



INSTITUTE OF ADMINISTRATION & COMMERCE (ZIMBABWE)

FINANCIAL ACCOUNTING 1 SYLLABUS

INTRODUCTION

Accounting involves the systematic identification, collection, classification, recording, summarising and reporting of transactions and events which have economic significance to individuals and organisations with an interest in the reporting entity. The technical aspects of Accounting go as far as the compilation of financial statements based on the detailed accounting records which would have been prepared beforehand. Although originally the emphasis of Accounting was on the custody of assets and responsibility for liabilities, it has evolved greatly over the past several centuries to be used for planning, decision making and control purposes. Accounting is an important part of the management information system for all organisations, whether they operate in the private sector, the public sector, or the development sector (non-governmental organisations).

LEARNING OBJECTIVES

By the end of the study programme, students should be able to:

- Identify and explain the theoretical concepts used to draw up detailed accounting records and financial statements
- Identify the major uses of financial statements and explain the reasons they need these statements
- Explain the use of source documents in Accounting as the basis of most accounting records and financial statements
- Draw up accounting records and financial statements for different types of business organisations i.e. sole traders, partnerships and non-trading organisations.

DETAILED COURSE OUTLINE

1. Nature and Significance of Accounting

- Definition and objectives of accounting
- Relationship between book-keeping and accounting
- Theoretical concepts and generally accepted accounting principles

2. The Double Entry System

- The accounting equation and the balance sheet approach to accounting
- The cash book approach to accounting
- The distinction between capital and revenue expenditure

3. Books of Original Entry

- Recording repetitive transactions in the journal and other books of original entry: purchases day book, purchases returns day book, sales day book, sales returns day book
- Posting from books of original entry to the Ledger
- The cash book as a Ledger account and a book of original entry

4. The Ledger

- Ledger accounts as a summary of the transactions which occurred during a period
- Classification of Ledger accounts: the general ledger, the nominal ledger, the debtors ledger and the creditors ledger
- Balancing Ledger accounts and extracting a trial balance

5. Financial Statements

- Preparation of the financial statements of sole traders and non-trading organisations (e.g. clubs):
 - Income statement
 - Income and expenditure account
 - Balance sheet
 - Statement of affairs
 - Cash flow statement
- Financial statements without year-end adjustments
- Financial statements with year-end adjustments (depreciation, provisions for bad debts, provisions for discount)
- Treatment of closing entries in the Ledger

6. Reconciliations

- Bank reconciliation statements
- Creditors reconciliation statements

7. Control Accounts

- Writing up and reconciling debtors and creditors control accounts
- Agreements with debtors and creditors ledgers
- Set-off between debtors and creditors balances

8. Correction of Errors

- Identification of and adjustments in respect of errors which are not revealed by a trial balance
- Identification of and adjustments in respect of errors which are revealed by a trial balance
- Use of the suspense account

9. Departmental Accounts

- Presentation of departmental income statement
- Preparation of combined balance sheet
- Allocation and apportionment of expenses
- Treatment of inter-departmental transfers

10.Elementary Partnership Accounts

- Legal provisions
- Appropriation accounts
- Interest on capital and drawings
- Salaries paid to partners
- Fixed and fluctuating capital accounts, current accounts

11.Interpretation of Accounts

- Identification, calculation and interpretation of basic accounting ratios(liquidity, profitability, activity)
- Trend analysis and vertical analysis
- Significance of changes in working capital

12.Valuation of Stock

- Stock valuation (FIFO, LIFO, weighted average, lower of cost and net realisable value methods)
- Continuous and periodic stock-taking methods
- Calculating the value of stock losses for insurance claims

READING LIST

WOOD, F. & SANGSTER, A.	Business Accounting 1 (latest edition)
DENMARK TRAINING SERVICES	Financial Accounting 1 (latest edition)
JOHNSON, H. & WHITTAM, A.	A Practical Foundation in Accounting (Latest edition)
BERRY, A. & JARVIS, R.	Accounting in a Business Context (Latest edition)