**MODULE 2 ASSIGNMENTS**

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**DIPLOMA IN FINACIAL MANAGEMENT FOR NGOs**

**What are operating and non-operating profits**

The operating income (also referred to as operating profit) is the basic or primary income that a business derives solely from its core operations. On the income statement, operating income is commonly reported as line item before non-operating income. Non-operating income is the portion of an organization's income that is derived from activities not related to its core business operations. It can include items such as dividend income, profits or losses from investments, as well as gains or losses incurred by foreign exchange, and asset write-downs.

**2) What do you understand by “Grouping” and “Marshalling” of assets and liabilities?** Grouping and Marshalling or Arrangement of Assets and Liabilities. The assets and liabilities should be shown in a certain order in the Balance Sheet. ... This is called 'Grouping' and 'Marshalling' of the Balance Sheet. Thus, 'Grouping' means putting together items of similar nature under a common heading.

3) Write short notes on the following:

**a) Outstanding of Expenses**

Outstanding expenses are those expenses which have been incurred during the current accounting period and are due to be paid, however, the payment is not made. ... Outstanding expenses are recorded in books of finance at the end of an accounting period to show the true numbers of a business.

**b) Accrued Incomes**

Accrued income is income which has been earned but not yet received. Income must be recorded in the accounting period in which it is earned. Therefore, accrued income must be recognized in the accounting period in which it arises rather than in the subsequent period in which it will be received.

**c) Intangible Assets**

An intangible asset is an asset that is not physical in nature. Goodwill, brand recognition and intellectual property, such as patents, trademarks, and copyrights, are all intangible assets. Intangible assets exist in opposition to tangible assets, which include land, vehicles, equipment, and inventory.

**d) Fictitious Assets**

fictitious asset. Asset created by an accounting entry (and included under assets in the balance sheet) that has no tangible existence or realizable value but represents actual cash expenditure. ... Fictitious assets are written off as soon as possible against the firm's earnings.

**e) Cost of Conversion**

 Conversion costs are the costs incurred for turning raw materials into finished products. If you add direct labor costs and manufacturing costs, the sum that you get will be the conversion cost. In other words, conversion costs equal the cost of production minus raw material cost.

**f) Cost of Goods Sold**

Cost of goods sold refers to the direct costs of producing the goods sold by a company. This amount includes the cost of the materials and labor directly used to create the good. It excludes indirect expenses, such as distribution costs and sales force costs

**g) Direct vs. Indirect Expenses**

Direct Expenses: Direct expenses are those expenses that are paid only for the business part of your home. ... Indirect Expenses: Indirect Expenses are those expenses that are paid for keeping up and running your entire home. Examples of indirect expenses generally include insurance, utilities, and general home repairs.

What are the objectives of Accounting? The objectives of accounting are to provide necessary information to the persons interested who will make relevant decision and form judgement

The different parties interested in accounting information are:

* Owners/shareholders
* Lenders
* Creditors
* Prospective investors
* Managers
* Government
* Employee
* Researchers

State why they want it. They want it because of the following reasons

* To compare its performance with similar enterprise
* To compare its performance with that of past years.
* To study the present financial position

4) Briefly explain the accounting concepts which guide the accountant at the recording stage.

1. Accounting concept refers to the basic assumptions and rules and principles which work as the basis of recording of business transactions and preparing accounts. The below are accounting Concept
2. Business entity concept: A business and its owner should be treated separately as far as their financial transactions are concerned.
3. Money measurement concept: Only business transactions that can be expressed in terms of money are recorded in accounting, though records of other types of transactions may be kept separately.
4. Dual aspect concept: For every credit, a corresponding debit is made. The recording of a transaction is complete only with this dual aspect.
5. Going concern concept: In accounting, a business is expected to continue for a fairly long time and carry out its commitments and obligations. This assumes that the business will not be forced to stop functioning and liquidate its assets at “fire-sale” prices.
6. Cost concept: The fixed assets of a business are recorded on the basis of their original cost in the first year of accounting. Subsequently, these assets are recorded minus depreciation. No rise or fall in market price is taken into account. The concept applies only to fixed assets.
7. Accounting year concept: Each business chooses a specific time period to complete a cycle of the accounting process—for example, monthly, quarterly, or annually—as per a fiscal or a calendar year.
8. Matching concept: This principle dictates that for every entry of revenue recorded in a given accounting period, an equal expense entry has to be recorded for correctly calculating profit or loss in a given period.
9. Realization concept: According to this concept, profit is recognized only when it is earned. An advance or fee paid is not considered a profit until the goods or services have been delivered to the buyer.

**5) What do you understand by Dual Aspect Concept? Explain the accounting implications.**

It means, both the aspects of the transaction must be recorded in the books of accounts. ... The implication of dual aspect concept is that every transaction has an equal impact on assets and liabilities in such a way that total assets are always equal to total liabilities.

The dual aspect concept states that every business transaction requires recordation in two different accounts. This concept is the basis of double entry accounting, which is required by all accounting frameworks in order to produce reliable financial statements

**6) Explain the role of Management Accountant in a modern business organization.**

The role of the management accountant is to perform a series of tasks to ensure their company's financial security, handling essentially all financial matters and thus helping to drive the business's overall management and strategy.

Accounting helps an organization to achieve its goals and objectives by assembling, organizing and communicating information about its activities. As such, it is integral to the modern business environment. Besides accounting itself, the role of the individual accountant or accountants in a modern organization is just as important because this person, or department, works in two distinct accounting disciplines: financial accounting and managerial accounting. Knowing what these two different areas of accounting can offer will explain and explain the role of accounting in the modern times.

**7) What are the accounting concepts to be observed at the reporting stage? Explain any two detail.**

 Accounting Concepts at Reporting Stage: The following concepts are to be observed at the time of preparation of final accounts. 1. Going Concern Concept: The financial statements are normally prepared on the assumption that a business enterprise has indefinite life, unless there is a clear evidence to the contrary.

**8)Discuss in brief the basic accounting concepts and fundamental accounting assumptions**.

These basic accounting concepts are as follows: Accruals concept. Revenue is recognized when earned, and expenses are recognized when assets are consumed. ... Auditors will only certify the financial statements of a business that have been prepared under the accruals concept.

Accounting assumptions are the three very[basic accounting concepts](https://www.toppr.com/guides/accountancy/theory-base-of-accounting/basic-accounting-concepts/) or principles that are assumed to have been followed in the accounting transactions of an entity. So there is a need for a specific notation saying such concepts have been adhered to, it is understood.

However, this does not mean that such fundamental accounting principles have to be compulsorily followed by all organizations. It is absolutely acceptable if the entity does not follow such assumptions while recording their financial transactions. If these fundamental assumptions have not been followed then the entity should specifically disclose this information, along with their [financial statements](https://www.toppr.com/guides/principles-and-practice-of-accounting/accounting-concepts/financial-statements/). This way the users know about such facts

**9) Why do accounting practices be standardized? What progress has been made in India**

**regarding standardization of accounting?**

Accounting Standards (AS) are basic policy documents. Their main aim is to ensure transparency, reliability, consistency, and comparability of the financial statements. They do so by standardizing accounting policies and principles of a nation/economy.

The Institute of the Chartered Accountants of India (ICAI) is the body that sets up the Accounting Standards in India. In 2006, ICAI initiated the process of shifting towards the International Financial Reporting Standards (IFRS). International Accounting Standards Board (IASB) issues the IFRS. The Institute of Chartered Accountants of India (ICAI) formed the Accounting Standards Board (ASB) in April 1977 which includes representatives from industry and government. In line with procedure followed in other countries, the preliminary drafts prepared by the study groups and. approved by ASB are circulated amongst various external agencies, including the representative bodies of trade commerce and industry.

**10) Is it possible to give a true and fair view of a company’s position using accounting**

**information? Explain.**

true and fair view is that financial statements are free from material ... So what is fair and true view? ... and faithfully represent the financial performance and position of the ... FAIR VIEW is one of the most prominent principles of accounting. It suggests that an enterprise should provide a true and fair view 

11) Explain the following:

**i) Accounting equation**

The accounting equation is considered to be the foundation of the double-entry accounting system. The accounting equation shows on a company's balance sheet whereby the total of all the company's assets equals the sum of the company's liabilities and shareholders' equity. The fundamental accounting equation, also called the balance sheet equation, represents the relationship between the assets, liabilities, and owner's equity of a person or business. It is the foundation for the double-entry bookkeeping system. For each transaction, the total debits equal the total credits.

**ii) Convention of materiality**

Convention of materiality states that items of small significance need not to be given strict theoretically correct treatment. There are many events in business which are insignificant in nature. Moreover, it is one of the most important [accounting convention](https://www.cashstock.in/accounting-convention-definition/).

The cost of recording and showing in financial statement such events may not be well justified by the utility derived from that information. This convention unnecessarily burden the accountants in case they are not able to distinguish between material and immaterial events. The most important to note is that an item for a party can be immaterial however for another a material item.

**iii) Accounting standards**

An accounting standard is a common set of principles, standards and procedures that define the basis of financial accounting policies and practices. Accounting standards improve the transparency of financial reporting in all countries. In the United States, the [Generally Accepted Accounting Principles](https://www.investopedia.com/terms/g/gaap.asp) form the set of accounting standards widely accepted for preparing financial statements. International companies follow the [International Financial Reporting Standards](https://www.investopedia.com/terms/i/ifrs.asp), which are set by the International Accounting Standards Board and serve as the guideline for non-U.S. GAAP companies reporting financial statements.

**v) Accounting process**

Accounting is the process of recording financial transactions pertaining to a business. The accounting process includes summarizing, analyzing, and reporting these transactions to oversight agencies, regulators, and tax collection entities. The accounting cycle, also commonly referred to as accounting process, is a series of procedures in the collection, processing, and communication of financial information. As defined in earlier lessons, accounting involves recording, classifying, summarizing, and interpreting financial information.

**v) Branches of accounting**

As a result of economic, industrial, and technological developments, different specialized fields in accounting have emerged. The famous branches or types of accounting include: financial accounting, managerial accounting, cost accounting, auditing, taxation, AIS, fiduciary, and forensic accounting.

1. **Accounting a source of financial information.**

Accounting as a Source of Information. Accounting is regarded as the language of a business. It is used as a means of communication between a business organization and its shareholders. The accounting process is a source of information, it uses business data and processes it to generate relevant information.