



## **FINANCIAL ACCOUNTING 2 SYLLABUS**

### **INTRODUCTION**

In Financial Accounting 1, students were introduced to the basic accounting concepts and principles. In Financial Accounting 2, more specific topics are addressed so that students are competent to prepare and present the financial statements of different entities.

### **OBJECTIVES**

After completing this course, students should be able to:

- Prepare financial statements of limited liability companies for internal and external use i.e. income statement, statement of changes in equity, balance sheet and cash flow statement
- Undertake advanced aspects of partnership accounting
- Prepare consolidated financial statements involving wholly-owned subsidiaries
- Prepare financial statements involving various accounting situations e.g. joint ventures and hire purchase transactions
- Apply international financial reporting standards to relevant accounting situations

### **DETAILED SYLLABUS/COURSE OUTLINE**

#### 1. Advanced Partnership Accounting

Treatment of goodwill in partnership accounts

- admission of a new partner
- retirement/death of a partner
- revaluation of assets

Dissolution of partnerships

- insolvent partners
- piecemeal realisation of assets
- conversion of partnership into limited liability company

#### 2. Introduction to Limited Company Accounts

General aspects

- types of companies
- sources of funds for companies

- classes of shares

Financial statements for internal use and for publication

- income statement
- statement of changes in equity
- balance sheet
- cash flow statement
- notes to the financial statements

### 3. The Issue of Shares and Debentures

Accounting entries for the issue of shares and debentures

- at par
- at a discount
- at a premium

Underwriting share issues

Bonus share issues

Rights share issues

### 4. The Redemption of Shares and Debentures

Legal requirements concerning the redemption of shares and debentures

Accounting entries for the redemption of shares and debentures

Detailed consideration of the redemption of debentures

- at term end
- by instalments

### 5. Takeovers of Existing Businesses

The purchase of a business as a going concern

Profit or loss prior to incorporation

Preparation of financial statements

- sole traders
- partnerships
- limited companies

### 6. Introduction to Consolidated Financial Statements

The establishment of control

Exemption from obligation to prepare consolidated financial statements

Preparation of financial statements

- Consolidated income statement
- Consolidated statement of changes in equity
- Consolidated balance sheet
- Consolidated cash flow statement

7. Branch Accounts
  - Internal control for companies with branches
  - Alternative methods for determining branch profits
  - Independent branches
  - Foreign branch accounts
  
8. Hire Purchase (H.P.) Accounts
  - The nature of H.P. transactions
  - Recording H.P. transactions in purchaser's books
  - Recording H.P. transactions in seller's books
  
9. Consignment Accounts
  - The nature of consignment transactions
  - Recording transactions in consignor's records
  - Recording transactions in consignee's records
  - Valuation of unsold stock at year-end
  
10. Preparation and Presentation of Financial Statements
  - According to the Following International Accounting Standards
  - 1 Presentation of financial statements
  - 2 Inventories
  - 7 Cash flow statements (excluding group statements)
  - 8 Accounting policies, changes in accounting estimates and errors
  - 10 Events after the balance sheet date
  - 11 Construction contracts
  - 16 Property, plant and equipment
  - 23 Borrowing costs
  - 24 Related party disclosures
  - 27 Consolidated and separate financial statements
  - 33 Earnings per share
  - 31 Interests in joint ventures
  - 41 Agriculture

## **REFERENCES**

### **Prescribed Material**

IAC Study Pack (Financial Accounting 2)

### **Essential Reference Material**

- i) International Accounting Standards (latest edition) IASB
- ii) Companies Act (Chapter 24:03)

- iii) Companies (Financial Statements regulations 1996)

**Recommended Reference Material**

- i) Accounting Standards – Questions & Solutions by C.S. Binnekade et al
- ii) Company Financial Statements by Cilliers & Roussouw (latest edition)
- iii) Business Accounting 2 by F. Wood & A. Sangster (latest edition)
- iv) Rapid Results College publication