

Week 5 - Summary

Post a 50-200 word response summarizing the topics discussed during the week by clicking on Reply

Response #1

This week our discussions touched up on changes in accounting principles and how they affect financial statements. Many companies make changes for various reasons. The changes can range from LIFO to FIFO method, to a change in type of depreciation used. Depending on the change, items on financial statements can be over or understated. We also discussed counterbalancing and noncounterbalancing errors. Counterbalancing errors can correct themselves over two years. Non counterbalancing errors can take longer than 2 years to correct or sometimes they don't correct themselves at all. It was difficult understanding this concept, but with a little personal research, I think I know what this is referring to.

These five weeks have been so difficult I must admit. For the first time, I have learned new topics that I have never heard about in accounting. It makes me really think about what field I would like to lean towards when deciding my career field in accounting. It's been tough and I hope I can apply these concepts in real life when the time comes. Overall it was a great learning experience. This class really got my brain working!!!

Response #2

is final week has been quite an overload of information and assignments! I did not think I could possibly get it all done, but here I am posting my final weekly summary for this class. This week I learned information on the change in accounting principle and when to determine if a change in principle should be reported as retroactively, currently, or prospectively. I also learned about counterbalancing and non counter balancing errors. Counterbalancing are errors that will be corrected over the course of two accounting periods while non counter balancing errors are corrected but will take longer than two

accounting periods to correct. I am so glad that I am walking away from this class with more knowledge in the accounting aspect than I did when I started. This class really helped wrap up the last two classes. I must say though, I am truly looking forward to my next and final class though!

Response #3

This week I learned what a change in accounting principle is and how to report it. A change in accounting principle involves a change from one generally accepted accounting principle to another. To report changes currently, companies report the cumulative effect of the change in the current year's income statement as an irregular item. Retrospective application refers to an application of a different accounting principle to recast previously issued financial statements - as if the new principle had always been used. To report changes prospectively, previously reported results remain.

I also learned about counterbalance and non counterbalancing errors. Counterbalancing errors are those that will offset or corrected over two periods; such as the failure to record accrued wages. Non counterbalancing errors are those that are not offset in the next accounting period; such as the failure to capitalize equipment that has a useful life of 5 years. If the company presents comparative statements, it must restate the amounts for comparative purposes.

Response #4

Another week full of information. I am learning a lot about aspects of accounting that I have no prior experience of (which is why I am going to school). We had discussion on the change in accounting principles and how that affects the company.

It was interesting for me to see about how changes can be looked at only for the current/future years, but also possibly retroactively. We also had a good deal of discussion about how the changes alter the financial statements and how that can potentially hurt the company. Counterbalancing and noncounterbalancing errors was another topic. I have a better understanding of why these are necessary now. The end of the years seems to be when it is most important to check and double check the current year, so any mistakes can

be adjusted prior to closing the book. While many companies do follow a calendar year, there are many that have a fiscal year, which to me seems smart. There is always a lot going on because of the holidays, having the financial year end at another time, can make the holidays easier on the company.