O1 – FUNDAMENTS OF FINANCIAL ACCOUNTING
(Operational Level-1)
Practical Industry Knowledge (PIK) Stream

INTRODUCTION

This course basically deals with the Fundamentals of Financial Accounting. The students are expected to learn an understanding of accounting concepts, principles, procedures and systems for preparation of financial statements, accounting treatment of current assets and liabilities, tangible and intangible assets. Students should become adept at classifying problems, situations and applying the required accounting principles.

OBJECTIVE

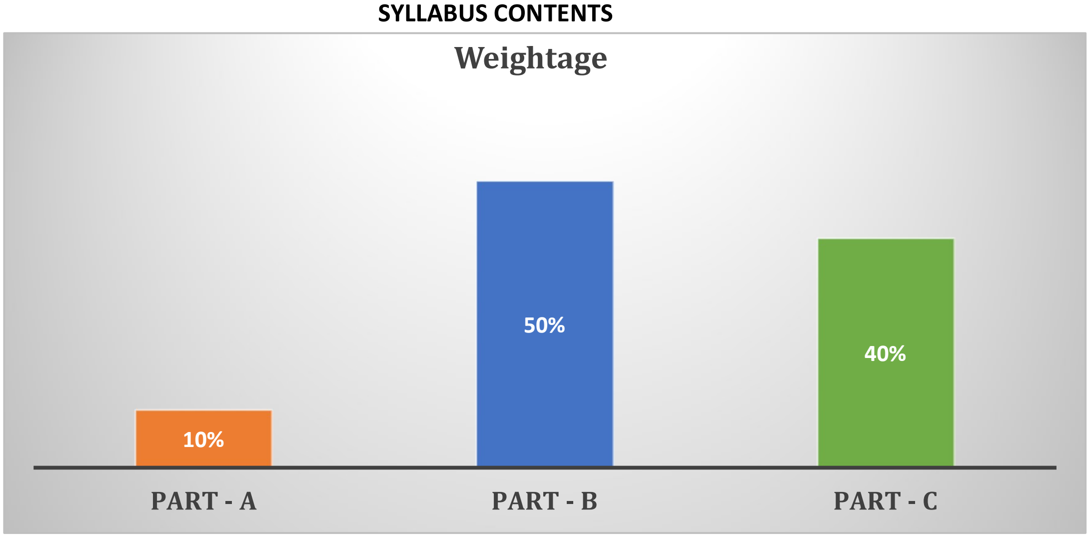
To provide the students with an applied knowledge of basic and most fundamental principles and concepts of accounting, and preparing financial statements accordingly

LEARNING OUTCOMES

On completion of this course, students will be able to:

- Understand the need for accounting records;
- Apprehend the fundamental accounting principles and concept;
- Differentiate between financial and management accounting;
- Prepare cash book, bank accounts and petty cash book statements under an imprest system;
- Perform the system of double-entry bookkeeping;
- Prepare ledger accounts, journal entries and a trail balance;
- Understand tangible and intangible assets;
- Use different methods of calculating depreciation;
- Prepare accounts for bad debts and allowance for receivables;
- Records provision and contingencies;
- Compute inventory by using different valuation methods for preparing inventories 'accounts;
- Prepare accounts for sales taxes and payroll;
- Prepare accounts for bank reconciliation statements;
- Prepare accounts for sales and purchases, including personal accounts and control accounts;
- Understand the types/ nature of errors and its rectification
- Prepare financial statements from trial balance;
- Prepare manufacturing accounts;
- Prepare and present the financial statements from incomplete records
- Prepare and present the receipts and payments and income and expenditure accounts
- Prepare a statement of cash flows;
- Prepare final accounts in accordance with IAS and IFRS;
- Calculate basic financial ratios

SYLLABUS CONTENTS



PART - A
CONCEPTUAL, SYSTEM AND REGULATORY FRAMEWORK

1. **Accounting Nature and Objectives**
   - Difference between financial accounting and cost and management accounting

2. **Introduction to Financial Accounting**
   - Understand and explain the accounting equation

3. **Accounting Regulatory Framework**
   - "IAS/IFRS" to reflect the latest 2025 standards, including IFRS 18 (Primary Financial Statements).
   - Define IAS/ IFRS and its role
   - Identify and understand the role of regulatory bodies i. e, IFRS Foundation (IFRSF), the International Accounting Standards Board (IASB), the IFRS Advisory Council (IFRS AC) and the IFRS Interpretations Committee (IFRS IC)

4. **Accounting Concepts and Conventions**
   - Cost and Values (Historical Cost Convention, Current Cost Accounting, Fair Value, Value to the business)
   - Sustainability reporting integration" under Substance over form.

PART - B
ACCOUNTING SYSTEMS AND ACCOUNTS PREPARATION

5. **Source Documents and Books**
   - Recording of transaction in books and posting the item in the ledger accounts.

6. **Double Entry and Ledger Accounting**
   - Posting from day book to nominal ledger and balance off ledger account
   - Sales and Purchase accounts, including personal accounts and Control accounts

7. **Trial balance and financial statements**
   - Preparation of basic layout off financial statement and illustrate some examples of financial statements
   - Accounts Coding System-Define chart of accounts

8. **Accruals and prepayments**
   - How the amount of accruals and prepayments are depicted in financial statements?

9. **Tangible non-current assets**
   - Compute depreciation where any changes are made in estimated life and value of assets
   - Accounting treatment of the following:
     - Re-valuation of non-current assets (Reversal of revaluation is excluded)
     - Non-current asset disposal
     - Non-current asset register

10. **Intangible non-current assets**
    - Accounting treatment of Intangible Assets
    - Research and Development Cost
      - Define research and development cost
      - Identify the treatment of research and development cost

11. **Bad debts and allowances for receivables**
    - Nature and purpose of bad and doubtful debts
      - General entries and aging analysis
    - Bad Debts Recovered

12. **Provisions and Contingencies**
    - Define, differentiate and classify Provisions, Contingent liabilities and Assets

13. **Accounting for Inventories**
    - Valuation of inventory as per IAS 2
    - Lower of cost or NRV
    - Valuation of Cost of sales and closing stock under FIFO, LIFO and AVCO (Both periodic and perpetual)
    - Stock and Work -in-progress
    - Accounting for Stocks - closing stock
    - Ledger Accounts for stock
    - Physical Count
    - Impact of inventory on Statement of Profit or Loss and Statement of Financial Positions from Trial Balance

14. **Accounting for Sales Tax and Payroll**
    - Principles of Sales Tax (input tax, output tax and net tax)
    - Basic concepts of Gross wages, deductions and net wages

15. Bank Reconciliation's
- Preparation of bank reconciliation statement
- Concept of which balance to be shown in statement of financial position

16. Control accounts
- all automated

17. Correction of Errors
- Impact of correction of errors on financial statements

PART - C
FINAL ACCOUNTS

18. Sole traders' accounts
- Preparation of Financial Statements

19. Incomplete records
- Incomplete Records: Basic Approach
- Cash and Bank Transactions
- Using Ratios and Percentages (Find out missing figures by using profit percentages)
- Preparation of Financial Statements

20. Income and expenditure accounts
- Special Funds (Define Special funds i.e., capital fund, donation, annual subscription, life membership fees)
- Interpretation of Accounts

21. Statements of cash flows
- Format of a Statement of Cash Flows
- Preparation of a statement of Cash Flows by Indirect Method

22. Financial Ratios
- Analysis of Accounting Statements and Use of Ratios
- Liquidity, Working Capital and Solvency Ratios
- Financial Gearing
- Investor Ratios
- Possible Drawbacks of Ratio Analysis
- Appraising the Position and Prospects of a Business