

ACC 304: Intermediate Accounting I**Assignment: Week One****Financial Reporting Exercises****Exercise #1**

Omar Morena has recently completed his first year of studying accounting. His instructor for next semester has indicated that the primary focus will be the area of financial accounting.

Instructions

- (a) Differentiate between financial accounting and managerial accounting.
- (b) One part of financial accounting involves the preparation of financial statements. What are the financial statements most frequently provided?
- (c) What is the difference between financial statements and financial reporting?

Exercise #2

Presented below are the assumptions, principles, and constraint used in this chapter.

<ul style="list-style-type: none">1. Economic entity assumption2. Going concern assumption3. Monetary unit assumption4. Periodicity assumption5. Measurement principle (historical cost)	<ul style="list-style-type: none">6. Measurement principle (fair value)7. Expense recognition principle8. Full disclosure principle9. Cost constraint10. Revenue recognition principle
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Instructions:

Identify by number the accounting assumption, principle, or constraint that describes each situation below. Do not use a number more than once.

- (a) Allocates expenses to revenues in the proper period.
- (b) Indicates that fair value changes subsequent to purchase are not recorded in the accounts. (Do not use revenue recognition principle.)
- (c) Ensures that all relevant financial information is reported.
- (d) Rationale why plant assets are not reported at liquidation value. (Do not use historical cost principle.)
- (e) Indicates that personal and business record keeping should be separately maintained.

- (f) Separates financial information into time periods for reporting purposes.
- (g) Assumes that the dollar is the “measuring stick” used to report on financial performance.

Exercise #3

The financial statements of P&G are presented in Appendix B of the textbook. The company's complete annual report, including the notes to the financial statements, is available online.

Instructions:

Refer to P&G's financial statements and the accompanying notes to answer the following questions.

- (a) Using the notes to the consolidated financial statements, determine P&G's revenue recognition policies. Discuss the impact of trade promotions on P&G's financial statements.
- (b) Give two examples of where historical cost information is reported in P&G's financial statements and related notes. Give two examples of the use of fair value information reported in either the financial statements or related notes.
- (c) How can we determine that the accounting principles used by P&G are prepared on a basis consistent with those of last year?
- (d) What is P&G's accounting policy related to advertising? What accounting principle does P&G follow regarding accounting for advertising? Where are advertising expenses reported in the financial statements?