Week 2 – DQ 1

Please post your Weekly Summary here. It needs to be a summary of what you learned, liked or disliked etc. Needs to be in your own words in order to earn points. Thanks

Response #1

This week has been a very interesting and also a little confusing regarding the various approaches listed for the first DQ. I think it mainly stems about how standards are formed and then how the applications relate to real life examples. For example we discussed at length capital versus operating leases and gave consideration to the topic of tangible versus intangible assets.

I admit I tried purposely to invoke some discussion conversations to some current event topics in order to get more responses that the discussion could relate experiences from the class members but I think the class was trying to keep up with making the required postings to the topic at hand.

One of the reasons I like attending online UOP classes is in order to engage with classmates that might have experiences in other industries where things might be handled differently.

For this week the reading centered around the objective of learning about the current practice and thoughts on inventory valuation, the current practice and thoughts on tangible fixed assets, the current practice and thoughts on allocation of fixed asset cost, and the current practice and thoughts on intangible assets.

I look forward to Week 3 and learning more about leases which seems to be a confusing topic in Week 2.

Response #2

In the second week of this course I learned about and/or researched the following:

- Intangible assets: How they are accounted for when a company purchases another and also internally valuing the assets.

- SFAC No. 6: Used research in determining an opinion as to whether or not this financial concept applied to a certain case.

- Goodwill: Studied the idea of capitalizing the purchase of goodwill and presented an argument in favor.

- Working capital: The history and current use of working capital as it pertains to a company's balance sheet.

- Leases: I learned the four criteria applicable to classifying a lease as capital and the reporting of capital and operating expenses on the financial statement.

I felt this week the class was much more involved in applying the readings and concepts towards the discussion questions and being able to formulate our own opinions. It's always interesting to read others points of view when asked to make an argument for or against a certain topic or how something should/could be classified on a financial statement. Looking forward to more discussions like these.

Response #3

In this session of the class, I learned from an in-depth discussion of the current practices and methodologies concerning inventory valuation, tangibles fixed assets, allocation of fixed asset, and intangible assets. With regard to intangible assets, there has always some inconsistency in how business would account for goodwill and under what circumstances. I learned according the reading in Chapter 10 (Schroeder, et al, 2011), the FASB has issued SFAS 141 that requires the purchase method be used for all business combinations, as opposed to the pooling of interests method, which was an option prior to the issuance of SFAS 141.

Response #4

Week 2 has been very enlightening!!! This week we had two discussion questions due!!! Our Friday discussion question was "What are the four criteria used for determining if a lease is to be treated as a capital lease?" I stated the four criteria that is used to determining if a lease is a capital lease is if the lease has one of the following conditions: if at the end of the lease term the title will transfer to the lessee, if there is a bargain purchase option that the lease contains, the lease term is equal or greater than 75% of the economic life of the asset being leased, and if the present value of the lease payments is equal to is more than 90% of the fair value of the asset being leased. Our Sunday discussion question was "Present arguments in favor or against the capitalization of "purchased" goodwill". I argued on the pro side of capitalization and used a software company may have net assets (consisting primarily of miscellaneous equipment, and assuming no debt) valued at $1 million, but the company's overall value (including brand, customers, intellectual capital) is valued at $10 million. Anybody buying that company would book $10 million in total assets acquired, comprising $1 million physical assets, and $9 million in goodwill (http://en.wikipedia.org/wiki/Goodwill_(accounting) as my example. We had one individual paper due this week where we explained why we asked for certain information from a client. We introduced ourselves to our learning team members and completed our learning team charter. I am looking forward to the next few weeks!!!

Response #5

Week 2 was a little more confusing as I struggled a little bit with the concept of leases. As we research further, the topic is slowly becoming a little clearer. This week, I focused primarily on the four criteria needed for capital leases as well as how to report expenses on a financial statement. I also studied the SFAC No. 6 rule and the idea of goodwill as it applied to our discussion questions. Finally, I was assigned to Team A and worked with my other team members to develop our charter for the remainder of the class.