

STAGE-3

S-301 - FINANCIAL ACCOUNTING

i. Introduction:

This course covers specialised accounting as well as preparation of financial statements, according to local laws and International Accounting Standards as applicable in Pakistan.

ii. Objectives:

To provide the students with a knowledge of accounting enabling them to:

- prepare financial statements for different types of business such as joint venture, consignments, Royalties, Branches / Departments, Partnership, Non-profit organisations and Sole-proprietorship,
- prepare financial statements of companies as per requirements of the companies ordinance 1984 and IASs as applicable in Pakistan, and
- compute and interpret working capital ratios and analyse various items of current assets and liabilities, to highlight the current financial position of the companies.

iii. Outcomes:

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

- prepare accounts and financial statements of joint venture, consignment, royalties, partnership, branches and departmental types of businesses,

- prepare receipts and payments accounts and financial statements of non-profit organisations,
- prepare financial statements from incomplete records,
- understand the procedures to be followed in formation of companies,
- identify and explain accounting treatment of expenses, incurred during the course of formation of a company,
- identify and explain reasons for profit appropriation,
- identify and explain reasons why any loss/gain is debited or credited to retained earnings,
- prepare and present financial statements of companies, according to local laws and International Accounting Standards, with appropriate notes,
- explain potential matters that should be considered, while making a regulatory framework for published accounts,
- describe the role of the International Accounting Standards,
- prepare a statement of changes in Equity,
- compute working capital ratios for business sectors,
- prepare cash management models, identify and choose the most appropriate model,
- appraise debtors and creditors policies and methods of inventory management

INDICATIVE GRID:

SYLLABUS CONTENT AREA	WEIGHTAGE
SECTION-A 1. Accounting for Joint Venture 2. Accounting for Consignments 3. Accounting treatment of Royalties 4. Branch & Departmental Accounting	30%
SECTION-B 5. Accounting for Partnership concerns 6. Preparation of Financial Statements from Incomplete Records 7. Financial Statements of Non-Profit making organizations	30%
SECTION-C 8. Company Formation & Retained Earnings 9. Preparation of Company Financial Statements in accordance with International 10. Accounting Standards (IAS – 1) 11. Financial Statements (Balance Sheet & Income Statement) of a single company in accordance with 4th & 5th schedule of Companies Ordinance 1984. 12. Computation of basic financial ratios (analysis not required) 13. Application of IFRs / IASs (IAS 1, 8, 10, 16)	40%
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 for Joint Venture

Accounting treatment when separate books of accounts are maintained, and when separate books are not maintained; Memorandum recording methods.

2. Accounting for Consignments

Nature and operation of the consignment; accounting for the completed and incomplete consignments including losses (normal and abnormal both) and stock valuations.

3. Accounting Treatment of Royalties

Preparation of journal entries and accounts; minimum rent account; shortage account; and royalty suspense account. Accounting treatment of sub-leases.

4. Branch & Departmental Accounting

Operation of a branch; accounting systems for branches (including dependent and independent branches) and head office; reciprocal accounts and inter-branch transactions; preparation of combined statements for head office and branches; departmental accounting, working paper for combined statements.

SECTION-B

5. Accounting for Partnership Concerns

Formation of partnership; distribution of profits among partners; changes in partners' ratios, admission of a partner; retirement and death of a partner; dissolution of firm; conversion of partnership into a company.

6. Preparation of Financial Statements from Incomplete Records

Preparation of income statement and balance sheet from incomplete record.

7. Financial Statements of Non-Profit Making Organizations

Preparation of receipt & payment summary; preparation of income and expenditure account and balance sheet.

SECTION-C

8. Company Formation & Retained Earnings

Formation of public and private Companies as per Companies Ordinance 1984; concept and nature of shares and share capital; types of shares and share capital; recording of issue of shares against cash and for consideration other than cash; concept of partly and fully paid shares; share splits; right issue of shares; bond shares (stock dividend); purchase of own shares (treasury stock); sources of retained earnings; retained earnings appropriation to dividends and reserves; concept and types of dividends and reserves; accounting for dividends, reserves and reserve funds.

9. Preparation of Company Financial Statements in accordance with International Accounting Standards (IAS – 1)

Requirements of relevant, IFRSs / IASs; forms and contents of the Financial Statements as per IAS-1.

10. Financial Statements (Balance Sheet & Income Statement) of a single company in accordance with 4th & 5th schedule of Companies Ordinance 1984.

Requirement of 4th & 5th schedule of Companies Ordinance 1984; balance sheet, profit and loss; statement of changes in owners' equity and notes to the accounts.

11. Computation of Basic Financial Ratios (analysis not required)

12. Application of IFRs / IASs

IAS 1, 8, 10, 16.

Recommended Books

CORE READINGS		
TITLE	AUTHOR	PUBLISHER
Frank Wood's Business Accounting	Frank Wood/Alan Sangster	Pearson Education Ltd, England.
International Financial Reporting Standards (IFRSs/IASs)	International Accounting Standards Board	International Accounting, Standards Board, 30 Cannon Street London EC4M 6XH, United Kingdom.
Financial Accounting and Tax Principles	PBP	Professional Business Publications, Lahore.
An Introduction to Accountancy	S.N.Maheshwari/S.K Maheshwari	Vikas Publishing House, (Pvt) Ltd., 576, Masjid Road, Jangpura, New Delhi.
Advanced Accountancy	R. L. Gupta	Sultan Chand & Sons, Publishers 23, Daryaganj, New Delhi.
ADDITIONAL READING		
Accounting: The Basis for Business Decisions	Robert F. Meigs / Walter B. Meigs	McGraw-Hill Publishing Company Inc., New York.

