

ACC 201: Financial Accounting

Credit Hours: 3
Lecture Hours: 48

Module Objectives:

This module aims to familiarize students with the function and process of financial reporting system from a user and system designer perspective.

Course Description:

Introduction to financial accounting: concept, objectives, and accounting principles. The accounting process: double entry book-keeping, accounting equation, accounting cycle, rules of debit and credit, journalizing the transactions, posting and closing the ledgers, subdivision of journals, cash and banking transactions, bank reconciliation, preparation of trial balance and adjustment entries. Accounting for receivables: concept, types of account receivables, and financial statement presentation of receivables, managing receivables. Accounting for long-lived assets: types, determining the cost of plant, accounting for plant, analyzing plant assets. Intangible assets: accounting for intangible assets, types, financial statement presentation of long-lived assets. Reserve and provisions: concept, types, capital profit and revenue profit. Financial statement and closing entries: preparation of income and retained earnings statements, closing entries, preparation of balance sheet with adjustments and cash flow statement.

Course Details

Unit 1: Introduction

LH6

- Meaning of accounting
- Objective, importance and functions of accounting
- Accounting information and economic decisions
- Users of accounting information
- Basic terminologies: Capital, Liabilities: long term and short term, assets: fixed assets, intangible assets, and current assets, purchases, sales, debtors, creditors, inventories, revenues and expenses.

Unit 2: General Accepted Accounting Principles (GAAP)

LH2

- Business entity concept
- Money measurement concept
- Going concern concept
- Cost concept
- Accounting period concept
- Realization concept
- Matching concept

Unit 3: Double Entry System

LH3

- Concept, Features, Advantages of Double entry book-keeping system
- Accounting Equation
- Accounting Cycle/Process

Unit 4: Recording of Business Transactions**LH5**

- Types of Accounts, Rules for Debit and Credit
- Meaning and objectives of Journal, Journalizing based on types of account and on
- Ledger: Meaning, Objectives, Account formats (T format and balancing format). Posting accounting equation: Simple and Compound entries including bills of exchange into ledger, Balancing and closing of ledger accounts

Unit 5: Sub-division of Journal**LH5**

- Sales Book: Concept, Trade discount and cash discount application and treatment,
- Purchase Book: Concept, Preparation and Posting from Purchase Book
- Sales Return Book: Concept, Credit Note, Preparation and Posting from Sales Return
- Preparation and Posting from Sales Book
- Purchase Return Book: Concept, Debit Note, Preparation and Posting from Purchase
- Bills Payable Book: Concept, Preparation and Posting from Bills Payable Book
- Bills Receivable Book: Concept, Preparation and Posting from Bills Receivable Book

Unit 6: Accounting for Cash and Banking Transactions**LH8**

- Cash and Banking Transactions: Objectives, importance. Bank account: Current account,
- Cheques: Meaning, Parties to a cheque, Types, Rules for drawing a cheque, Issue,
- Pass Book: Concept and importance
- Cash Book: Concept and importance. Types of Cash Book: Single, Double and Triple
- Bank Reconciliation Statement: Concept, Importance, Reasons for disagreement between cash book and pass book .
- Saving account. Fixed deposit account Deposit, Endorsement and Dishonor of Cheque Column Cash Book, Petty Cash Book: Meaning, Importance, Types cash book and pass book balances, and preparation of Bank Reconciliation Statement

Unit 7: Trial Balance**LH4**

- Meaning and Objectives, Preparation of Trial Balance, Adjusted trial balance
- Journal Proper: Concept, Opening entry. Closing entries, Transfer entries. Adjusting
- Errors: Meaning, Causes of accounting errors, Types of errors, Errors disclosed and not
- Rectification of errors before and after preparation of Trial Balance, Suspense account:

Unit 8: Reserve and Provision**LH2**

- Concept and Objectives of Reserve and Provision
- Maintaining General reserve, Provision for bad debt. Provision for discount on debtors

Unit 9: Capital and Revenue concept and creditors**LH2**

- Concept, Types and Difference between Capital and Revenue: Receipts, Expenditures,

Unit 10: Financial Statements**LH11**

- Concept and Types of financial statements
- Preparation of Income Statements and Balance Sheet with and without adjustment by
- Cash flow statement: Meaning, Importance, Preparation of cash flow statement based on Losses and Profits using Work Sheet showing cost of goods sold direct method.

References:

- Madhav R. Koirala, and et al. *Principles of Accounting - I*, Buddha Academic Enterprises Pvt. Ltd., Kathmandu.
- Paul D. Kimmel, Jerry J. Weygandt, and Donald E. Kieso., *Financial Accounting*, John Wiley & sons, INC; New York.
- Ramesh Pandey, and et al., *Principles of Accounting Part 1*, Bhundhipuran Prakashan, Kathmandu.
- Ratna M. Dangol and et al., *A Basic Course In Accountancy I*, Talaju Prakashan, Kathmandu.
- R. Narayanaswamy., *Financial Accounting, A Managerial Perspective*, Prentice Hall of India Private Limited, New Delhi.
- Robert L. Dansby, Burton S. Kaliski and Michael D. Lawrence, *College Accountancy*, A.I.T.B.S. Publishers & Distributors, Delhi.
- Shiva P. Munankarmi, *Principles of Accounting*, Educational Publishing House, Kathmandu.