**4ACCN008C Financial Accounting, Semester 1, 2020/2021.Tutorial 1. Introduction to Accounting**

**Learning Outcomes:**

1. To define financial reporting – recording, analyzing and summarizing financial data;
2. To identify the users of financial statements and state and differentiate between their information needs;
3. To identify the purpose of each of the main financial statements;
4. To explain what is meant by governance specifically in the context of the preparation of financial statements;
5. To describe the duties and responsibilities of directors and other parties covering the preparation of the financial statements;
6. To analyze the role of International Financial Reporting Standards;
7. To distinguish the role of the regulatory system including the roles of the IFRS Foundation (IFRSF), the International Accounting Standards Board (IASB), the IFRS Advisory Council (IFRS AC) and the IFRS Interpretations Committee (IFRIC).

**TASK 1**.

1. **TRUE/FALSE**
2. Primary users of financial accounting information are accountants.
3. The role of financial accounting is to provide many different users with financial information to make economic decisions.
4. Financial accounting information users need reports about the economic activities and condition of businesses.
5. The primary role of financial accounting is to determine the amount of taxes a business will be required to pay to taxing entities.
6. Investors use only financial accounting reports as the source of information to base all of their investment decisions.
7. Financial accounting provides information to all users, while the main focus for managerial accounting is to provide information to the management.
8. The directors of a company are responsible for the preparation of the financial statements of a company.
9. What is accounting? Why is accounting so important?
10. The objectives of accounting?
11. How could financial accounting be different from tax accounting and management accounting?

|  |  |  |
| --- | --- | --- |
|  | Management Accounting | Financial Accounting |
| Primary users |  |  |
| Purpose of information |  |  |
| Focus and time dimension |  |  |
| Type of report |  |  |
| Verification |  |  |
| Scope of information |  |  |

1. Who are the users of accounting information?
2. **Outline the distinguishing features of different business entities from an accounting perspective using the table below:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Items* | Sole proprietorship or trader | Partnerships | Corporations  (Public Limited Company or PLC) | Corporations (Private Limited Company or Ltd) |
| **Capital introduced by proprietors** |  |  |  |  |
| **Loans from third parties** |  |  |  |  |
| **Profits withdrawn by proprietors** |  |  |  |  |
| **Profits retained in the business** |  |  |  |  |

**TASK 2. Multiple Choice Questions**

1. ***Who is responsible for the preparation of the financial statements of a company?***

1 The finance department

2 The board of directors

3 The external auditors

A) 1 only

B )1 and 2 only

C) 2 only

D) 1, 2 and 3

1. ***What should be the main aim for a director of a company?***

A) To manage the affairs of the company in order to earn a good bonus

B) To manage the affairs of the company in order to create wealth for the shareholders

C) To manage the affairs of the company in order to generate the largest profits in the

shortest time

D) To manage the affairs of the company in order to contribute to the general wellbeing of society

1. ***Which of the following is not an objective of the IFRS Foundation?***

A) To enforce IFRSs in most countries

B) To develop IFRSs through the IASB

C) To bring about convergence of accounting standards and IFRSs

D) To take account of the financial reporting needs of SMEs

***4. What is the role of the IFRS Interpretations Committee?***

A) To develop and issue a set of globally accepted International Financial Reporting

Standards

B) To clarify issues in the application of IFRSs where unsatisfactory or conflicting

interpretations have developed

C) To take account of the financial reporting needs of small and medium-sized entities

D) To provide a forum for the IASB to consult with the national accounting standard setters,

academics and other interested parties

***5. Which of the following is responsible for developing and issuing International FinancialReporting Standards (IFRSs)?***

A) IFRS Foundation

B) IFRS Interpretations Committee

C) International Accounting Standards Board (IASB)

D) IFRS Advisory Council

***6. Which of the following users do you think require the most detailed financial information to be made available to them?***

A) Competitors

B)Management of the business

C) Trade unions

D) Investors

***7. Which of the following is most useful for managers?***

A Financial statements for the last financial year

B Tax records for the past five years

C Budgets for the coming financial year

D Bank statements for the past year