# Unit 7 - Underlying Concepts

Content Area: **Business Education**
Course(s): **Accounting 1**
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## Enduring Understandings

Samples

Companies that sell on credit do so to be competitive and to increase sales.

The acquisition of property, plant and equipment includes all expenditures, reasonable and necessary to get an asset in place and ready for use.

Assets loss value overtime (depreciate) due to use and age.

## Essential Questions

Samples

How can a company evaluate the effectiveness of its credit policies and the level of its accounts receivable?

How does management decide to acquire, finance, and evaluate long-term assets?

## Content

Accounts receivable aging method

Aging of accounts receivable

Allowance for uncollectible accounts

Allowance method

Contingent liability

Direct charge-off method

Discounting

Dishonored note

Double-declining-balance method

Duration of a note

Economic Stimulus Act of 2008

Estimated useful life

Expenditure

Extraordinary repairs

Factor

Factoring

Free cash flow

Full-cost method

Group depreciation

Intangible Assets

Interest receivable

Leasehold improvements

Long-term assets

Maturity value

Noncompete covenant

Notes receivable

Percentage of net sales method

Physical deterioration

Production method

Property, plant and equipment

Promissory note

Residual value

Revenue expenditure

Securitization

Straight-line method

Successful efforts accounting

Trade discount

Uncollectible accounts

Ratios:

Days' sales uncollected

Receivable turnover

## Skills

Bloom's Taxonomy

Define receivables, and explain the allowance method for valuation of receivables as an application of accrual accounting.

Apply the allowance method of accounting for uncollectible accounts.

Make common calculations for notes receivable.

Show how to evaluate the level of receivables, and identify alternative means of financing receivables.

Identify the classification of long-term assets, and describe how they are valued by allocating their costs to the periods that they benefit.

Account for the acquisition costs of property, plant, and equipment.

Compute depreciation under straight-line, production, and declining-balance methods.

Account for the disposal of depreciable assets.

Identify the issues related to accounting for natural resources, and compute depletion.

Identify the issues related to accounting for intangible assets, including research and development costs and goodwill.

Describe the disclosure of acquiring and financing long-term assets, and calculate free cash flow.

## Resources

## Standards

NJ: 2014 CCCS: 21st Century Life and Careers
NJ: Grade 12
9.1 Personal Financial Literacy
Strand D: Planning, Saving, And Investing
9.1.12.D.2 Assess the impact of inflation on economic decisions and lifestyles.
9.1.12.D.3 Summarize how investing builds wealth and assists in meeting long- and short-term financial goals.
9.1.12.D.4 Assess factors that influence financial planning.