

Principles of Accounting
Foundation-I

OBJECTIVES:

To provide the students with:

- a) A detailed knowledge of the principles and concepts of accounting and their application in both manual and computerized accounting systems,
- b) An ability to prepare financial statements,
- c) A thorough grounding and the technical skills of accounting necessary to work as an accountant more efficiently and effectively.

ABILITY REQUIRED:

Specialized knowledge and skills.

<u>WEIGHTAGE</u>		<u>CONTENTS</u>
5	1.	INTRODUCTION TO ACCOUNTING PROFESSION AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES: Definition and purpose of book-keeping and accounting, the role of International Accounting Standards Committee, the standard setting process in Pakistan, basic principles of accounting, concepts and conventions underlying accounting statements, the impact of international accounting standards on financial statements, the accounting equation, users of accounting statement and their information requirements, role and place of an accountant in the management. (Preface to the statements of IAS).
10	2.	ACCOUNTING PROCEDURES AND SYSTEMS: Double entry book-keeping and accounting, forms and contents of accounting records (manual and computerised), books of original entry, journal, sales and purchases journals; returns journals, cash receipt & payment journals. cash book, general ledger, trial balance, classification of expenditure between capital and revenue, accruals and deferrals, prepayments and adjustments; correction of errors, preparation of worksheet.
15	3.	FINANCIAL STATEMENTS: Manufacturing and non-manufacturing concern, income statement, balance sheet.
10	4.	CASH CONTROL: Cash management, internal controls, control of receipts and payments, petty cash system, bank reconciliation statement and adjusting entries, voucher system, voucher register, insurance register.

10 5. RECEIVABLES AND PAYABLES:

Nature of receivable and payable, accounts receivable and notes receivable, promissory notes, valuation of receivable, basis for estimating charges for bad debts, bad debts adjustment based on sales, bad debts adjustment based on receivable, notes and accounts payable, valuation of payable, accrued liabilities, bills of exchange, accommodating bills.

15 6. INVENTORY ACCOUNTING:

Nature and classes of inventories, inventory valuation, LIFO, FIFO & HIFO methods, weighted average method, inventory valuation at cost or market whichever is lower, gross profit method, retail inventory method, bare method, perpetual inventory & periodic inventory system.

15 7. PLANT, EQUIPMENT & DEPRECIATION:

Plant and equipment acquisition, use, retirement and revaluation, nature, composition & valuation of plant and equipment, plant asset records, expenditure incurred during lifetime of plant and equipment items, establishment of allowance for repairs and parts replacements, plant and equipment retirements, property damage or destruction, changes in cost and depreciation, revision in estimate of asset life, recording depreciation, accumulated depreciation, changes in depreciation resulting from addition, betterment, replacement, asset devaluation and revaluation (appreciation), depreciation on asset appreciation, nature of depreciation, depletion, factors in determining depreciation expense, methods of depreciation i.e. straight-line method, service hours method, declining balance method, annuity method, production output method, sum-of-the years digit method, group depreciation, corporate depreciation.

5 8. INTANGIBLES:

Nature of intangibles, valuation of intangibles, goodwill, valuation of goodwill, organisation costs, royalty, copyright, trademark, accounting for amortisation.

5 9. PAYROLL:

Objectives of payroll accounting, internal control over pay roll, gross earnings of employees, computing gross earnings, payroll taxes and deductions, payroll journal.

5 10. COMPUTER BASED ACCOUNTING SYSTEMS:

Computer application in accounting, advantages of computer based systems, internal controls in computer.

5 11. **INTERNATIONAL ACCOUNTING STANDARDS**
Reference to I.A.S., 1 (Revised), 2, 16.

CORE READINGS:

AUTHORS:

PUBLISHER :

Accounting: the Basis for Business
Decision Making

Meigs & Meigs

The McGraw-Hill Co. Inc.,
Princeton Road,
S-1 Hight St
New York

International Accounting
Standards

IASC/IFAC

IASC,
166 Fleet Street,
London EC4A2DY, U.K.

IFAC
114 West, 47th Street,
Suite 2410,
New York 10036

ADDITIONAL READINGS:

Accounting Principles

Jerry J. Weygandt
Donald E. Kieso & Walter
G. Kell

John Wiley & Sons Inc. Baffins Ltd.,
Baffins Lane Chickester West Sussex
PO19 1UD,
England

Business Accounting

Frankwood

Pitman Publishing,
128 Long Acre,
London, WC2E 9AN

Book-keeping

Spicer & Pegler

Butterworth & Co. Ltd.,
88 Kingsway,
London WC2B 6AB

and

4 Hell Street,
Edinburgh, EH2 3JZ.