The Financial Accounting Waiver Exam affords students the opportunity to confirm proficiency in the principles and methodologies covered in the Financial Accounting course (BU.790.611). The Financial Accounting course description is as follows:

This course emphasizes the vocabulary, methods, and processes by which for-profit business transactions are communicated. Topics include the accounting cycle; basic business transactions involving assets, liabilities, equity, account revenue, and expense; internal controls; and preparation and understanding of financial statements, including balance sheets, statements of income, and cash flows. The course also introduces the analysis of financial results.

The Financial Accounting Waiver Exam consists of 30 multiple choice questions that must be completed in 2 hours. 15 of the multiple choice questions are theoretical and conceptual (no numbers involved); 15 of the multiple choice questions are computational (numbers are involved). The student may use one calculator during the exam. Any type of calculator may be used, but it must be a calculator; cell phones, blackberrys, personal digital assistants, computers, or any types of communications devices are not permitted. Students with English as a second language may use a paper or electronic dictionary. The passing score is 75 percent. The University's Policy on Academic Integrity and Ethical Conduct applies during administration of the exam. A student may only take the exam one time. In preparing for the Financial Accounting Waiver Exam, a student should understand:

1. The purpose and content of the three principal financial statements: (a) balance sheet, (b) income statement, and (c) statement of cash flows; how financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and the parties involved in establishing GAAP; and the accounting cycle and its role in the preparation of the financial statements [all references to GAAP are to GAAP of the United States].

2. The accounting concepts of assets, liabilities, and shareholders' equity, including the conditions when firms recognize such items; the amounts at which these items are reported; and the manner in which these items are classified and reported on the balance sheet.

3. The accrual basis of accounting and how it differs from the cash basis of accounting; the accrual basis of accounting as applied to recognition of assets, liabilities, shareholders' equity, revenues, expenses, gains, losses, and net income; and the manner in which revenues, expenses, gains, and losses are classified and reported on the income statement.

4. The differences between the accrual basis preparation of the income statement and balance sheet versus the cash basis preparation of the statement of cash flows; the two presentation methods accepted by GAAP for the statement of cash flows and their differences (direct method versus indirect method); and the types of transactions that result in cash flows from operating, investing, and financing activities as reported on the statement of cash flows.

5. The techniques applied in financial statement analysis, including ratio analysis and common-size financial statements and how the users of financial statements would apply the different types of financial statement ratios (profitability, short-term liquidity, and long-term liquidity) in making investment and credit decisions.
6. The unifying principle for revenue recognition and its exceptions (including the percentage-of-completion, completed contract, installment, and cost-recovery-first methods); the recognition and measurement of accounts receivable and bad debts and the effects on the three principal financial statements; and the different methods for recognizing bad debts, including the aging, percentage-of-sales, and direct write-off methods.

7. The inventory valuation for manufacturing and merchandising businesses; how to apply FIFO, LIFO, and weighted-average inventory cost flow methods in a periodic system of inventory; and how each method affects the balance sheet and the income statement in terms of inventory valuation, cost of goods sold, income taxes, and net income during periods of rising prices.

8. The life cycle of long-lived tangible and intangible assets, including the GAAP applied in the acquisition, depreciation/amortization, repairs, betterments, extraordinary repairs, impairment, and retirement; the effects of the life cycle on the three principal financial statements; and the different methods of depreciation (including the straight-line, production, declining balance, sum-of-the-years' digits, and Modified Accelerated Cost Recovery System for income tax reporting methods).

9. The life cycle of long-term debt, including the GAAP applied in the issuance, amortization, and retirement using the effective interest method; the effects of the life cycle on the three principal financial statements; and the use of present value and time value of money concepts as applied to long-term debt.

10. The GAAP applied in lease concepts, including the criteria for determining whether a capital lease exists; the life cycle of a capital lease, including recognition, interest amortization, and depreciation; the effects of the life cycle on the three principal financial statements; and the use of present value and time value of money concepts as applied to capital leases.

11. The GAAP applied in marketable securities, derivatives, and investments, including the criteria for determining minority/passive, minority/active, and majority investments; the life cycle of marketable securities, derivatives, and investments, including acquisition, valuation subsequent to acquisition, and disposition; the effects of the life cycle on the three principal financial statements; and the consolidation reporting requirements for majority investments.

12. The components of shareholders' equity, including preferred stock, common stock, additional paid-in capital, retained earnings, accumulated other comprehensive income, and treasury stock; the effect of stock issuances, treasury stock purchases and re-issuances, and the various types of dividends (including cash, stock, and property dividends) on the three principal financial statements; the components of other comprehensive income and comprehensive income; and the three methods accepted by GAAP for presenting comprehensive income.

13. How management's choices among alternative GAAP lead to different financial reporting objectives, including accurate presentation, conservatism, profit maximization, and income smoothing; the effects of particular GAAP alternatives on the principal financial statements; and how users evaluate the quality of a firm's earnings and financial position when making investment and credit decisions.
14. The requirements of section 404 (Management Assessment of Internal Controls) of the Sarbanes-Oxley Act regarding internal control over financial reporting; the Securities Exchange Commission's (SEC) guidance to management in implementing the requirements of section 404; and management's roles and responsibilities in fulfilling the requirements.

Reference Materials

There are numerous suitable Financial Accounting text books that may be used to prepare for the Financial Accounting Waiver Exam.

The text book used in the Financial Accounting course is:

These materials are available as a "bundle" [ISBN 0-324-57037-6]. There is also a Students Companion Site on the publisher's website, which is on the back cover of the text book (website is free of charge), at www.thomsonedu.com/accounting/stickney. The Students Companion Site provides many useful tools, including chapter summaries and practice questions.

In recent years, there have been numerous additions and changes to U.S. GAAP; these changes often render Financial Accounting text books out-dated. Please keep this in mind when selecting the Financial Accounting text book used to prepare for the exam.

If using the Stickney & Weil textbook referenced above, there may be new Financial Accounting Standards Board (FASB) Statements of Financial Accounting Standards (SFAS) that may be included in the Financial Accounting waiver exam, but are not covered in the Stickney & Weil textbook above because the SFAS was issued after the text book was published. For example, -- SFAS No. 157, Fair Value Measures, and

These are only examples of recent accounting standards; it is not a comprehensive list. Recent accounting standards are available at: www.fasb.org/st/ (Scroll down to find an accounting standard; they are arranged numerically). Keep in mind that the accounting standards at the FASB website are very complex and written for an audience of accounting professionals; however, the Financial Accounting Waiver Exam may cover the basic concepts of these recent accounting standards.

Section 404 (Management Assessment of Internal Controls) of the Sarbanes-Oxley Act may be obtained at: http://www.pcaobus.org/About_the_PCAOB/Sarbanes_Oxley_Act_of_2002.pdf (Scroll down to find section 404.)