

## 01 - FUNDAMENTALS OF FINANCIAL ACCOUNTING (Operational Level-1)

### 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

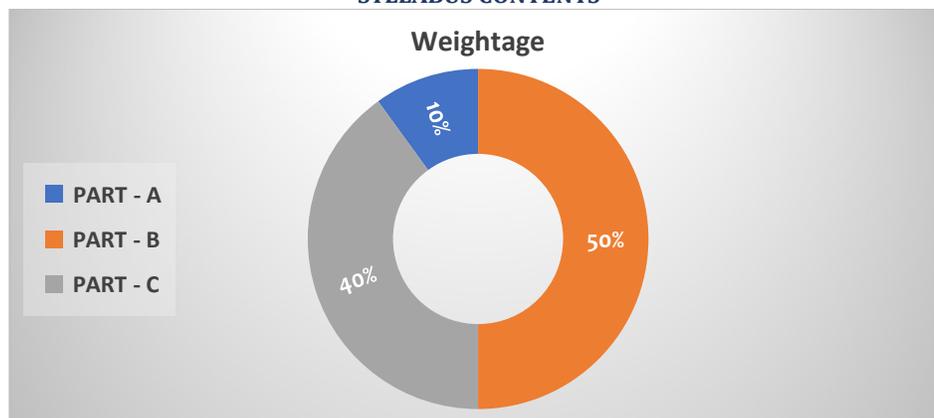
To provide the students with an applied knowledge of basic and most fundamental principles and concepts of accounting, and preparing financial statements accordingly

### LEARNING OUTCOMES

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

- Understand the need for accounting records;
- Apprehend the fundamental accounting principles and concept;
- Differentiate between financial and management accounting;
- Prepare cash book, bank accounts and petty cash book statements under an imprest system;
- Perform the system of double-entry bookkeeping;
- Prepare ledger accounts, journal entries and a trail balance;
- Understand tangible and intangible assets;
- Use different methods of calculating depreciation;
- Prepare accounts for bad debts and allowance for receivables;
- Records provision and contingencies;
- Compute inventory by using different valuation methods for preparing inventories 'accounts';
- Prepare accounts for sales taxes and payroll;
- Prepare accounts for bank reconciliation statements;
- Prepare accounts for sales and purchases, including personal accounts and control accounts;
- Understand the types/ nature of errors and its rectification
- Prepare financial statements from trial balance;
- Prepare manufacturing accounts;
- Prepare and present the financial statements from incomplete records
- Prepare and present the receipts and payments and income and expenditure accounts
- Prepare a statement of cash flows;
- Prepare final accounts in accordance with IAS and IFRS;
- Calculate basic financial ratios

### SYLLABUS CONTENTS



### PART - A

#### CONCEPTUAL, SYSTEM AND REGULATORY FRAMEWORK

#### 1. Accounting Nature and Objectives

- Financial Accounting definition & objectives,
- Cost Accounting definition & Objectives
- Management Accounting definition & Objectives
- Difference between financial accounting and cost and management accounting

#### 2. Introduction to Financial Accounting

- Explain the meaning and identify the examples of the following terms
- Capital

- Assets, (Cryptocurrencies as emerging assets)
- Liabilities
- Expenditures (Capital & Revenue)
- Revenue
- Accounting Equation
- Understand and explain the accounting equation

#### 3. Accounting Regulatory Framework

- Define Company Law
- Define types of companies as per Company Laws i.e., private and public limited, listed and non-listed companies etc. Guarantee limited company, single Member Company

- "IAS/IFRS" to reflect the latest 2025 standards, including IFRS 18 (Primary Financial Statements).
- Define IAS/ IFRS and its role
- Explain purpose of implementation company laws, IAS, IFRS in Financial reporting
- Accounting bodies
- Identify and understand the role of regulatory bodies i. e, IFRS Foundation (IFRSF), the International Accounting Standards Board (IASB), the IFRS Advisory Council (IFRS AC) and the IFRS Interpretations Committee (IFRS IC)

#### 4. 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)
- Sustainability reporting integration" under Substance over form.

### PART - B

### ACCOUNTING SYSTEMS AND ACCOUNTS PREPARATION

#### 5. Source Documents and Books

- Identify various Source Documents (Sale & Purchase Order, Credit & Debit Note, GRN) and explain its purpose
- Books (Sale day book, Purchase day book, Sales Return day book, Purchase Return day book, Cash book, Petty Cash book)
- Concepts and layout
- Recording of transaction in books and posting the item in the ledger accounts.

#### 6. Double Entry and Ledger Accounting

- Principles of double entry bookkeeping
- Journal
- Nominal Ledger
- Posting from day book to nominal ledger and balance off ledger account
- Sales and Purchase accounts, including personal accounts and Control accounts

#### 7. Trial balance and financial statements

- Trial Balance
  - Need and objective of trial balance
  - Preparing of trial balance
  - Need and recording of adjustments
  - Preparing of Adjusted trial balance
- Income Statement, Balance Sheet/Statement of Financial Position
  - Preparation of basic layout off financial statement and illustrate some examples of financial statements

- Accounts Coding System-Define chart of accounts

#### 8. Accruals and prepayments

- Accruals and Prepayments
  - Prepare journal and adjusting entries of accruals and prepayments
  - Explain the matching concept with related to accruals and prepayments
  - How the amount of accruals and prepayments are depicted in financial statements?

#### 9. Tangible non-current assets

- Depreciation
  - Purpose of charging depreciation
  - Methods of calculating depreciation (Straight line, reducing balance and sum of year's digit)
  - Compute depreciation where any changes are made in estimated life and value of assets
- Accounting treatment of the following:
  - Re-valuation of non-current assets (Reversal of revaluation is excluded)
  - Non-current asset disposal
  - Non-current asset register

#### 10. Intangible non-current assets

- Accounting treatment of Intangible Assets
- Research and Development Cost
  - Define research and development cost
  - Identify the treatment of research and development cost

#### 11. Bad debts and allowances for receivables

- Sales and Accounting Concepts
- Concept of debtor's age analysis
- Bad and Doubtful Debts
  - Nature and purpose of bad and doubtful debts
  - General entries and aging analysis
- Bad Debts Recovered

#### 12. Provisions and Contingencies

- Categorization of liabilities (current and non-current liabilities)
- Cash and Credit Purchases
- Define, differentiate and classify Provisions, Contingent liabilities and Assets

#### 13. Accounting for Inventories

- What is inventory or stock?
- Its types; Raw Materials, Work in progress, Finished goods
- Valuation of inventory as per IAS 2
- Lower of cost or NRV
- Valuation of Cost of sales and closing stock under FIFO, LIFO and AVCO (Both periodic and perpetual)
- Stock and Work -in-progress
- Accounting for Stocks - closing stock

- Ledger Accounts for stock
- Physical Count
- Impact of inventory on Statement of Profit or Loss and Statement of Financial Positions from Trial Balance

**14. Accounting for Sales Tax and Payroll**

- Principles of Sales Tax (input tax, output tax and net tax)
- Bookkeeping Entries for Sales Tax
- Basic concepts of Gross wages, deductions and net wages
- Accounting entries of Wages from the Employee's Viewpoint

**15. Bank Reconciliation's**

- Concept of Cash book, single column, double column and triple column cash book
- Understanding of Bank statement and basic concepts
- Reasons of differences between cash book balance and bank statement balance
- Identifying differences in balances by ticking
- Preparation of revised cash book
- Preparation of bank reconciliation statement
- Concept of which balance to be shown in statement of financial position

**16. Control accounts**

- ledger Accounts and the Division of the ledger Understanding of Control Accounts
- Use of Control Accounts
- Purchase and Sale Day Books (Define and recording of transaction)
- Control Accounts Reconciliation

**17. Correction of Errors**

- Types of Errors
- Suspense Accounts
- Correcting Entries

- Impact of correction of errors on financial statements

**PART - C****FINAL ACCOUNTS****18. Sole traders' accounts**

- Chart of Accounts
- Preparation of Financial Statements

**19. Incomplete records**

- Incomplete Records: Basic Approach
- Cash and Bank Transactions
- Using Ratios and Percentages (Find out missing figures by using profit percentages)
- Preparation of Financial Statements

**20. Income and expenditure accounts**

- Format of Income and Expenditure Accounts
- Preparation of Income and Expenditure Accounts
- Special Funds (Define Special funds i.e., capital fund, donation, annual subscription, life membership fees)
- Preparation of Financial Statements
- Interpretation of Accounts

**21. Statements of cash flows**

- Format of a Statement of Cash Flows
- Preparation of a statement of Cash Flows by Direct and Indirect Method
- Uses of Statement of Cash Flows

**22. Financial Ratios**

- Analysis of Accounting Statements and Use of Ratios
- Liquidity, Working Capital and Solvency Ratios
- Financial Gearing
- Investor Ratios
- Possible Drawbacks of Ratio Analysis
- Appraising the Position and Prospects of a Business