

SEMESTER - 1

FUNDAMENTALS OF FINANCIAL ACCOUNTING [BAF-101]

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, 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.

OBJECTIVE

To provide the students with:

- an applied knowledge of basic and most fundamental principles and concepts of accounting, and preparing financial statements accordingly.

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, and trial balance,

- prepare bank and cash accounts, bank reconciliation statements and petty cash statements,
- make year-end adjustments and prepare adjusted trial balance,
- prepare Income statement and statement of financial position from adjusted trial balance,
- understand the accounting treatment of accruals and prepayments,
- Understand the components of financial statement and the purpose of preparation of each of them.
- know the nature and types of non-current intangible assets
- comprehend how errors are corrected
- prepare control accounts,
- compute cost of inventory by using different valuation methods,
- Prepare financial Statement from Incomplete record
- Develop knowledge of Sole Trader and Company Accounts.
- Learn ratios to analyse financial statements.
- calculate depreciation by using different methods,
- prepare bad debts and allowance for doubtful debts accounts,

INDICATIVE GRID

PART	SYLLABUS CONTENT AREA	WEIGHTAGE
A	CONCEPTUAL, SYSTEM AND REGULATORY FRAMEWORK 1. Accounting Nature and Objectives 2. Accounting Regulatory Framework 3. Accounting Concepts and Conventions	10%
B	ACCOUNTING SYSTEMS AND ACCOUNTS PREPARATION 4. Double Entry and Ledger Accounting 5. Trial Balance 6. Source Documents and Books 7. Receivables and Allowances for Bad Debts 8. Control Accounts 9. Accounting for Inventories 10. Bank Reconciliations 11. Tangible Non-current Assets 12. Intangible Non-current Assets 13. Financial Statement 14. Correction of Errors	50%
C	FINAL ACCOUNTS 15. Incomplete Records 16. Sole Traders' Accounts 17. Companies Accounts 18. Financial Ratios 19. Not-for-Profit Organizations	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

PART - A

CONCEPTUAL, SYSTEM AND REGULATORY FRAMEWORK

- 1. Accounting Nature and Objectives**
 - Financial Accounting definition & objectives, Capital, Assets, Liabilities, expenses, Revenue, Accounting Equation
 - Cost Accounting definition & Objectives
 - Management Accounting definition & Objectives
- 2. Accounting Regulatory Framework**
 - Role of the regulatory system
 - Company Law
 - IAS
 - IFRS
 - Accounting bodies

- Stock Exchanges
- 3. Accounting Concepts and Conventions**
 - Accounting Concepts & Principles (Going Concern, Accruals, Prudence, Consistency, Materiality, Substance over form, Business Entity, Money Measurement)
 - Cost and Values (Historical Cost Convention, Theory of Capital Maintenance, Current Purchasing Power Accounting, Current Cost Accounting, Fair Value, Value to the business)

PART - B

ACCOUNTING SYSTEMS AND ACCOUNTS PREPARATION

- 4. Double Entry and Ledger Accounting**
 - Principles of double entry book-keeping

- Journal – (Book of Original Entry)
 - Chart of Account
 - Nominal Ledger
 - Posting from journal to ledger
 - Foot and Balance Account
- 5. Trial Balance**
- Need and objective of trial balance
 - Preparing trial balance
 - Difference between cash basis & accrual basis of accounting
 - Need and recording of adjustments
 - Adjusted trial balance
- 6. Source Documents and Books**
- Purpose of the Source Documents (Requisition, quotation, Sale & Purchase Order, Credit & Debit Note, GRN, goods dispatch note, invoice statement, remittance advice, receipt)
 - Books (Sale day book, Purchase day book, Sales Return day book, Purchase Return day book, Cash book, Petty Cash book, Cash Receipt Journal, Cash Purchase Journal)
 - Purpose of maintaining financial records.
- 7. Receivables and Allowances for Bad Debts**
- Nature and purpose of Bad and Doubtful Debts
 - Balance Sheet Approach & Income Statement Approach
 - Entries for bad debts expense, allowance for bad debt and Recovered
 - Aging analysis of receivables
- 8. Control Accounts**
- Understanding of Control Accounts
 - Use of Control Accounts
 - Reconciliation of Control Accounts
- 9. Accounting for Inventories**
- Purpose and Need for recording inventory
 - Accounting systems and methods for Stocks valuation
 - Ledger Accounts for Stock
 - Inventory Recognition Criteria
 - Effect of inventory on Trial Balance, Statement of Profit and Loss account and statement of financial position
- 10. Bank Reconciliations**
- Usage and reason for the preparation of bank reconciliation
 - Difference between bank statement and cash book
 - Types of transactions for which entries are made
 - Proforma Bank Reconciliation by Adjusted Balance Method
- 11. Tangible Non-current Assets**
- Difference between revenue & capital expenditure with examples
 - Computing & Recording of Acquisition of an Asset
- Nature and purpose of Depreciation and methods of Calculating Depreciation
 - Disposal of Non-Current Asset
 - Asset Disposal Account
- 12. Intangible Non-current Assets**
- Difference between tangible & intangible non-current assets
 - Definition & Types of intangible assets
- 13. Financial Statement**
- Objective & Use of Financial Statements
 - Qualitative characteristics of Financial Statements
 - Element of Financial Statements
 - Preparation of Income Statement
 - Balance Sheet/Statement of Financial Position
 - Ethical consideration for preparing financial statements
- 14. Correction of Errors**
- Types of Error
 - Suspense Accounts
 - Correcting Entries
 - Effect of Errors on Financial Statements

**PART - C
FINAL ACCOUNTS**

- 15. Incomplete Records**
- Features of Incomplete Records & Comparison with Double-Entry Accounting
 - Pure & Mixed Incomplete Records-Accounting Treatments
 - Preparation of Financial Statements from Incomplete Records
- 16. Sole Traders' Accounts**
- Statement of Profit and Loss
 - Balance Sheet
- 17. Companies Accounts**
- Types of Companies
 - Share, Stock and Bonds
 - Retained Earnings – (Dividends & Reserves)
 - Statement of Profit and Loss & Comprehensive Income
 - Statement of Retained Earning
 - Balance Sheet / Statement of Financial Position
- 18. Financial Ratios**
- Analysis of Financial Statements
 - Liquidity, working Capital and Solvency Ratios
- 19. Not-for-Profit Organizations**
- Preparation of Income and Expenditure Account
 - Preparation of Receipt & Payment Account
 - Special Funds
 - Preparation of Financial Statements

TEACHING METHODOLOGY: The faculty is advised to teach the topics in the mode of case studies based on knowledge and application with practical approach.

RECOMMENDED BOOKS

CORE READINGS		
TITLE	AUTHOR	PUBLISHER
Accounting: The Basis for Business Decision	Jan R. Williams / Susan F. Haka / Mark S. Bettner / Joseph V. Carcello	McGraw-Hill
CIMA, UK Study Text	---	BPP
Frank wood Business Accountancy 1&2	Frank wood	Prentice Hall / Pearson / Financial Times
IFRSs/IASs	IASB	IFRS Foundation
Accounting Principles	Donald E. Kieso / Jerry J. Weygandt / Terry D. Warfield	John Wiley & Sons
ADDITIONAL READINGS		
Financial Accounting Fundamentals	PBP	Professional Business Publications, Lahore.