

STAGE-1

S-101 - FUNDAMENTALS OF FINANCIAL ACCOUNTING

financial statements manually and through computer.

i. Introduction:

This course basically deals with the Fundamentals of Financial Accounting. The students are expected to learn an understanding of accounting concepts, principles, procedures and systems for preparation of financial statements, computer-based accounting application, accounting treatment of current assets and liabilities, tangible and intangible assets. Students should become adept at classifying problems, situations and applying the required accounting principles.

ii. Objectives:

To provide the students with:

- An applied knowledge of accounting principles, concepts and skills of accounting, and preparing

iii. Outcomes:

On completion of this course, students should be able to:

- apprehend and explain the fundamental accounting principles and concepts,
- record transactions in journal,
- prepare ledger accounts, trial balance,
- prepare bank and cash accounts, bank reconciliation statements and petty cash statements,
- make year-end adjustments, prepare adjusted trial balance,
- prepare profit and loss account and balance sheets from adjusted trial balance,
- prepare manufacturing accounts,
- calculate depreciation by using different methods,
- prepare bad debts accounts and provision for doubtful debts,
- compute inventory by using different valuation methods,

INDICATIVE GRID:

SYLLABUS CONTENT AREA	WEIGHTAGE
SECTION – A 1. Accounting Concepts and Principles (IAS 1,2, & 18) 2. Accounting Procedures and Systems	20%
SECTION-B 3. Control Accounts 4. Inventory Accounting 5. Accounts Receivable 6. Accounting for Bills of Exchange 7. Payroll Accounting 8. Cash Control 9. Tangible Non-Current Assets (IAS-16 including Revaluation of Assets) 10. Intangible Non-Current Assets (including IAS – 38 portion only) 11. Rectification of Errors 12. Computer based Accounting Systems	60%
SECTION-C 13. Preparation of Financial Statements of a Sole Proprietor (trading, service & manufacturing concern)	20%
TOTAL	100%

Note: The weightage shown against each section indicates, study time required for the topics in that section. This weightage does not necessarily specify the number of marks to be allocated to that section in the examination.

CONTENTS

SECTION – A

1. Accounting Concepts and Principles

Definition and scope of financial accounting; basic principles of accounting; concepts and conventions underlying accounting statements, the impact of International Accounting Standards as applicable in Pakistan. (IAS 1,2, & 18).

2. Accounting Procedures and Systems

Principles of double-entry book-keeping; accrual-based accounting system, adjusting, closing and reversing entries, methods of keeping and presenting books of prime entry (cash book, petty cash book, sales journal, purchase journal, purchase and sales return journals etc); principal and subsidiary ledgers, trial balance.

SECTION-B

3. Control Accounts

Receivable control accounts; payable control accounts, errors of control accounts (including subsidiary ledger) and reconciliation of control accounts and subsidiary ledger.

4. Inventory Accounting

Nature and classes of inventories, periodic and perpetual inventory systems, periodic and perpetual inventory system; requirements and application of IAS-2.

5. Accounts Receivable

Receivables and its subsidiary ledger; recording bad debts and its recovery; estimation of allowance for bad and doubtful debts (both income statement and balance sheet approaches of estimation).

6. Accounting for Bills of Exchange

Recording bills of exchange, endorsements and discounting of bills, accommodation bills.

7. Payroll Accounting

Objectives of payroll accounting; internal control over payroll, gross earnings of employees, computing gross earnings; calculation and recording of payroll taxes and deductions; maintenance of payroll journal; accounting for payroll taxes.

8. Cash Control

Preparation of petty cash statement and maintenance of petty cash system; preparation of bank reconciliation statement; cash receipts and payments accounts. The purpose, requirements and process of internal audit relating to cash control; financial control, errors and frauds.

9. Tangible Non-Current Assets (IAS-16 including Revaluation of Assets)

Recognition and measurement of tangible non-current assets; distinction between and application of principles of capital and revenue expenditures, concept of depreciation; methods and recording of depreciation; change of method; revision of life of an asset; accounting for disposal and exchange of tangible non-current assets; application of IAS-16.

10. Intangible Non-Current Assets (including IAS-38 Portion only)

Nature and composition of intangible assets; accounting treatment of intangible assets of goodwill and research and development; methods of goodwill computation; impairment of goodwill (concept and recording entry); capitalization of development cost; amortization development cost (concept and recording entry); application of IAS-38 in respect of research and development and goodwill.

11. Rectification of Error

Type and corrections of errors not affecting trial balance; corrections of errors affecting trial balance including suspense accounts.

12. Computer-based Accounting Systems

Computer-based application in accounting; advantages of computer-based systems, ways of achieving Internal controls in a computer-based accounting system.

SECTION- C

13. Preparation of Financial Statements of a Sole Proprietor (both trading & manufacturing concern)

Elements and components of Financial Statements in accordance with format of IAS-1; Financial Statements (balance sheet, income statement and cash flow statement) of sole proprietor in respect of trading; reference to basic financial ratios (liquidity ratios only).

Recommended Books

CORE READINGS		
TITLE	AUTHOR	PUBLISHER
Frankwood Business Accountancy	Frankwood	Pearson Education Ltd, England
Accounting Principles	Jerry. J	John Willey & Sons. Inc., England
IFRSs/IASs	IASB	International Accounting Standards Board, London.
Accounting: The Basis for Business Decision	Robert F. Meigs, Jan R. Williams, Susan F. Hakar, Mark S. Bettner Jack L. Smith	Irwin McGraw-Hill, New York
Accounting Principles	Jack L. Smith	McGraw-Hill Company Inc., New York
Financial Accounting Fundamentals	PBP	Professional Business Publications, Lahore.
ADDITIONAL READINGS		
An Introduction to Accountancy	S.N. Maheshwari	Vikas Publishing House, New Delhi.
Advanced Accounting	S.P. Jain	Kalyani Publisher, New Delhi.