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| **Course:** | **Fundamentals of Accounting** | | |
| Course code: | AF 1001 | Year/Semester: | 1/1st |
| Program: | BSAF/BBA/BSBA/BFT | Units/Cr Hrs: | 3 Cr Hrs |
| Department: | FAST School of Management | Instructor: |  |
| Course Type: | Core Course | Email: |  |
| Pre-Requisite(s): | None | Phone: |  |
| Prepared By: | Cluster Coordinator (Accounting) | Consultation Hours: |  |
| Approved By: | Head of Department | Approval Date: | 15 July, 2024 |

**COURSE DESCRIPTION**

Basic accounting course designed to develop knowledge and understanding of the underlying principles and concepts relating to financial accounting and technical proficiency in the use of double-entry accounting techniques including the preparation of basic financial statements. The syllabus concentrates in depth on recording, processing, and reporting business transactions and events. It covers the use of the trial balance and how to identify and correct errors, and then the preparation of financial statements for unincorporated entities. The course also covers basic concepts of cost and management accounting.

**COURSE OBJECTIVES**

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| **Upon successful completion of the course, students should be able to:** | | **Program Educational Objectives (PEOs)** |
| **1** | Develop knowledge and understanding of the fundamental principles and concepts relating to accounting. | 2,3 |
| **2** | Develop technical proficiency in the use of double-entry accounting techniques. | 2 |
| **3** | Preparation of basic financial statements. | 1,3 |
| **4** | Understand the ethical considerations involved in accounting practices and incorporate them into decision-making and reporting. | 4,5 |

**COURSE LEARNING OUTCOMES (CLOs)**

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| --- | --- | --- | --- |
| **CLO#** | **Learning Outcome Statement** | **Program Learning Outcomes**  **(PLOs)** | **Bloom’s Taxonomy Level (BT)** |
| CLO1 | Should be able to explain the context and purpose of financial reporting. | 3 | Understand |
| CLO2 | Should be able to define basic accounting terminologies. | 3 | Understand |
| CLO3 | Should be able to describe the effects of business transactions on a sole trader business's assets, liabilities, owner equity, revenues, and expenses. | 4 | Apply |
| CLO4 | Should demonstrate the use of double entry-accounting. | 3 | Apply |
| CLO5 | Should be able to record transactions and events. | 3 | Apply |
| CLO6 | Should be able to explain accruals and cash based accounting. | 3 | Understand |
| CLO7 | Able to post-adjusting and closing entries | 3 | Evaluate |
| CLO8 | Should be able to prepare trial balance and adjusted trail balance. | 3 | Evaluate |
| CLO9 | Should be able to prepare the balance sheet and income statement of a sole trader business. | 3 | Apply |
| CLO10 | Should understand the nature and purpose of cost and management accounting | 3 | Understand |

**LEARNING OUTCOME ASSESSMENT STRATEGY**

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| **Assessment Tool** | **LO1** | **LO2** | **LO3** | **LO4** | **LO5** | **LO6** | **LO7** | **LO8** | **LO9** | **LO10** |
| Quizzes | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 5 | 5 | 5 |
| Viva/Assignments | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 5 |
| Mid Term-I | 70 | 50 | 50 | 50 | 20 | 10 | 10 | 0 | 0 | 0 |
| Mid Term-II | 10 | 20 | 20 | 20 | 30 | 30 | 30 | 30 | 20 | 0 |
| Final Exam | 0 | 10 | 10 | 10 | 30 | 40 | 40 | 55 | 65 | 90 |

\* Percentages are meant to be viewed vertically.

**COURSE CONTENTS**

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| **CLO/ Session** | **Contents** | **Book Chapter (Frank Wood)** |
| CLO1  Session 1 | Introduction to accounting and the accounting equation | 1 |
| CLO1  Session 2 | General purpose of financial statements, users and their needs   * The scope and purpose of financial statements for external reporting * Define financial reporting – recording, analysing and summarising financial data * Identify the users of financial statements and state and differentiate between their information needs | Lecture notes |
| CLO2  Session 2 | Different types of business entity-sole proprietorship, partnership and limited company-legal differences (with reference to laws in Pakistan) and advantages/disadvantages of each | Lecture notes |
| CLO2  Session 3-4 | * Main elements of financial reports; Introduction to assets, liabilities, equity, revenue and expenses * Types of business transactions: sales, purchases, receipts, payments * Accounting concepts and assumptions | 2 – 4  10 |
|  | **DOUBLE ENTRY BOOK KEEPING** |  |
| CLO3  Session 5-7 | * Nature and functions of primary records * Types of ledger accounts * Concept of double entry accounting and the duality concept * Posting by means of double entry * Inventory | 2 - 4 |
| CLO4  Session 8 | Balancing-off accounts | 5 |
| CLO8  Session 9 | **Extracting a trial balance**   * Identify the purpose of a trial balance * Extract ledger balances into a trial balance * Identify and understand the limitations of a trial balance | 6 |
| **SESSIONAL I EXAM** | | |
| CLO8  Session 10 | Errors not affecting the balancing of trial balance | 32 |
| CLO4  Session 11-12 | **Journal**   * Understand and illustrate the uses of journals and the posting of journal entries into ledger accounts * Identify correct journals from given narrative | 17 |
| CLO9  Session 13-14 | Preparation of basic statement of profit or loss and statement of financial position | 7-9 |
|  | **RECORDING TRANSACTIONS AND EVENTS** |  |
| CLO5, CLO6, CLO7  Session 15-16 | **Accruals and prepayments**   * Understand how the matching concept applies to accruals and prepayments * Identify and calculate the adjustments needed for accruals and prepayments in preparing financial statements * Illustrate the process of adjusting for accruals and prepayments in preparing financial statements * Prepare the journal entries and ledger entries for the creation of an accrual or prepayment * Understand and identify the impact on profit and net assets of accruals and prepayments | 28 |
| CLO5, CLO7  Session 17-18 | **Valuation of inventory**   * Recognise the need for adjustments for inventory in preparing financial statements * Record opening and closing inventory * Identify the alternative methods of valuing inventory * Understand and apply the IASB requirements for valuing inventories * Recognise which costs should be included in valuing inventories * Understand the use of continuous and period end inventory records * Calculate the value of closing inventory using FIFO (first in, first out) and AVCO (average cost) – both periodic weighted average and continuous weighted average * Understand the impact of accounting concepts on the valuation of inventory * Identify the impact of inventory valuation methods on profit and on assets | 29 |
| CLO5, CLO7  Session 19-20 | **Receivables, bad debts and allowance for doubtful debts (incl. Sales Day Book/Sales Ledger)**   * Explain and identify examples of receivables * Identify the benefits and costs of offering credit facilities to customers * Understand the purpose of an aged receivables analysis * Understand the purpose of credit limits * Prepare the bookkeeping entries to write off an irrecoverable debt * Record an irrecoverable debt recovered * Identify the impact of irrecoverable debts on the statement of profit or loss and on the statement of financial position * Prepare the bookkeeping entries to create and adjust an allowance for receivables * Illustrate how to include movements in the allowance for receivables in the statement of profit or loss and how the closing balance of the allowance should appear in the statement of financial position. | 25 |
| **SESSIONAL II EXAM** | | |
| CLO5, CLO7  Session 21-22 | **Tangible non-current assets and depreciation**   * Define non-current assets * Recognise the difference between current and non-current assets * Explain the difference between capital and revenue items * Classify expenditure as capital or revenue expenditure * Prepare ledger entries to record the acquisition and disposal of non-current asset * Understand and explain the purpose of depreciation * Calculate the charge for depreciation using straight line and reducing balance methods * Identify the circumstances where different methods of depreciation would be appropriate * Illustrate how depreciation expense and accumulated depreciation are recorded in ledger accounts | 24, 26, 27 |
|  | **FINANCIAL STATEMENTS OF SOLE PROPRIETORSHIPS** |  |
| CLO8, CLO9  Session 23-24 | **Income Statements & Balance Sheets**   * Prepare a statement of financial position from given information   using accounting treatments as stipulated   * Prepare a statement of profit or loss from given information using accounting treatments as stipulated | 7-9, 28 |
| CLO5  Session 25-26 | **BANK RECONCILIATION STATEMENTS**   * Understand the purpose of bank reconciliations * Identify the main reasons for differences between the cash book and the bank statement * Correct cash book errors and/or omissions * Prepare bank reconciliation statement * Derive bank statement and cash book balances from given information * Identify the bank balance to be reported in the final accounts | 30 |
| CLO10  Session 27-29 | **COST AND MANAGEMENT ACCOUNTING**   * Describe the purpose and role of cost and management accounting * Compare and contrast external financial reporting with cost and management accounting * Outline the managerial processes of planning decision making and control * Explain and illustrate production and non-production costs * Describe the different elements of production cost- materials, labour and overheads * Explain and illustrate the concept of cost objects, cost units and cost centres * Differentiate between absorption and marginal costing * Describe budgeting and budgetary control | 48  Lecture notes |
| **FINAL EXAM** | | |

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| **INDIGENOUS MATERIAL USED** | | |
| **S. No** | **Material /Activity** | **Associated Topic** |
| **1** | Talk about businesses with names that are familiar to students | Understanding the business type: sole proprietorship, partnership and limited companies |
| **2** | Discussions in class on accounting, business, finance or taxation related news regarding Pakistan. | An effort to keep students abreast of the practical aspect of the course. |

**GRADING POLICY**

***Grading: Relative ( Interquartile Range Method)***

***Marks Distribution***

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| **Grading Mechanism** | **Weight** |
| Announced/Surprise Quizzes | 10% |
| Viva/ Assignments | 05% |
| Class Participation | 05% |
| Mid Term Exam 1 | 15% |
| Mid Term Exam 2 | 15% |
| Final Exam | 50% |

**TEXTBOOK& REFERENCE MATERIAL**

Frank Wood & Alan Sangster, 11th. Edition, Business Accounting 1, Pearson Longman

**Materials**

Text may be supplemented with handouts, online resources and reports

**ADMINISTRATIVE INSTRUCTIONS**

**Missing Exams or Quizzes**

***There will be NO retake of missed quiz.***

**Class Policies**

* Please note that any exception for one student is unfair to all other students, so don’t expect any.
* Please turn off and store away cell phones, Ipads, laptops, and other electronic devices.
* Talking during lecture is not permitted. It is disrespectful and disruptive to other class members and the instructor.
* If you miss a class, it is your responsibility to determine what was covered including any administrative announcements.

**Studying**

The proper way of studying for this class is following ADA policy; a short description of the same is as follows

* Ahead of the class, it is is expected that you have read the relevant chapters from the textbook;
* During the class you are expected to follow the lecture, take notes and ask questions; and
* After every class you would review your notes and solve the end of chapter exercises and read the textbook.

*An extensive set of practice problems is placed on the Xeon Server, make sure you cover them all.* We might set a tutorial session from time to time to answer your queries about the problems/practice sets.

**Attendance Policy**

As you can see, almost every other session is a different topic and as such missing any classes will result in huge setback as you will lose substantial course content. Besides, owing to the interactive nature of the course, attendance is crucial. Therefore, only under unavoidable circumstances, student should think of missing a class. *See university policy on minimum attendance allowed for final exams.*

**Scholastic Dishonesty**

In the classroom and in all other academic activities, students are expected to uphold the highest standards of academic integrity. Any form of scholastic dishonesty is an affront to the pursuit of knowledge and jeopardizes the quality of the degree awarded to all graduates.

What exactly is plagiarism?

* Plagiarism is a form of cheating.
* Plagiarism is using someone else’s ideas or words and saying they are your own.

If you use material from a text and do not acknowledge the source, you are committing plagiarism.

Specifically, these behaviors are often regarded as plagiarism:

* Copying directly from a text, acknowledging the source but pretending that you are paraphrasing.
* Paraphrasing or copying directly from a text without acknowledging the source.
* Copying from another student’s assignment with or without the student’s knowledge.

The following behaviors are regarded as misconduct:

* Submitting the same assignment in two different papers.
* Getting someone else to write an assignment for you.

You are also involved in misconduct if you:

* Let another student copy from your own work.
* Write an assignment for another student.

Students who violate the rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. *Since dishonesty harms the individual, all students, and the integrity of the University, policies on scholastic dishonesty will be strictly and actively enforced.*