following self-check activities in [McGraw Hill Connect](#):

- Chapter 1 Web Activity: Case C1-2, Evaluation of Merger (*included in the "Chapter 1 Ending" section of the resource*)
- Chapter 1 Practice
- Chapter 1 Problems
- Chapter 1 Quiz

Consolidation of Wholly Owned Subsidiaries

This topic illustrates the complexities of consolidations on the date of acquisition and subsequent to acquisition. There are various methods available for a parent company to maintain investments of wholly owned subsidiaries. This topic provides an opportunity for you to complete journal entries and learn various methodologies pertinent to consolidation of wholly owned subsidiaries.

This topic addresses the following competency:

- **Competency 3023.1.1: Accounting for Business Combinations**
The graduate applies generally accepted accounting principles (GAAP) as they relate to business combinations and parent/subsidiary relationships.

This topic highlights the following objectives:

- Prepare for consolidation on date of acquisition with no differential (purchased at book value).
- Prepare for consolidation subsequent to acquisition with no differential.

Read: Chapter 2

This material evaluates consolidations on the date of acquisition and subsequent to acquisition. While reviewing this content, analyze the journal entries involved and identify the information needed to complete the consolidation worksheet. You should also be able to analyze the parent and subsidiary balance sheets.

As you read the listed material below, pay attention to the following key points:

- cost and equity methods
- fair value options
- consolidation
- book value



Access [McGraw Hill Connect](#) and read all sections of Chapter 2 ("Consolidation of Wholly Owned Subsidiaries") of *Advanced Financial Accounting*.

Self-Check: Chapter 2 Activities

Complete the following self-check activity in [McGraw Hill Connect](#):

- Chapter 2 Web Activity: FASB

Read Appendix 2A: Additional Considerations Relating to the Equity Method (found in Chapter 2 Ending section). After completing the reading, go to the [FASB](#) website and find the definition of *significant influence*. Compare this definition to the 6 factors given in Appendix A.

Continue and complete the following activities in [McGraw Hill Connect](#):

- Chapter 2 Practice: Activity 1
- Chapter 2 Practice: Activity 2
- Chapter 2 Problems
- Chapter 2 Quiz

Consolidation of Less-Than-Wholly-Owned Subsidiaries

A consolidation of a less than 100%-owned subsidiary requires an explanation and definition of non-controlling interests that includes calculations. Knowing how to prepare journal entries on the date of and subsequent to the acquisition with no differential is extremely important. Consolidations on the date of acquisition for more and less than book value are topics that should also be studied. Consolidation of less-than-wholly-owned subsidiaries requires an understanding of how to prepare consolidations on and subsequent to the date of acquisition with differential.

This topic addresses the following competency:

- **Competency 3023.1.1 Competency: Accounting for Business Combinations**
The graduate applies generally accepted accounting principles (GAAP) as they relate to business combinations and parent/subsidiary relationships.

This topic highlights the following objectives:

- Explain accounting for non-controlling interest.
- Prepare consolidation on date of acquisition with no differential.
- Prepare consolidation subsequent to acquisition with no differential.
- Prepare for consolidation on date of acquisition for more than book value.
- Prepare consolidation on date of acquisition for less than book value.
- Prepare consolidation subsequent to acquisition for more than book value.
- Prepare consolidation on date of acquisition with differential.
- Prepare consolidation subsequent to acquisition with differential.

Read: Chapters 3, 4, and 5 Sections



The general concepts for consolidation of less-than-wholly-owned subsidiaries include explaining non-controlling interests and how to consolidate entities at and subsequent to the acquisition date with no differential. Students of financial accounting should understand how to do a consolidation, be able to identify the elimination entries, and how to compute goodwill. Examples in the course e-text are for amounts above and below book value on the date of and subsequent to the date of acquisition. Knowledge and skill sets for this topic include consolidations with differentials and knowing how to compute the non-controlling interest.

As you read the listed material below, pay attention to the following key points:

- financial statements
- non-controlling interest
- balance sheets
- less-than-wholly-owned subsidiary
- subsequent to acquisition
- 80% ownership acquired at book value
- consolidation
- differential
- 100% ownership
- bargain-purchase differential
- fair value
- consolidated financial statements, 100% ownership
- non-controlling interest
- majority-owned subsidiary

Access [McGraw Hill Connect](#) and read the following sections in *Advanced Financial Accounting*:

- Pages 105–118 in Chapter 3 ("The Reporting Entity and the Consolidation of Less-Than-Wholly-Owned Subsidiaries With No Differential")
- Pages 149–171 in Chapter 4 ("Consolidation of Wholly Owned Subsidiaries Acquired at More Than Book Value")
- Pages 202–213 in Chapter 5 ("Consolidation of Less-Than-Wholly-Owned Subsidiaries Acquired at More Than Book Value")

Self-Check: Chapters 3, 4, and 5 Activities

Complete the following self-check activities in [McGraw Hill Connect](#):

- Chapters 3, 4, and 5 Practice
- Chapters 3, 4, and 5 Problems
- Chapters 3, 4, and 5 Quiz

Intercompany Transactions in Consolidations

Intercompany transactions must be analyzed to determine which transaction amounts between a parent and subsidiary must be eliminated. Any profits between the parent and subsidiary must be eliminated. Only profits or losses that are realized and recognized are those between the parent or subsidiary and an outside party. The transactions accounted for are inventory, land,



and depreciable assets. Journal entries should be prepared and upstream and downstream transactions should be analyzed.

This topic addresses the following competency:

- **Competency 3023.1.1: Accounting for Business Combinations**

The graduate applies generally accepted accounting principles (GAAP) as they relate to business combinations and parent/subsidiary relationships.

This topic highlights the following objectives:

- Account for intercompany inventory transactions.
- Account for intercompany transfers of land.
- Account for intercompany transfers of depreciable assets.
- Account for intercompany indebtedness.

Read: Chapters 6, 7, and 8

A consolidation worksheet should be prepared in order to adjust or eliminate parent and subsidiary accounts affected by the intercompany transactions. Profits are recognized when there is a transaction with an outside party. Inventory, land, and transfers of depreciable assets transferred at a profit or loss are revalued to book value on a worksheet at the end of each accounting period. The financial statements of the parent and subsidiary are not affected. Journal entries are prepared for upstream and downstream transactions. Indebtedness in the form of bond sales is also analyzed. Any bond sales to an affiliated company are evaluated and an elimination entry is prepared.

As you read the listed material below, pay attention to the following key points:

- consolidation entity and intercompany transactions
- inventory transactions
- downstream sale
- upstream sale
- long-term asset transfers
- intercompany transfers
- depreciable assets
- bond sales

Access [McGraw Hill Connect](#) and read all sections of Chapters 6, 7, and 8 of *Advanced Financial Accounting*.

Self-Check: Chapters 6, 7, and 8 Activities

Complete the following self-check activities in [McGraw Hill Connect](#):

- Chapters 6, 7, and 8 Practice
- Chapters 6, 7, and 8 Problems
- Chapters 6, 7, and 8 Quiz



Foreign Currency Transactions

Foreign currency transactions include the determination of direct and indirect exchange rates. Spot rates and current rates are also evaluated. Other areas for evaluation include foreign purchase transactions and determining the value of accounts receivable and accounts payable denominated in foreign currency.

This topic addresses the following competency:

- **Competency 3023.1.3: International Accounting Issues**

The graduate can demonstrate hedging for foreign currency transactions and translate foreign currency financial statements.

This topic highlights the following learning objectives:

- Define the key terms relating to multinational accounting.
- Account for foreign currency transactions.

Read: Chapter 11 (Part 1)

As you study foreign currency transactions, you should understand both direct and indirect exchange rates. You should also know the difference between spot and current rates. Additionally, you should know how to calculate accounts receivable and accounts payable in foreign currencies with the appropriate journal entries recorded.

As you read the listed material below, pay attention to the following key points:

- international currency
- foreign exchange rates
- foreign currency transactions

Access [McGraw Hill Connect](#) and read all sections of Chapter 11 Part 1 ("Foreign Currency Transactions") of *Advanced Financial Accounting*.

Apply: Currency

Use your favorite search engine and the key terms, "*currency converter*" to access a relevant website. Use this information and the Chapter 11 readings to answer the questions for Case C11-1 "Effects of Changing Exchange Rates" (Appendix 11B, page 591). Base this analysis from the perspective of how changes in U.S. currency will increase or decrease the quantity of goods that can be purchased or sold.

Note: To get to Appendix 11B, select any Chapter 11 assigned reading section in Connect and in the top left corner of the page, type 591 in the box under the "preview" tab [by default the box says: jump to pg.] and select "go" to go to page 591 of the e-text. Scroll to case study C11-1 and complete the activity.

Self-Check: Chapter 11 Activities Part 1



Complete the following self-check activities in [McGraw Hill Connect](#):

- Chapter 11 Practice (Part 1)
- Chapter 11 Problems (Part 1)
- Chapter 11 Quiz (Part 1)

Financial Instruments

Derivatives designated as hedges will require determining the fair value of different types of hedges. Also speculating in foreign currency markets and preparing journal entries are concepts that are important for accountants to know. These topics will be address in this section with practical applications as a review of knowledge and skill acquisition.

This topic addresses the following competency:

- **Competency 3023.1.3: International Accounting Issues**
The graduate can demonstrate hedging for foreign currency transactions and translate foreign currency financial statements.

This topic highlights the following learning objectives:

- Explain derivatives designated as hedges.
- Account for forward exchange contracts.

Read: Chapter 11 (Part 2)

This section discusses various types of hedging transactions. Other topics discussed include the characteristics of global markets. Foreign and international transactions are analyzed with journal entries that need to be recorded. Pay particular attention to the example cases provided in the e-text (pages 560–573) and the associated journal entries.

As you read the listed material below, pay attention to the following key points:

- global markets
- foreign currency
- international currency
- hedging

Access [McGraw Hill Connect](#) and read all sections of Chapter 11 Part 2 ("Financial Instruments") of *Advanced Financial Accounting*.

Apply: Derivatives and Foreign Currency Hedges

Use your favorite search engine and look up the key term, "derivatives." Define and explain the definition of derivatives using information from the website and the assigned readings from the course e-text.

Use your favorite search engine and look up the key term, "foreign currency hedges." Define 1) cash flow, 2) fair value, and 3) foreign currency hedges using the information from the Internet



and assigned readings.

Self-Check: Chapter 11 Activities Part 2

Complete the following self-check activities in [McGraw Hill Connect](#):

- Chapter 11 Practice (Part 2)
- Chapter 11 Problems (Part 2)
- Chapter 11 Quiz (Part 2)

Translation of Foreign Entity Statements

The translation of foreign entity statements requires an understanding of how to determine the functional currency. Being able to distinguish between translation and measurement of foreign financial statements is an important skill for a finance accountant. Concepts important to the restatement of foreign financial statements include remeasuring the local currency into the functional currency and/or translating the functional currency into the reporting currency.

This topic addresses the following competency:

- **Competency 3023.1.3: International Accounting Issues**

The graduate can demonstrate hedging for foreign currency transactions and translate foreign currency financial statements.

This topic highlights the following objectives:

- Explain how to determine the functional currency.
- Explain the differences between translation versus remeasurement of foreign financial statements.
- Account for translation of Functional Currency Statements into the Reporting Currency of the U.S. Company.
- Account for remeasurement of the books of record into the functional currency.

Read: Chapter 12

Understanding how to determine the functional currency requires knowledge of current rate, historical rate, average rate, and functional currency. Being able to identify the functional currency is a critical skill of finance accountants. Appropriate exchange rates, translation adjustment, and where this adjustment will be reported are important elements of foreign currency transactions. Differentiating between the current rate method and the temporal method are as important as determining which method to use. The calculation and reporting of the gain or loss are also required knowledge components of foreign currency transactions.

As you read the listed material below, pay attention to the following key points:

- accounting principles
- currencies and exchange rates
- highly inflational economics
- translation versus remeasurement



- books of record

Access [McGraw Hill Connect](#) and read all sections of Chapter 12 ("Translation of Foreign Entity Statements") of *Advanced Financial Accounting*.

Apply: International Financial Reporting Standards

Visit the website for [International Financial Reporting Standards](#). Click on the link, *About Us*, and review information about the IASB. Use this information to write a brief paragraph on Case C12-2, Structure of the IASB. The international accounting standards board (IASB) has become more relevant as the U.S. economy has transitioned into the global economy. Understanding the IASB has become more important; therefore, knowing its structure is essential.

Note: To get to Case 12-2, select any Chapter 12 assigned reading section in Connect and in the top left corner of the page, type 649 in the box under the "preview" tab [by default the box says: jump to pg.] and select "go" to go to page 649 of the e-text. Scroll to case study C12-2 and complete the activity.

Self-Check: Chapter 12 Activities

Complete the following self-check activities in [McGraw Hill Connect](#):

- Chapter 12 Practice
- Chapter 12 Problems
- Chapter 12 Quiz

Segment and Interim Reporting

Segment and interim reporting are important both nationally and internationally. To effectively account for segments requires understanding the issues involved, knowing the definition of a segment, and being able to identify the income statement accounting principles.

This topic addresses the following competency:

- **Competency 3023.1.4: Reporting Requirements**
The graduate student will explain reporting requirements for SEC, segment and interim reporting.

This topic highlights the following objectives:

- Explain key issues associated with segment reporting in the U.S. and internationally.
- Describe reportable segments.
- Describe interim income statement accounting principles.

Read: Chapter 13

Knowing how to resolve issues associated with segment reporting requires an understanding of segments and interim income tax. Calculating threshold tests for segment reporting, identifying key requirements for disclosures, and explaining rules for interim financial reporting are all



essential skill sets for finance accountants. Identifying reportable segments requires an understanding of different types of tests. Additional relevant concepts are technical problems around cost of goods sold and income taxes.

As you read the listed material below, pay attention to the following key points:

- segment reporting
- enterprise disclosures
- interim financial reporting
- quarterly financial reports
- reporting standards
- quantitative thresholds

Access [McGraw Hill Connect](#) and read all sections of Chapter 13 ("Segment and Interim Reporting") in *Advanced Financial Accounting*.

Apply: EDGAR Database

Use a search engine to find the home page of a public company.

- Use the search terms "company home pages."
- After you have selected a company, use the EDGAR database to answer the questions for Case C13-6, Interim Reporting (page 704). The [SEC](#) provides a company search engine for its EDGAR database.

Note: To get to Case C13-6, select any Chapter 13 assigned reading section in Connect and in the top left corner of the page, type 704 in the box under the "preview" tab [by default the box says: jump to pg] and select "go" to go to page 704 of the e-text. Scroll to case study C13-6 and complete the activity.

Self-Check: Chapter 13 Activities

Complete the following self-check activities in [McGraw Hill Connect](#):

- Chapter 13 Practice
- Chapter 13 Problems
- Chapter 13 Quiz

SEC Reporting

Securities and Exchange Commission (SEC) reporting requires an understanding of the format for quarterly financial reports. The SEC structure and regulatory authority are discussed and evaluated in this section. Identifying the legal liability of accountants in the registration process is an additional discussion topic important to financial accountants.

This topic addresses the following competency:

- **Competency 3023.1.4: Reporting Requirements**
The graduate student will explain reporting requirements for SEC, segment and interim



reporting.

This topic highlights the following objectives:

- Describe the format of a quarterly financial report.
- Explain SEC's structure and regulatory authority.
- Describe accountants' legal liability in the registration process.

Read: Chapters 13 and 14

As you read the relevant material, identify the format and contents of a quarterly financial report. Identify the various divisions of the SEC while evaluating the functions of each division. Analyze and assess the legal liability of accountants involved in periodic reporting. Finally, explain the registration process when issuing securities.

As you read the listed material below, pay attention to the following key points:

- quarterly financial reporting
- reporting standards
- securities
- periodic reporting

Access [McGraw Hill Connect](#) and read all sections of Chapters 13 and 14 ("SEC Reporting") of *Advanced Financial Accounting*.

Apply: EDGAR Database Case Study

Go to the [SEC](#) website. The SEC website provides a company search engine for the EDGAR database. Using the EDGAR database, select a company and access their information.

- Using the EDGAR database, select a company and access their information.
- Use this information to answer the questions for Case C14-10 (pages 742–743) of your course e-text.
- Access the Internet and using your favorite search engine, type in "SEC structure" in the search bar. Use the available information to list the four main divisions of the SEC.
- Discuss the major functions of each division. If more than one division has joint authority, discuss their functions jointly rather than separately.

Note: To get to Case C14-10, select any Chapters 13 and 14 assigned reading section in Connect and in the top left corner of the page, type 742 in the box under the "preview" tab [by default the box says: jump to pg.] and select "go" to go to page 742 of the e-text. Scroll to case study C14-10 and complete the activity.

Self-Check: Chapters 13 and 14 Activities

Complete the following self-check activities in [McGraw Hill Connect](#):

- Chapters 13 and 14 Practice
- Chapters 13 and 14 Problems



- Chapters 13 and 14 Quiz

Partnerships: Foundation

Understanding partnerships requires describing the characteristics of partnerships. Knowing the difference between types of limited partnerships and limited liability partnerships is important. The reasons for limited and limited liability partnerships being formed are topics discussed in this section. Accounting for partnership formation includes calculating balances and recording journal entries to establish beginning balances.

This topic addresses the following competency:

- **Competency 3023.1.2: Partnerships**
The graduate accounts for partnerships, including formation, operations, and liquidations.

This topic highlights the following objectives:

- Describe the characteristics of partnerships.
- Describe the key differences between different types of limited partnerships.
- Account for the formation of a partnership.

Read: Chapter 15 (Part 1)

The formation of a partnership requires an agreement which defines and explains the many characteristics of a partnership, including partner's equity, authority, liability, rights and duties, transferrable interest, and disassociation. A discussion of the different types of limited and limited liability partnerships is also important. The reasons for establishing limited liability entities are also discussed. Accounting for the formation of a partnership involves calculating the value of assets, liabilities, and capital balances for the partnership. Journal entries also need to be prepared to establish the beginning balances of the partnership.

As you read the listed material below, pay attention to the following key points:

- partnership entity
- characteristics of partnerships
- financial reporting: partnerships

Access [McGraw Hill Connect](#) and read all sections of Chapter 15 Part 1 ("Partnerships: Foundation") of *Advanced Financial Accounting*.

Apply: Uniform Partnership Act

Access the Internet and use a search engine to search for the *Uniform Partnership Act 1997*. Select one of the websites and use this information to answer the questions for C15-3 (page 789). As you read the *UPA Act of 1997* analyze the various issues and find the information needed to make a logical decision when answering question C15-3.

Note: To get to Case C15-3, select any Chapter 15 assigned reading section in Connect and in



the top left corner of the page, type 789 in the box under the "preview" tab [by default the box says: jump to pg] and select "go" to go to page. 789 of the e-text. Scroll to case study C15-3 and complete the activity.

Self-Check: Chapter 15 Activities

Complete the following self-check activities in [McGraw Hill Connect](#):

- Chapter 15 Practice (Part 1)
- Chapter 15 Problems (Part 1)
- Chapter 15 Quiz (Part 1)

Partnerships: Operations

Partnership operations include the changes in capital, drawing, and loan balances. The techniques for allocating profit or loss to partners must also be analyzed. Preparing a statement of a partner's capital is the way operating results are summarized for an accounting period including the results of changes.

This topic addresses the following competency:

- **Competency 3023.1.2: Partnerships**
The graduate accounts for partnerships, including formation, operations, and liquidations.

This topic highlights the following objectives:

- Account for change in partners' capital, drawing, or loan accounts.
- Account for the allocation of profit or loss to partners.
- Prepare a statement of partners' capital.

Read: Chapter 15 (Part 2)

Capital accounts will increase or decrease when profits or losses are allocated to partners. Drawing will decrease capital accounts and may be withdrawing interest on capital, salaries, a bonus, or some other arbitrary profit-sharing ratio. Multiple or special allocation methods may also be used. Journal entries must be recorded to reflect changes in capital including allocation of profit and loss. A statement of a partner's capital must be prepared to determine final capital balances.

As you read the listed material below, pay attention to the following key points:

- operations of a partnership
- loan accounts
- profit or loss to partners
- partnerships financial statements

Access [McGraw Hill Connect](#) and read all sections of Chapter 15 Part 2 ("Partnerships: Operations") of *Advanced Financial Accounting*.



Self-Check: Chapter 15 Activities

Complete the following self-check activities in [McGraw Hill Connect](#):

- Chapter 15 Self-Check (Part 1)
- Chapter 15 Practice (Part 2)
- Chapter 15 Problems (Part 2)
- Chapter 15 Quiz (Part 2)

Partnerships: Change in Membership

Partnership interests may be transferred directly from an existing partner to a new partner. A new partner's investment must be accounted for and partnership percentages adjusted accordingly. If the new partner purchases an interest from all partners, all existing partners' capital accounts are adjusted. The effects of the dissociation of a partner from the partnership will be recorded and partners' percentages adjusted.

This topic addresses the following competency:

- **Competency 3023.1.2: Partnerships**
The graduate accounts for partnerships, including formation, operations, and liquidations.

This topic highlights the following objectives:

- Account for the transfer of a partnership interest directly from an existing partner to a new partner.
- Account for a new partner's investment in a partnership.
- Account for the dissociation of a partner from the partnership.

Read: Chapter 15 (Part 3)

When a partnership interest is transferred directly, the partner receives the cash and their capital account is adjusted. If the new partner invests in the partnership, the cash is received by the business and all of the existing capital accounts are adjusted. The new partner's investment cost is calculated and journal entries are recorded. When a partner dissociates from the partnership, the other partners' capital accounts are adjusted if the buyout is higher or less than the dissociated partner's capital account. Journal entries are prepared to record the dissociation.

As you read the listed material below, pay attention to the following key points:

- partnership financial statements
- changes in memberships

Access [McGraw Hill Connect](#) and read all sections of Chapter 15 Part 3 ("Partnerships: Change in Membership") of *Advanced Financial Accounting*.

Self-Check: Chapter 15 Activities



Complete the following self-check activities in [McGraw Hill Connect](#):

- Chapter 15 Practice (Part 3 and Part 4)
- Chapter 15 Problems (Part 3)
- Chapter 15 Quiz (Part 3)

Partnerships: Liquidation

There are many reasons a partnership may liquidate, including the death of a partner, voluntary withdrawal, or a judicial determination. Liquidation may be carried out in the form of a lump sum or installment event. The form of the liquidation will be determined by the partnership agreement and the willingness of the partners to abide by this agreement.

This topic addresses the following competency:

- **Competency 3023.1.2: Partnerships**
The graduate accounts for partnerships, including formation, operations, and liquidations.

This topic highlights the following objectives:

- Explain reasons for partnership liquidation.
- Account for lump-sum partnership liquidations.
- Describe the accounting for installment liquidations.

Read: Chapter 16

The key components of the dissociation, dissolution, winding up, and liquidation of a partnership should be identified and defined. Different liquidation cases involve both solvent and insolvent partnerships and whether a deficit is created in the partner's capital account. A breakout for realization of assets and liquidating expenses is required. Key steps in the liquidation process are identified and a worksheet is prepared during this procedure. A description accounting for installment liquidations requires an illustration of cash distribution and loss absorption potential. Central components of loss absorption potential will be identified as part of the process.

As you read the listed material below, pay attention to the following key points:

- partnership liquidations
- lump-sum liquidations
- installment liquidations

Access [McGraw Hill Connect](#) and read all sections of Chapter 16 ("Partnerships: Liquidation") of *Advanced Financial Accounting*.

Self-Check: Chapter 16 Activities

Complete the following self-check activities in [McGraw Hill Connect](#):

- Chapter 16 Self-Check



- Chapter 16 Practice (Part 1 and Part 2)
- Chapter 16 Quiz

Final Steps

Congratulations on completing the activities in this course! You are now prepared to complete the associated assessment. If you have not already been directed to complete it, schedule and complete the assessment now.