

## *BUSINESS ACCOUNTING*

|                              |                                   |
|------------------------------|-----------------------------------|
| <b>Theme:</b>                | Finance                           |
| <b>Assessment Weighting:</b> | 20% Coursework<br>80% Examination |

### **INTRODUCTION**

This module introduces students to basic theoretical and practical accounting concepts, and explains how they apply to business entities. Specifically, the module is designed to ensure students understand the importance of financial and accounting principles and can relate them to how businesses manage cash and other financial transactions. The module develops the student's ability to prepare, analyse and report on financial statements for different entities.

### **AIMS**

The aims of this module are:

- To provide students with a clear understanding of the importance of financial information in terms of identifying an organisations financial operations
- To develop knowledge and understanding of the underlying principles and concepts relating to financial accounting
- To provide students with a clear understanding of maintaining books of prime entry
- To develop students knowledge and understanding of the techniques used to prepare year-end financial statements
- To provide students with the ability to prepare, analyse and report on financial statements for incorporated and unincorporated entities
- To ensure students fully appreciate the reporting of financial and non-financial information

### **LEARNING OUTCOMES**

On completion of this module candidates will be able to:

- Describe the role and principles of financial accounting and reporting
- Identify the users of financial reports and discuss their needs
- Select and apply the accounting treatments of current and non-current assets and liabilities
- Distinguish between the main forms of business entities
- Prepare and present basic financial statements for incorporated and unincorporated entities in accordance with current international standards
- Analyse and interpret financial statements
- Prepare and interpret cash flow statistics
- Identify and explain cost behaviour patterns and apply cost-volume-profit analysis

## **INDICATIVE MODULE CONTENT**

### **Context and purpose of financial reporting**

Nature, principles and scope of accounting and its limitations

The role of financial accounting, management accounting, financial management and auditing

Characteristics of useful information, problems associated with its production, user groups of this financial information.

Terminology, concepts and conventions.

Theory of double entry and underlying assumptions

The accounting equation

Types of business entities

Forms of capital and capital structures

### **Accounting Records, Procedures and Systems**

Techniques of double entry book-keeping

Books of prime entry

Ledgers

- Personal Ledgers
- Nominal Ledgers

Control accounts

Journals

Recording transactions and events:

- Capital and Revenue Expenditure.
- Inventory
- Tangible non-current Assets and Depreciation.
- Bad Debts, Bad Debt Provision
- Bank Reconciliation
- Suspense account and the correction of errors
- Reserves and Provisions
- Accounting for Accruals, Prepayments and Adjustments
- Trial Balance

### **Preparing basic Financial Statements**

Income Statement

Statement of Financial Position

Financial Reporting for Different Entities (incorporated and unincorporated entities)

Financial statements from incomplete records

### **Analysis and interpretation of financial statements**

Definition, calculation and interpretation of basic financial ratios

Significance and limitations of financial ratios

**Cash Flow Statement**

The underlying rationale for cash flow statements

Preparation of cash flow statements in compliance with IAS 7

Cash Budgets

**Cost classification and Behaviour**

Classification of costs – production, non-production, direct and indirect

Cost behaviour patterns – fixed, variable, semi-variable, stepped costs

**Marginal costing**

Concept and importance of contribution

**Decision Making**

CVP Analysis and Breakeven analysis

Breakeven point, margin of safety