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To: Fall 2023 Intermediate Accounting Students
From: Kim Honaker, Interim Chair, Department of Accounting
Date: March 27, 2023
Re: The Pathway Exam and You

As specified in the MTSU undergraduate catalog, all students enrolling in Intermediate Accounting I (ACTG 3110) must achieve a passing grade on a departmental admission exam, known as the Intermediate Accounting Pathway Exam (Pathway Exam). The purpose of this memo is to provide all the information you will need to schedule your exam, retrieve your exam score and finalize your course schedule for Fall 2023 semester.

Why must I take the Pathway Exam ?

Nationwide, Intermediate Accounting I (ACTG 3110), the first upper-division financial accounting course in most accounting programs, is known to be the accounting class with a larger-than-average fail rate due to its difficulty. We are striving to ensure that when entering Intermediate Accounting I, you have a solid understanding of the financial accounting concepts covered in accounting principles I and II; that will increase your likelihood of success in Intermediate Accounting I **and** all other upper-division accounting courses for which Intermediate Accounting I is a prerequisite. The Pathway Exam will measure whether you have the foundational knowledge to succeed in Intermediate Accounting I (ACTG 3110) at this time or if you need a course we specially designed to build your knowledge base up to the required proficiency. That course, Financial Accounting Application and Analysis (ACTG 3100), will be used as one of your upper-division accounting electives and, therefore, will not increase the number of courses you will take to earn your undergraduate accounting degree.

Who must take the Pathway Exam?

Every student who desires to enroll in the first upper-division financial accounting course, which is traditionally Intermediate Accounting I, must take the Pathway Exam; no one is exempt from this requirement, regardless of major or where your accounting principles courses were successfully completed.

What will my Pathway Exam score determine?

A score of 70 percent or higher is the path to enrollment in ACTG 3110 (Intermediate Accounting I) during Fall 2023 semester; a score of less than 70 percent is the path to enrollment in ACTG 3100 (Financial Accounting Application and Analysis) during Fall 2023 semester.

Can I take the Pathway Exam more than once for Fall 2023 semester?

No, you may only take the Pathway Exam one time for Fall 2023 semester. **A score of less than 70 percent will apply not only to Fall 2023 semester, but also to all future semesters; alternatively, a score of 70 percent or higher will be valid for Fall 2023 semester only.** Taking the Fall 2023 Pathway Exam indicates your intention to enroll in your first upper-division financial accounting course during Fall 2023 semester. Only in the event of extreme, unforeseen circumstances should you take the Fall 2023 Pathway Exam and then not enroll in the first upper-division financial accounting course during Fall 2023 semester. Postponing enrollment will both delay your graduation and reduce your likelihood of success in that course.

Do I need to reserve a seat to take the Pathway Exam?

Yes – the testing schedule is provided immediately below. As soon as you determine the date on which you would like to take the Pathway Exam, email Ms. Rebecca Foote at Rebecca.Foote@mtsu.edu to request a seat for that sitting of the exam; your request should include your M# and must be made no later than 24 hours before the desired exam is set to begin. Ms. Foote will respond within 24 hours of your request to confirm your exam is scheduled; she will also provide instructions regarding the specific location in the Business and Aerospace Building (BAS) where you will take your exam and what you should bring with you to the exam.

Date	Time	Location	Exam Results
Tuesday, April 18	2:50 p.m.	BAS	4:30–6:00 p.m.
Thursday, April 27	11:50 a.m.	BAS	1:30–3:00 p.m.
Saturday, April 29	9:20 a.m.	BAS	11:00 a.m.–12:30 p.m.
Wednesday, May 17	1:50 p.m.	BAS	3:30–5:00 p.m.
Thursday, June 29	7:50 a.m.	BAS	9:30–11:00 a.m.
Monday, August 21	1:50 p.m.	BAS	3:30–5:00 p.m.

We encourage you to take the Pathway Exam as soon as possible. **Since the registration confirmation date precedes the last date the exam is being offered, your anticipated financial aid may be reduced if you are not otherwise enrolled full time in outstanding coursework that applies toward your program of study. In such cases, you are encouraged to inquire with the MT One Stop at MTOneStop@mtsu.edu to ensure you have sufficient financial aid to confirm registration by the fee payment due date. You must be registered in ACTG 3100 or 3110 by the census date (14th calendar day of the fall or spring semesters) to ensure appropriate credit hours are included in your enrollment status used to determine financial aid eligibility for disbursement purposes.**

When will I know my Pathway Exam score?

Within two hours of submitting your Pathway Exam you will know whether you should enroll in Financial Accounting Application and Analysis (ACTG 3100) or Intermediate Accounting I (ACTG 3110). The Exam Results timeframe in the above schedule is provided for immediate scoring, followed by private meetings with those who tested that day.

What is the format of the Pathway Exam and how much time will I have to complete it?

The Pathway Exam consists of approximately 35-40 multiple choice questions and you will have one hour to complete it.

What concepts are covered on the Pathway Exam?

The Pathway Exam tests financial accounting topics from traditional principles of accounting courses. Managerial accounting concepts covered in traditional principles of accounting courses are not tested on the Pathway Exam, as those concepts are not part of the Intermediate Accounting I course content.

Is there a study guide for the Pathway Exam?

A study guide in the form of a topical index of the concepts covered in traditional principles of accounting courses is attached at the end of this document.

When will I be able to enroll in either Financial Accounting Application and Analysis (ACTG 3100) or Intermediate Accounting I (3110)?

You will be able to enroll in the proper course the same day that you take the Pathway Exam. For ease in finalizing your Fall 2023 course schedule, we strongly encourage you to keep the ACTG 3100 class meeting time and one of the ACTG 3110 class meeting times open until you know which of those upper-division courses you will be taking:

Fall 2023 Course Offerings	
Financial Accounting Application and Analysis (ACTG 3100)	Intermediate Accounting I (ACTG 3110)
Mondays & Wednesdays 4:10 – 5:35 p.m.	Mondays & Wednesdays 12:40–2:05 p.m. <u>or</u> Mondays 6:00–9:00 p.m.

Will my Pathway Exam score have any bearing on my enrollment in any other accounting upper-division courses?

No, the Pathway Exam pertains only to your enrollment in your first upper-division financial accounting course (ACTG 3100 or ACTG 3110). You will be able to enroll in Cost Accounting (ACTG 3310) and/or Accounting Systems (ACTG 4510) as long as all other course prerequisites are met; Intermediate Accounting I is not a prerequisite for those courses.

Will my Pathway Exam score be used to calculate my course grade in Financial Accounting Application and Analysis or Intermediate Accounting I?

No, your Pathway Exam score will be used solely to determine whether you are required to successfully complete Financial Accounting Application and Analysis before advancing to Intermediate Accounting I.

Will my Pathway Exam score affect any of my other accounting upper-division course grades?

No, your Pathway Exam score will be used solely to determine whether you are required to successfully complete Financial Accounting Application and Analysis before advancing to Intermediate Accounting I.

We are very pleased you have chosen accounting as your major and we believe you will be, too. The accounting profession offers countless career options that are highly respected, very rewarding, and that pay well. Our students are hired regularly by the Big Four firms, regional and local accounting firms, industry, and government agencies for both internships and full-time positions. Adequately preparing you for those opportunities – and the profession – is the driving force behind each of the accounting curriculum requirements. We look forward to working with you as you continue to advance through our program!

Please contact Ms. Rebecca Foote with any questions you have regarding the Pathway Exam and/or to schedule your seat for the Pathway Exam. Her contact information is:

Rebecca Foote, M.S., CPA
Intermediate Readiness Coordinator
Email: Rebecca.Foote@mtsu.edu
Phone: 615-494-8923

Kim Honaker, DBA, CPA
Deloitte Outstanding Professor of Accounting
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Pathway Exam Study Guide

The textbook you used in Principles of Accounting I & II (excluding the managerial accounting chapters), regardless of where you took those courses, is your best study source. You may be tested on any of the following concepts at the principles level.

Accounting and the Business Environment

- Use of accounting vocabulary
- Apply accounting concepts and principles
- Use the accounting equation
- Analyze business transactions
- Prepare the financial statements
- Evaluate business performance

Recording Business Transactions

- Use accounting terms
- Apply the rules of debit and credit
- Record transactions in the journal
- Post from the journal to the ledger
- Prepare and use a trial balance
- Analyze transactions without a journal

The Adjusting Process

- Distinguish accrual accounting from cash-basis accounting
- Apply the revenue and matching principles
- Make adjusting entries
- Prepare an adjusted trial balance
- Prepare the financial statements from the adjusted trial balance

Completing the Accounting Cycle

- Close the revenue, expense, and withdrawal accounts
- Classify assets and liabilities as current or long-term

Merchandising Options

- Account for the purchase of inventory
- Account for the sale of inventory
- Adjust and close the accounts of a merchandising business
- Prepare a merchandiser's financial statements

Merchandise Inventory

- Compute perpetual inventory amounts under FIFO, LIFO, and average cost
- Record perpetual inventory transactions
- Compare the effects of FIFO, LIFO and average cost
- Apply the lower-of-cost-or-market rule to inventory
- Measure the effects of inventory errors
- Estimate ending inventory by the gross profit method

Internal Control and Cash

- Prepare a bank reconciliation and the related journal entries

Receivables

- Use the allowance method to account for uncollectibles by the percent-of-sales and aging-of-accounts methods
- Use the direct write-off method to account for uncollectibles
- Account for notes receivable
- Report receivables on the balance sheet

Plant Assets and Intangibles

- Measure the cost of a plant asset
- Account for depreciation
- Account for the disposal of a plant asset
- Account for intangible assets

Current Liabilities and Payroll

- Account for current liabilities of known amount
- Account for current liabilities that must be estimated
- Report current liabilities on the balance sheet

Corporations: Paid-in Capital and the Balance Sheet

- Identify the characteristics of a corporation
- Record the issuance of stock
- Prepare the stockholders' equity section of a corporate balance sheet
- Account for cash dividends

Retained Earnings, Treasury Stock, and the Income Statement

- Account for small stock dividends
- Account for treasury stock
- Analyze a complex income statement
- Prepare a statement of stockholders' equity

Long-term Liabilities

- Account for bonds payable transactions
- Measure interest expense by the effective-interest method
- Account for retirement of bonds payable
- Report liabilities on the balance sheet

Investments

- Account for debt security investments
- Account for equity security investments

The Statement of Cash Flows

- Identify the purposes of the statement of cash flows
- Distinguish among operating, investing, and financing cash flows
- Prepare a statement of cash flows by the indirect method
- Prepare a statement of cash flows by the direct method

Financial Statement Analysis

- Compute the standard financial ratios