

KAT301:

Students enrolled in ACCT 301 - Intermediate Accounting I at CSUSM take the KAT301(Knowledge Assessment Test) exam on the first and third days of class. The highest of their two scores represents 15% of the student's score in the class. Students are notified of the exam months/weeks before the semester starts. In the near future (spring 2013 or fall 2013) passing the KAT301 will be a pre-requisite for enrollment in ACCT 301.¹

The KAT301 consists of 50 conceptual and computational multiple choice questions. Students have a maximum of one hour to complete the test. KAT301 tests student knowledge of the following financial accounting theory, concepts and techniques:

Explain what accounting is.

Identify the users and uses of accounting.

Explain the following assumptions: monetary unit, economic entity, going concern, and time period/periodicity.

Explain the following principles: cost, matching, revenue recognition and materiality

State the accounting equation and define its components.

Analyze the effects of business transactions on the accounting equation.

Understand the four financial statements and how they are prepared.

Explain what an account is and how it helps in the recording process.

Define debits and credits and explain their use in recording business transactions.

Identify the basic steps in the recording process.

Explain what a journal is and how it helps in the recording process.

Explain what a ledger is and how it helps in the recording process.

Explain what posting is and how it helps in the recording process.

Prepare a trial balance and explain its purpose.

Explain the accrual and cash approaches to accounting.

Explain the reasons for adjusting entries

Identify the major types of adjusting entries

Prepare adjusting entries for deferrals

Prepare adjusting entries for accruals

Describe the nature and purpose of an adjusted trial balance

Explain the process of closing the books

Describe the content and purpose of a post-closing trial balance.

State the required steps in the accounting cycle

Identifying the sections of a classified statement of financial position

Identify the differences between service and merchandising companies.

Explain the recording of purchases under a perpetual inventory system

¹ Introduction of the KAT301 is based on the model adopted at the University of Texas San Antonio and at a number of accounting programs across the nation. Saunders and Willis (2009) provides a description of the UT San Antonio equivalent and its success. Other schools that have adopted similar tests for the Intermediate Accounting I course include: San Francisco State, Univ. Texas Arlington, Univ. Texas Tyler, Salisbury State, Florida Atlantic University, Florida International University, Middle Tennessee State University, Utah State University and Oklahoma State University. Reference: Saunders, Elaine D. and Veronda F. Willis, 2009. "Setting the P.A.C.E. for Student Success in Intermediate Accounting," *Issues in Accounting Education*, Vol. 24, Issue 3, August: 319-337.

Explain the steps in the accounting cycle for a merchandising company
Prepare an income statement for a merchandiser
Explain the computation and importance of gross profit.
Describe the steps in determining inventory quantities.
Explain the accounting for inventories and apply the inventory cost flow methods.
Indicate the effects of inventory errors on the financial statements.
Define fraud and internal control.
Identify the principles of internal control activities.
Indicate the control features of a bank account.
Prepare a bank reconciliation.
Explain the reporting of cash.
Identify the different types of receivables.
Explain how companies recognize accounts receivable.
Distinguish between the methods and bases companies use to value accounts receivable.
Describe the entries to record the disposition of accounts receivable.
Explain how companies recognize notes receivable.
Explain the statement presentation and analysis of receivables.
Describe how the cost principle applies to plant assets.
Explain the concept of depreciation.
Compute periodic depreciation using different methods.
Distinguish between revenue and capital expenditures, and explain entries for each.
Explain how to account for the disposal of a plant asset.
Explain the basic issues related to accounting for intangible assets.
Indicate how plant assets and intangible assets are reported.
Explain a current liability, and identify the major types of current liabilities.
Describe the accounting for notes payable.
Explain the accounting for other current liabilities.
Explain why bonds are issued, and identify the types of bonds.
Prepare the entries for the issuance of bonds.
Describe the accounting for long-term notes payable.
Identify the methods for the presentation of non-current liabilities.
Identify the major characteristics of a corporation.
Record the issuance of ordinary shares.
Explain the accounting for treasury shares.
Differentiate preference shares from ordinary shares.
Prepare the entries for cash dividends.
Identify the items that are reported in a retained earnings statement.
Indicate the usefulness of the statement of cash flows.
Distinguish among operating, investing and finance activities.

Study Resources Available to Students:

Students are recommended to review the material covered in their introductory/principles financial accounting course. A variety of introductory financial accounting textbooks (approximate 15 books) are on reserve at the CSUSM library for up to 72 hours check-out.