

# **Financial Accounting**

## **Objective**

The objective of this course is to introduce financial accounting concepts such as asset and liability measurement, reporting, and financial statement preparation. The course covers the fundamental accounting ideas and principles needed to prepare financial statements such as the income statement (financial performance) and balance sheet (financial position). The concepts of accounting system, accounting concepts, accounting principles, the accounting cycle, transaction recording, and financial statement concepts are all covered in this course. Participants are expected to have the skills to evaluate financial performance and comprehend financial results using accounting information.

## **Contents**

### **A. Accounting Equation**

Heads of accounts, behavior of accounting heads, balancing of equation, treatment of income and expense in equation, capital and revenue expenditure.

### **B. Accounting Cycle – Double Entry System**

Types of accounts. Nature of accounts. Rules of debit and credit. Preparing general journal entries. Posting to the ledger accounts. Balancing and transfer of accounts. Preparing trial balance from the ledger balances. Preparation of service sector financial statements (income statement, balance sheet and equity statement)

### **C. Inventory Valuation**

Calculation of cost of goods sold. Ending inventory computation by perpetual system. Application of first in first out (FIFO) method. Application of average cost (AVCO) method. Difference between periodic and perpetual inventory system. Impact of under/over valuation of ending inventory on cost and profitability.

### **D. Valuation of Account Receivable**

Nature of receivables. Subsidiary ledgers and control accounts. Direct write-off and allowance methods. Estimating bad debts. Accounting for doubtful debts. Accounting for recovery

### **E. Plant, Property & Equipment**

Long Term Assets. Entries for Purchases of Property, Plant and Equipment. Methods for computing depreciation. Computing book value. Asset disposal. Journalize entries for

Trade-in of similar assets. Natural resources and depletion. Intangible assets. Journalizing adjusting entries for depreciation, depletion and amortization.

## **F. Partnership**

Sole proprietor and partnership. Journal entries in partnership. Allocation of partnership income. Changes in partnership ratio. Partnership admission. Partnership retirement and Partnership dissolution.

## **G. Ratio Analysis**

Liquidity ratios (current ratio, quick ratio and working capital ratio). Profitability ratios (return on assets, return on equity, gross profit markup and net profit margin). Leverage ratios (debt-to-equity ratio, total debt ratio and long-term debt ratio). Turnover ratios (inventory turnover, receivables turnover and payable turnover)

## **Recommended Books**

1. Meigs, R. & Meigs, W. (1990). *Accounting the Basis for Business Decisions*. 8<sup>th</sup> Edition. McGraw-Hill Companies.
2. Sangster, A. & Wood, F. (2015). *Frank Wood's Business Accounting*. 13<sup>th</sup> Edition. Pearson.

- Note:**
1. Duration of course will be 10 weeks.
  2. Total 10 lectures of two hours duration will be delivered.
  3. Class time will be from 7:00 pm to 9:00 pm, once a week.
  4. Atleast 75% attendance is required to get a certificate.