Accounting 3

Exam Information	Description
Exam number **213** **Items** **44** **National Career Cluster** **Business Administration & Administration Finance** **Certification available** **Yes**	The Accounting 3 industry certification exam covers traditional college-level financial accounting concepts integrated with managerial accounting concepts. Learners demonstrate their understanding of how accounting systems gather and provide data to internal and external decision-makers. The exam will also evaluate learners' understanding of how businesses plan for and evaluate operating, financing, and investing decisions. The exam includes topics in financial accounting, managerial accounting, and financial statement analysis.

Exam Blueprint and Performance Skills

Standard	Percentage of exam score
1. Accounting Principles	13%
2. Accounting Cycle	13%
3. Business Operations	24%
4. Inventory Systems	9%
5. Sales and Collections Processes	7%
6. Accounting Methods For Purchase	11%
7. Liabilities And Equity Transactions	17%
8. Financial Statements	7%
9. Accounting Career Options (Optional)	0%

*Includes performance skill evaluation

Standard 1 - Accounting Principles (GAAP)

Define and interpret Generally Accepted Accounting Principles (GAAP) and how they affect financial reporting.

Objective 1 Explain how the Generally Accepted Accounting Principles (GAAP) provide guidance and structure for preparing financial statements.

Objective 2 Describe the information provided in each financial statement (income statement, balance sheet, cash flow statement, statement of equity) and how the statements integrate with each other.

Objective 3 Identify business ownership structures (e.g., proprietorship, partnership, corporation).

Objective 4 Identify types of business (e.g., service, manufacturing, merchandising).

Objective 5 Explain the role of management and auditors in preparing and issuing an annual report.

Objective 6 Describe the relationship among assets, liabilities, and equity on a balance sheet.

Objective 7 Identify the classifications within assets (e.g., current, fixed), liabilities (e.g., current, long-term) and equity.

Objective 8 Identify the proper accounts used to prepare an income statement. Identify and explain what is involved in the three phases of the management cycle (e.g., planning, performing, evaluating), and how those relate to accounting functions.

Objective 9 Explain how internal control procedures are used to safeguard assets.

Objective 10 Identify the elements needed to complete a bank reconciliation (i.e., cash balance, bank balance, outstanding checks, outstanding deposits, service charges).

Objective 11 Identify taxes associated with payroll, define employer- and/or employee-paid taxes, and calculate taxes appropriately.

Standard 2 - Accounting Cycle

Describe the flow of the accounting cycle, and complete the steps of the accounting cycle.

Objective 1 Describe how business transactions affect the accounting equation.

Objective 2 Describe how the double-entry accounting system is used to record business transactions in a journal, posting transactions to a ledger and preparing a trial balance.

Objective 3 Explain the need for adjusting entries and how to journalize.

Objective 4 Explain the need for and describe how to prepare the financial statements.

1. Income statement
2. Balance sheet
3. Statement of equity
4. Cash flow

Objective 5 Explain the purposes of the closing process and describe how to journalize and post-closing entries and the purpose of a post-closing trial balance.

Standard 3 - Business Operations

Identify and describe the operations and productions costs of a business

Objective 1 Identify product costs (e.g., direct/indirect materials, direct/indirect labor, manufacturing overhead); describe differences between product and nonproduct costs.

1. Describe journal entries to record costs of direct materials, direct/indirect labor, and manufacturing overhead

Objective 3 Describe how high-low analysis is used to determine amounts of variable, fixed, and mixed costs.

Objective 4 Define the calculation for the break-even point and describe how it is used to perform \ cost-volume-profit (CVP) analysis and setting prices.

Objective 5 Explain the flow of costs through the manufacturing accounts used in process/product or job-order costing systems.

Objective 6 Explain how to compute a predetermined overhead rate, its use in job-order costing, and its use in determining over/under-applied manufacturing overhead.

Objective 7 Define a schedule of cost of goods manufactured, a schedule of cost of goods sold and describe how they relate to the income statement.

Standard 4 - Inventory Systems

Compare periodic and perpetual inventory systems; compare different inventory costing methods and how each method affects the cost of goods sold.

Objective 1 Describe the differences between the periodic and perpetual inventory systems, and how to record business transactions using both methods.

Objective 2 Describe how to calculate the cost of ending inventory using the LIFO, FIFO, and weighted average inventory costing methods and how each affects the cost of goods sold.

Objective 3 Define the calculation for inventory turnover ratio and its impact on business decision making.

Objective 4 Explain how inventory for a manufacturing business differs from inventory for a merchandising business.

Standard 5 - Sales and Collections Processes

Define the sales, revenue recognition, and collections processes.

Objective 1 Describe the GAAP of revenue recognition and how to record revenue-related transactions.

Objective 2 Describe transactions involving accounts receivable, uncollectible accounts, write-offs, and recoveries and explain their impact on the income statement.

Objective 3 Describe the difference between the gross price method and the net price method, and how to journalize transactions using both methods.

Objective 4 Explain how to calculate the book value of accounts receivable reported on the balance sheet.

Objective 5 Define the calculation for the accounts receivable turnover ratio and its impact on business decision-making.

Standard 6 - Accounting Methods for Purchase

Define the accounting methods for purchases of fixed assets, depreciation, and disposal.

Objective 1 Describe how to identify a fixed asset and its useful life.

Objective 2 Describe how to calculate the total cost of an asset purchase (e.g., sales tax, delivery charges, and installation charges) and how to journalize the purchase.

Objective 3 Define the calculations for depreciation using different methods (e.g., declining balance, sum-of-the-years digits, and straight-line); describe how to record the adjusting journal entries for depreciation.

Objective 4 Describe the impact of depreciation on the financial statements (e.g., book value, ‘ operating expenses).

Objective 5 Describe how to calculate gain/loss on the sale and/or disposal of assets.

Standard 7 - Liabilities and Equity Transactions

Define how GAAP relates to long-term liabilities and equity transactions.

Objective 1 Compare and contrast debt and equity financing.

Objective 2 Identify and describe the different classes of stock and explain the rights afforded each.

Objective 3 Explain cash dividends, stock dividends, and stock splits.

Objective 4 Explain how to journalize stock transactions (e.g., sale of stock, dividends distribution, and treasury stock).

Objective 5 Describe journal entries for recording a notes payable and the interest expense when paying off a notes payable

Objective 6 Describe journal entries for bonds issued at face value, premium, and discount, and the expiration of those bonds.

Standard 8 - Financial Statements

Analyze financial statements using ratios.

Objective 1 Define the calculation for earnings per share (EPS).

Objective 2 Define the calculations for quick ratio and current ratio.

Objective 3 Define the calculation for debt to equity ratio.

Objective 4 Define the calculation for return on sales.

Objective 5 Define the calculation for return on equity.

Standard 9 - Accounting Career Options (Optional)

Explore different accounting career options and how ethics and technology affect the accounting profession.

Objective 1 Explore examples of ethics in the accounting profession.

Objective 2 Identify and explore the use of automated accounting software, such as:

1. Spreadsheets
2. QuickBooks
3. Industry-standard accounting and tax software

Objective 3 Explore internet sites and mobile apps for accounting purposed (e.g., AICPA, start here go places, IRS, Intuit, Accounting today, Journal of Accountancy, Securities and Exchange Commission, Xero, Sage

Objective 4 Explore careers in the field of accounting (e.g., accountant, accounting clerk, CPA).

Objective 5 Explore industry certifications available to candidates (e.g., QuickBooks, MOS Excel). Encourage candidates to obtain certification.

Performance Skills Evaluation
Exam name: Accounting 3

Candidate Name: ____

Performance assessments may be completed and evaluated any time before the certification is issued. The following performance skills can be used in connection with the associated standards and exam. The evaluator will function as the subject matter expert to determine if the candidate meets the skills requirements with a Yes/No for passing.

Standard 2 – Accounting Cycle • Analyze day-to-day business transactions, adjusting entries, and closing entries; prepare income statements, balance sheet, statement of equity, and cash flow statement.	**Pass:**
Standard 3 – Business Operations • Analyze business transactions to record costs of direct materials, direct/indirect labor, and manufacturing overhead. • Use high-low analysis to determine the variable and fixed cost portion of a mixed cost.	**Pass:**
Standard 4 – Inventory Systems • Analyze business transactions to record purchases of inventory using both periodic and perpetual inventory systems. • Calculate ending inventory balance using LIFO, FIFO, and weighted average methods. • Calculate inventory turnover ratio.	**Pass:**
Standard 5 – Sales and Collections Processes • Analyze business transactions to recognize revenue using gross price method and net price method. • Calculate accounts receivable turnover ratio.	**Pass:**
Standard 6 – Accounting Methods for Purchases • Calculate depreciation of assets using straight-line, declining balance, and sum-of the-years' digits methods. • Analyze adjusting entry for depreciation • Analyze business transactions for disposal of assets; including gains and losses.	**Pass:**
Standard 7 – Liabilities and Equity Transactions	**Pass:**

• Analyze business transactions for bond issuance and redemption including face value, premium, and discount.	

Standard 8 – Financial Statements
• Analyze business transactions for sale of stock, dividend distributions, and treasury stock.
• Calculate financial ratios:
  ○ earnings per share (EPS)
  ○ quick ratio and current ratio
  ○ debt-to-equity
  ○ return on sales
  ○ return on equity
	Pass:

Evaluator Name: ________________________________ **Date:** ____________________