

# Professional Diploma In Corporate Administration (PDCA): Part 1

## BUSINESS ACCOUNTING

### SYLLABUS

#### DESCRIPTION

This is an introductory course designed to provide fundamental understanding of the basic accounting principles, techniques and concepts as well as the ability to apply these principles and concepts in the preparation of financial statements. This course also deals with an introduction to cost and management accounting.

#### LEARNING OUTCOME

On completion of this subject, the student should be able to:

- Discuss the functions and role of accounting in business.
- Explain the accounting principles and concepts underlying the preparation of financial statements.
- Analyse the effects of business transactions on the accounting equation and to record these transactions using double entry system.
- Identify the basic steps in the recording process and develop skills in recording business transactions systematically.
- Develop skills in preparing financial statements of sole traders and companies.
- Derive elementary ratios.
- Develop an understanding of the language and mechanics of cost and management accounting.

#### LEARNING CONTENTS

##### The Nature and Objectives of Financial Accounting

- Types of business entities – sole traders, partnerships and companies.
- Nature, purpose and scope of accounting.
- Main user groups of financial statements.
- Differences between financial and management accounting.

##### Accounting principles and The Regulatory Framework

- Accounting concepts, conventions and principles
- Introduction to the standard setting process

##### Accounting Cycle

- The basic accounting equation and its effect on accounting process.
- Classification of accounts
- The double entry system
- Introduction to the prime books of entry
- Ledgers
- Cash book and bank reconciliation
- Preparing the trial balance
- Adjustment for accruals and prepayments including accounting for depreciation and bad debts

##### Accounting for Inventory

- Define and classify inventories using FIFO, weighted average and LIFO methods.
- Valuing inventory at lower of cost and net realizable value.

##### Non-current Assets

- Define non-current tangible and intangible assets.
- Distinguish between capital and revenue expenditure items.
- Concept of depreciation (and amortisation).
- Methods of depreciation (and amortisation).
- Accounting entries to record depreciation.
- Show how depreciation is presented in the income statement and balance sheet.

##### Preparing Financial Statements

- Preparing the income statement and balance sheet for sole traders.

##### Errors and Suspense Accounts

- Types of errors.
- Suspense accounts and correcting the errors.

##### Single Entry and Incomplete Records

- Preparing financial statements from incomplete and single entry records.

##### Introduction to Company accounts

- Capital structure of companies.
- Types of shares and debentures.
- Issue of shares.
- Types of reserves; capital and revenue, share premium.
- Appropriation of profits.
- Preparing simple income statement and balance sheet for internal use.

##### Interpretation of Financial Statements

- Accounting ratios for profitability, liquidity and asset utilization.
- Significance of the ratios.

##### Introduction to cost and Management Accounting

- Fundamentals of costing
- Elements and classification of costs
- Marginal and absorption costing
- Cost-volume-profit-analysis
- Budgeting

#### RECOMMENDED READING

1. **MAICSA STUDY MANUAL – Business Accounting**
2. **John R. Dyson.**, *Accounting for Non-Accounting Students*, 7th Edition, Financial Times Press, 2007
3. **Ian Gillespie Richard Lewis.** *Principles of Financial Accounting*, 3rd Edition, Financial Times Press, 2004

#### ADDITIONAL REFERENCE

4. **Thomas, A.**, *An Introduction to Financial Accounting*, 5th Edition, McGraw-Hill, 2005
5. **Jane Lazar and Tan Lay Leng.** *Company Accounts and Reporting*, 5th Edition Prentice Hall 2002
6. **Frank Wood Alan Sangster.** *Business Accounting*, Volume 1, 11th Edition, Financial Times Press, 2008