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**FIRST SEMESTER 2020-21**  
**COURSE HANDOUT**

Date: 18-1-2021

In addition to part -I (General Handout for all courses appended to the time-table) this portion gives further specific details regarding the course.

**Course No.** : ECON F212  
**Course Title** : FUNDAMENTALS OF FINANCE & ACCOUNTING  
**Instructor-in-charge** : Dr. Byomakesh Debata  
**Instructor** : Dr. Byomakesh Debata

**1. Course description:**

Accounting is the language of business. Through this language, the business (i.e. the Company) not only maintain the records of transactions it undertakes during the course of its existence, but also communicates with the outside world by publishing various financial reports that summarize transactions undertaken by the company. Therefore, it is important to note here that this course entails two important and interrelated aspects, i.e.,

- Recording transactions, and
- Preparing financial statements such as balance sheet, income statement, etc.

Since, b. follows a., it is important to learn the recording of transactions first in order to learn preparing financial statements.

The course will introduce you to the following key concepts: introduction, standards and basic rules of accounting, double-entry accounting system, identifying and recoding transactions, preparing trial balance, dealing with incomplete transactions, preparing the balance sheet, types of ownership, credibility and role of auditing, measuring income, adjustments to the accounts, preparing the statement of cash flows, recording sales revenue, reporting inventories and cost of goods sold, recording capital assets, liabilities and interest, stockholders' equity and valuation of financial assets.

This course is specifically designed to meet the educational needs of second year Economics students and students pursuing Finance minor program. In order to complete the program requirement, the students from Economics and Finance background require a basic understanding on accounting principles and financial statement analysis. This course serves that purpose, and it is prerequisite to other advanced courses that students from (MSc) Economics and Finance (minor) undertake in the subsequent semesters. Hence, being elementary in nature this course has got its relevance and importance. Besides, a few students also take this course as an elective in order to pursue their academic interest in the field of finance.





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## **2. Scope and Objective:**

The scope of this course largely encapsulates an introduction to the *reporting system* used by businesses to record and convey financial information to investors, analysts, and regulators. This reporting system is referred to as financial accounting. The key learning objectives that this course accomplishes enables participants in learning:

- how companies *identify* and *record* transactions that have a financial impact and are critical to day-to-day functioning of the company.
- how using a systematic procedure, the recorded transactions are summarized into meaningful and standardized reports (financial statements) such as the balance sheet, statement of income etc.
- the key components that form part of these financial statements.
- how these financial statements are analyzed and what information do they convey about the financial well-being and future prospects about the company.

## **3. Textbook:** The below given text-book (prefer 11<sup>th</sup> Edition) is highly recommended for this course.

TB1: Horngren, Sundem, Elliott and Philbrick, “Introduction to Financial Accounting”, Pearson Education India Ltd., 11<sup>th</sup> edition, 2018.

## **4. Ref. Books:**

- R1: Libby, Robert., Libby, Short, “Financial Accounting”, Tata McGraw-Hill., 6<sup>th</sup> edition, 2011  
R2: R Narayanaswamy, Financial Accounting: A managerial perspectives, 6<sup>th</sup> edition, PHI 2017  
R3: Gitman, “Principles of Managerial Finance,” Pearson Education, 10<sup>th</sup> ed, 2004





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**5. This section provides a details description of the course contents that will be dealt with in this course. Also, the dates of tutorial tests and regular tests are also given so that participants can plan accordingly.**

| Course Plan  |  |   |   |
|--|--|---|---|
| Module Number  | Lecture session  | References                                  | Learning objectives   |
| 1. Introduction to the concept of a business entity, transaction analysis, and financial statements. | L1.1 - Course introduction and discussion on handout.<br>L1.2 - Concept of a business enterprise. Types of ownerships.<br>L1.3 - Key terminologies related to financial statements.<br>L1.4 - Discussion on transactions and how to identify transactions that hold relevance to the business. Transaction analysis using balance sheet accounts.<br>L1.5 - Introduction to the concept of accounting and its end product i.e. the <i>Annual Report</i>  | Textbook<br>Chapter 1<br>and Class<br>Notes | Differentiate between types of business entities.<br>Learning the concept of transaction from accounting point of view.<br>Understanding the concept of business entity.                |
| 2. Income measurement and financial performance.   | L2.1 Income measurement within an accounting period. Revenues vs Expenses.<br>L2.2 Relationship between stockholder's equity and profits and losses of a company.<br>L2.3-4 Accrual versus cash basis of measuring income, matching principle, and expiration of unexpired assets.<br>L2.5 - Income statement and its relationship with the balance sheet<br>L2.6 - Dividends, retained earnings, and statement of stockholder's equity<br>L2.7 - Popular financial ratios for financial analysis and investment decision making | Textbook<br>Chapter 2<br>and Class<br>Notes | Learn distinction between revenues and expenses.<br>Describe the change in balance sheet from beginning of the year to the end of year in terms of income statement during that period. |





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| 3. Recording transactions                                       | <p>L3.1-2 Double entry accounting system (concept of journal entries, general ledger, and debit/credit).</p> <p>L3.3-5 Process of developing financial statements from journal entries</p> <p>L3.6 - Effect of errors on financial statements and how to correct.</p>   | Textbook Chapter 3 and Class Notes | <p>Explain changes in balance sheet after every transaction in terms of debit and credit.</p> <p>Prepare year-end or quarter-end unadjusted financial statements by using information on transaction data undertaken by the company during that period</p>             |
| 4. End-of-period adjustments for preparing financial statements | <p>L4.1 Revisit accrual-based accounting procedure</p> <p>L4.2-3 Types of adjustments and why it is needed</p> <p>L4.4 Preparing adjusted financial statements using unadjusted financial statements and accrual-based accounting approach.</p> <p>L4.5 Introduction to classified balance sheet and various forms of balance sheet presentation</p> <p>L4.6 Single and multi-step income statement</p> <p>L4.7-8 Ratio analysis using balance sheet and income statement</p> | Textbook Chapter 4 and Class Notes | <p>Distinguish between cash-based accounting system and accrual-based accounting system.</p> <p>Prepare year-end or quarter-end adjusted financial statements by using information on unadjusted financial statements and incorporating end-of-period adjustments.</p> |
| 5. Statement of Cash Flows                                      | <p>L5.1 Introduction to cash flow statement and its relevance for managers and investors.</p> <p>L5.1 Activities that affect cash flow statement</p> <p>L5.2-4 Indirect and direct method for preparing cash flow statement</p> <p>L5.5 Cash flow statement and financial analysis.</p>   | Textbook Chapter 5 and Class Notes | <p>Realize the importance of the cash flow statement. Categorize any given transaction into either investing, financing, or operating activity. Utilize information given in the balance sheet and income statement for</p>  |





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|  |  |                                     | preparing cash flow statement. Compare and contrast direct and indirect approaches for cash flow preparation.   |
| 6. Long-lived Assets<br>(Tentative)        | L6.1 Types of long-lived assets. Difference between tangible and intangible assets.<br>L6.2 Straight line depreciation and effects of depreciation on cash flow and income tax<br>L6.3 Expenditure after acquisition.<br>Accounting perspective on recording gain and loss on sale of tangible assets. | Textbook Chapter 8 and Class Notes  | Differentiate between current assets and fixed assets.<br>Role of depreciation in expiring long-lived asset.<br>Distinction between cash flow on investment and cash flow on expenses.<br>Accounting for purchase, sale and expiration of fixed assets. |
| 7. Liabilities and Interest<br>(Tentative) | L7.1 Review of accounting for current liabilities<br>L7.2-3 Long-term Liabilities. Discussion on how companies raise financing by issuing bonds. Bond valuation method.<br>L7.3-4 Bond accounting<br>L7.5-6 Accounting for leases  | Textbook Chapter 9 and Class Notes  | Differentiate between current liabilities and long-term liabilities<br>Issuing bonds to investors by companies for raising funds.<br>Bond valuation principles and bond accounting.   |
| 8. Shareholder's equity<br>(Tentative)     | L8.1 Issuing stocks by public companies for raising funds from investors.<br>L8.2 Accounting for common stocks, dividends, and retained earnings.  | Textbook Chapter 10 and Class Notes | Stock issuance process and accounting such transactions.<br>Impact of dividend declaration and distribution on company's net worth.   |





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| 9. Financial ratio analysis               | L9.1 Review of popular financial ratios covered in the course.<br>L9.2-3-4 Financial statement analysis of a hypothetical firm using ratio analysis approach | Textbook<br>Chapter 12<br>and Class<br>Notes | Carry-out comprehensive financial ratio analysis of a company using financial statements. |
| <b>Group Assignment and Presentations</b> |  |  |   |

**6. Evaluation Scheme:**

| Components                      | Weightage (%) | Date & Time       | Nature of component (Close Book/ Open Book) |
|---------------------------------|---------------|-------------------|---|
| Mid-Semester Test               | 30%           | As per time-table | Open Book                                   |
| Comprehensive Examination       | 40%           | As per time-table | Partly Open Book                            |
| Quizzes (2)                     | 20%           | TBD               | -   |
| Group Assignment & Presentation | 10%           | TBD               | -   |

**Make-up policy**

Any problem with internet to be addressed to AUGSD. No make-up will be given for tests without prior approval from the I/C. Make-up for comprehensive exam will be decided by AUGSD. Make-up for tests or comprehensive may not be conducted as regular tests due to problem in scheduling and may be done through Google meet viva-voce or telephonic interview mode.

**Chamber Consultation Hour:** Thursday- from 4:30PM to 5:30 PM. This can be done through Google meet or Microsoft team etc.

**Notices:** Notices concerning the course will be intimated through online.

**Instructor in-charge**  
**Byomakesh Debata**



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