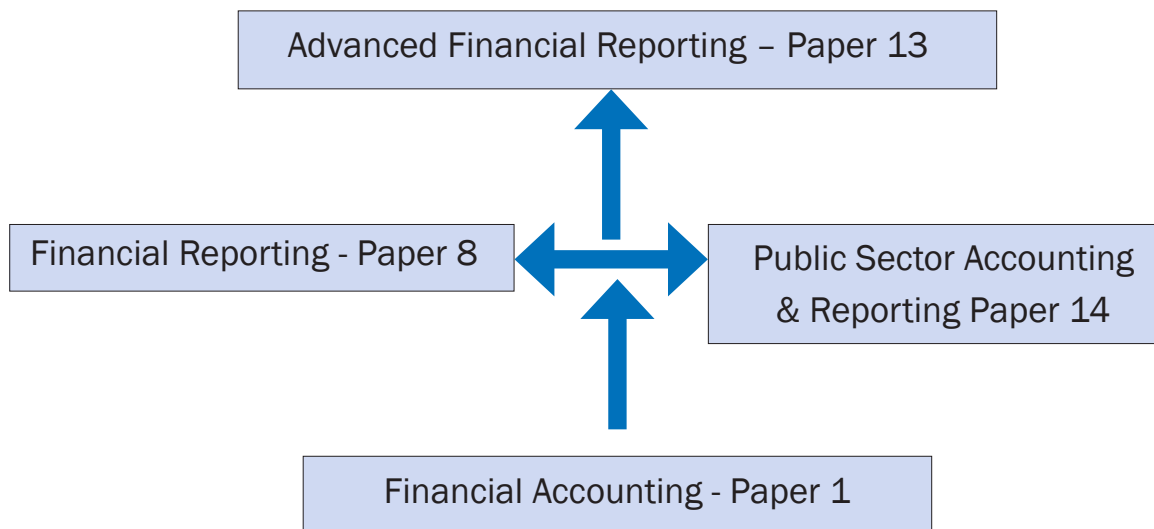


FINANCIAL ACCOUNTING PAPER 1 SYLLABUS CHART



OVERALL AIM

To enable students develop an understanding of the fundamentals of financial accounting relating to bookkeeping and preparation of financial statements.

LEARNING OUTCOMES

On completion of this course, the learner should be able to:

1. Explain the role of accounting and accountants.
2. Describe the financial reporting framework.
3. Explain the qualitative characteristics of financial information.
4. Explain the different forms of business organisations.
5. Record transactions in the books of prime entry and ledgers using double entry bookkeeping.
6. Prepare a trial balance and correct errors in accounting records.
7. Prepare financial statements for business organisations, manufacturing concerns, non-profit making organisations, and partnerships.
8. Reconcile financial transactions.
9. Prepare accounts and financial statements from incomplete records.
10. Understand and apply the general features of financial statements.



11. Apply some international financial reporting standards.
12. Define the different terms used in entrepreneurship.
13. Describe the entrepreneurship culture and structure.
14. Develop the basic skills in operations, finance, purchasing, marketing and human resource management.
15. Explain the challenges facing entrepreneurs and how to overcome them.
16. Describe the ethical responsibilities and challenges of accountants in business.

LEVEL OF ASSESSMENT

The examination will test knowledge, skill and comprehension of the principles of accounting relating to double entry bookkeeping and preparation of financial statements

EXAMINATIONS STRUCTURE

There will be a three hour examination made up sections A and B. Section A will comprise of 20 compulsory multiple-choice questions of 20 marks. Section B will comprise of five questions of 20 marks each, of which the candidate will be required to attempt any four.

DETAILED SYLLABUS

A. INTRODUCTION

1. Introduction to accounting:
 - (a) Meaning:
 - (i) Financial accounting
 - (ii) Bookkeeping
 - (iii) Cost accounting
 - (iv) Management accounting
 - (i) Financial accounting versus bookkeeping
 - (ii) Cost accounting versus management accounting
2. Forms of business entity
 - (a) Sole proprietorships:
 - (i) Meaning
 - (ii) Characteristics
 - (iii) Benefits and limitations
 - (b) Partnerships:
 - (i) Meaning
 - (ii) Characteristics
 - (iii) Benefits and limitations
 - (c) Limited liability companies:
 - (i) Meaning
 - (ii) Characteristics and forms
 - (iii) Benefits and limitations;
 - (iv) Partnership versus Limited Liability Company
 - (d) Public and private limited liability companies:
 - (i) Meaning
 - (ii) Public versus private limited liability companies
 - (iii) Advantages and disadvantages



3. The Accountant
 - (a) Meaning of:
 - (i) An accountant per the Accountants Act, 2013
 - (ii) Professional accountant per International Federation of Accountants (IFAC)
 - (b) Role of an accountant in sustainable organisational success, and provision of assurance services
 - (c) Drivers of sustainable organisational success
 - (d) Fundamental ethical principles for professional accountants

B. INTRODUCTION TO FINANCIAL REPORTING FRAMEWORK

1. Preface to International Financial Reporting Standards (IFRSs)
 - (a) Purpose of the preface to IFRSs
 - (b) Objectives of the International Accounting Standards Board
 - (c) The scope and authority of IFRSs
 - (d) Process of setting accounting standards and the timing of the application of IFRSs
2. The Conceptual Framework for Financial Reporting
 - (a) Purpose and status of the conceptual framework
 - (b) Types, objectives, benefits and limitations of general purpose financial statements
 - (c) Information needs of the users of financial statements
 - (d) Economic decisions made by users of financial statements
 - (e) Types of and application of the qualitative characteristics of useful financial information
 - (f) Cost constraint of useful financial reporting
 - (g) Elements of financial statements
 - (h) Underlying accounting assumption
3. General features of financial statements under IAS 1 Presentation of Financial Statements:
 - (a) Fair presentation and compliance with IFRSs
 - (b) Going concern
 - (c) Accruals basis of accounting
 - (d) Materiality and aggregation
 - (e) Offsetting
 - (f) Frequency of reporting
 - (g) Comparative information
 - (h) Consistency of presentation
4. The Companies Act
 - (a) Accounting and reporting requirements.
 - (a) Impact of the Companies Act on financial accounting and reporting.

C. PRINCIPLES OF DOUBLE ENTRY AND SYSTEMS OF ACCOUNTING

1. Accounting equation and double entry system:



- (a) The accounting equation and the statement of financial position:
 - (i) The accounting equation
 - (ii) Effects of business transactions on the accounting equation
 - (iii) The effect of profit or loss on capital
 - (a) Double entry bookkeeping:
 - (i) Meaning of 'transaction', 'debit' and 'credit'
 - (ii) The double entry system for assets, liabilities, capital, expenses and income
 - (iii) Double entry bookkeeping and the convention of duality and the accounting equation
 - (iv) Capital versus revenue expenditure
2. Preparation of books of account:
- (a) Accounting process/ cycle:
 - (i) The accounting cycle
 - (ii) Books of prime entry
 - (b) Source documents:
 - (i) Purpose of source documents: sales order, purchases order, invoice, credit note, delivery note, pay slip, goods received note, receipt
 - (ii) Information shown on the face of each type of source document
 - (c) Journals:
 - (i) General journal and subsidiary journals (sales day book, purchases day book, purchases and sales returns day books)
 - (ii) Uses of the different types of journals
 - (iii) Preparation of the different types of journals and posting of transactions to the ledgers
 - (d) (Cash book:
 - (i) Purpose of the two and three column cash books
 - (ii) Purpose of cash discounts – their recording and eventual transfer
 - (iii) Preparation of the two and three column cash book, and the concept of contra entries and balancing of the cash book
 - (iv) Petty cash book and imprest systems
 - (v) Preparation of the petty cash book and posting to the ledger accounts
 - (e) Ledgers:
 - (i) Types
 - (ii) Purpose
 - (iii) Format of a ledger and steps in ledger posting
 - (iv) Recording transactions from journals to ledger accounts
 - (v) Balancing and closing ledger accounts
 - (vi) Meaning of the balance of each type of account
 - (f) Trial balance:
 - (i) Meaning
 - (ii) Purpose
 - (iii) Preparation of a trial balance
 - (g) Preparation of bank reconciliation statement:
 - (i) Nature and purpose of a bank reconciliation statement
 - (ii) Bank statement balance versus the cash book balance



- (iii) Meaning of: cheque crossing, cheque endorsement, cheque clearing and pay-in slips
- (iv) Types of bank accounts
- (v) Preparation of an adjusted cash book and bank reconciliation statement
- (vi) Effect of bank overdraft on the reconciliation process

D. ADJUSTMENTS TO FINANCIAL STATEMENTS

1. Accruals and prepayments:

- (a) Meaning
- (b) Need for adjustments for accruals and prepayments
- (c) Preparation of journal entries and ledger entries for the adjustment of accruals and prepayments
- (d) The accruals concept
- (e) Accounting treatment in financial statements

2. Property, Plant and Equipment (IAS 16):

- (a) Depreciation:
 - (i) Meaning
 - (ii) Purpose
 - (iii) Causes and
 - (iv) Process of depreciation
- (b) Application of IAS 16:
 - (i) Meaning of: property, plant and equipment, depreciation, depreciable amount, cost, carrying amount, entity-specific value, fair value, recoverable amount, residual value, useful life
 - (ii) Recognition criteria for costs; initial and subsequent costs
 - (iii) Measurement at recognition: elements of cost, measurement of cost
 - (iv) Measurement after initial recognition: cost model vs. revaluation model, depreciation, depreciable amount and depreciation period, depreciation method
 - (v) De-recognition; on disposal or when no economic benefits are expected from use or disposal, treatment of gains or losses on de-recognition
- (c) Methods of computing depreciation: straight line, reducing balance and revaluation
- (d) Roles of consistency and subjectivity in accounting for depreciation
- (e) Preparation of accounts and journal entries for:
 - (i) Non-current assets
 - (ii) Depreciation
 - (iii) Disposal
 - (iv) Recording transactions in non-current assets
- (f) Accounting for depreciation in the financial statements
- (g) Accounting for revaluation of non-current assets
- (h) Accounting treatment of trade-in value and insurance claims of non-current assets



3. Bad debts and provisions for doubtful debts
 - (a) Bad debts versus doubtful debts
 - (b) Reasons for providing for bad debts
 - (c) Specific provision versus general provision; computation of specific and general provisions of bad debts
 - (d) Accounting treatment of provisions for bad debts; increase in bad debts; decrease in bad debts; bad debts recovered in the ledger accounts and the financial statements
4. Trade and settlement (cash) discounts:
 - (a) Meaning
 - (b) Recording cash discounts in ledger accounts
 - (c) Treatment of provisions for discounts allowed and received in the ledger accounts and the financial statements

E. INVENTORIES (IAS 2)

1. Inventories:
 - (a) Definition of key terms
 - (b) Accounting treatment for inventory and carriage costs:
 - (i) Measurement of inventories: cost of inventories (purchase, conversion and other costs), cost of inventories of a service provider
 - (ii) Cost formulas: types and computation of inventory values; net realisable value
 - (iii) Application of the prudence convention to valuation of inventories
 - (iv) Merits and demerits of continuous and period end records
 - (c) Methods of inventory valuation and their impact on profits and assets
 - (d) Factors that affect the choice of method adopted
 - (e) Disclosures in respect of inventories in the financial statements
2. Preparation of stores ledger account using the cost formulas permitted by IAS 2

F. PREPARATION OF FINANCIAL STATEMENTS FOR SOLE TRADERS, PARTNERSHIPS AND LIMITED COMPANIES (FOR INTERNAL USE)

1. Preparation of financial statements for trading entities and service entities
 - (a) Sole trader/ practitioner:
Preparation of:
 - (i) A statement of profit or loss and other comprehensive income
 - (ii) A statement of financial position
 - (b) Partnerships:
 - (i) Purpose of a partnership deed and its contents.
 - (ii) Types of partners and their obligations to the partnership
 - (iii) Accounting rules from the Partnership Act and the partnership agreement/ deed
 - (iv) Partnership accounts; types and format
 - (v) Preparation of partnership capital accounts (fixed and fluctuating), current



- accounts
- (vi) Appropriation of profits/losses; conventional methods of dividing profits/ losses and maintaining equity between partners
 - (vii) Treatment of partners' share of profits, losses, interest on capital, drawings and interest on drawings in the ledger accounts; preparation of the appropriation account for the partnership
 - (viii) Preparation of a statement of profit or loss and other comprehensive income and statement of financial position
 - (ix) Changes in partnership and accounting for goodwill: on admission of partners, retirement of partners, dissolution of partnership; accounting treatment and effect on the partnerships' financial statements
 - (x) Recording dissolution entries of a partnership in ledger accounts (including the rule in Garner Vs Murray)
 - (xi) Preparation of a statement of financial position for a partnership after the revaluation of assets
- (c) Limited company:
- (i) Composition of the share capital and non-current liabilities of a limited company
 - (ii) Authorised and issued (fully paid) capital; nominal and market value of shares; and 'bonus issue' and 'rights issue' of shares
 - (iii) Advantages and disadvantages of increasing share capital by a bonus issue and rights issue of shares
 - (iv) Recording the shares issued and held in the relevant ledger accounts
 - (v) Appropriation of company profits and losses
 - (vi) Nature and purpose of dividends
 - (vii) Account for: dividends; loan interest; reserves; retained earnings, share premium, corporation tax
 - (viii) Capital versus revenue reserves; uses
 - (ix) Preparation of financial statements of limited liability company: statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity
2. Preparation of financial statements for manufacturing concerns:
- (a) Manufacturing account:
 - (i) Identification of manufacturing costs (direct and indirect)
 - (ii) Classification of costs; direct production costs and factory overheads, fixed and variable costs, prime costs and total factory costs
 - (iii) Categories of inventory
 - (iv) Purpose of preparing a manufacturing account; preparation of a manufacturing account
 - (v) Account for factory costs with and without manufacturing profit
 - (b) Statement of profit or loss and other comprehensive income (SPLC), and statement of financial position
 - (i) Link between the manufacturing account and SPLC
 - (ii) Classification and apportioning expenses
 - (iii) Determination of unrealized profits
 - (iv) Manufacturing profit versus trading profit; inventory of manufacturing



- concerns versus trading entities
- (v) Preparation of a statement of profit or loss and other comprehensive income, and a statement of financial position

G. CORRECTION OF ERRORS AND THE SUSPENSE ACCOUNT

1. Definition of errors
2. Types of errors:
 - (i) Revealed by a trial balance
 - (ii) Not revealed by the trial balance
3. Suspense account; uses and preparation
4. Correction of errors
5. Preparation of a corrected:
 - (i) Trial balance
 - (ii) Statement of corrected net profit or loss
 - (iii) Statement of corrected financial position

H. PREPARATION OF FINANCIAL STATEMENTS FROM INCOMPLETE RECORDS

1. Incomplete records:
 - (a) Meaning
 - (b) Reasons for existence of incomplete records and their disadvantages
 - (c) Preparation of a statement of affairs; uses
 - (d) Deriving missing figures
2. Control accounts:
 - (a) Meaning and purpose
 - (b) Contra entries in control accounts and the source of information for control accounts
 - (c) Preparation of:
 - (i) Sales ledger control account
 - (ii) Purchases ledger control account
3. Deriving of figures for profit where only the increase in capital and details of drawings are known
4. Definition, computation and application of mark-up and margin
5. Preparation of financial statements from incomplete records

I. PREPARATION OF FINANCIAL STATEMENTS FOR NON-PROFIT MAKING ORGANISATIONS

1. Meaning of non-profit making organisation



2. Objectives/ purpose of non-profit making organisations.
3. Non-profit making organisations versus profit making organisations
4. Subscriptions account:
 - (a) Types
 - (b) Accounting treatment in accordance with IAS 18: Revenue
 - (c) Preparation of a subscriptions account
5. Receipts and payments account:
 - (a) Meaning and purpose
 - (b) Preparation
 - (c) Shortcomings of receipts and payments reports
6. Statement of profit or loss:
 - (a) Nature and purpose of statement of profit or loss of a non-trading organisation
 - (b) Sources of income.
 - (c) Receipts and payments account versus statement of profit or loss of a non-trading organisation
7. Determination and incorporation of profits or losses from special activities in the financial statements
8. Treatment for donations, grants, life membership fees and entrance fees
9. Accumulated fund:
 - (a) Definition of accumulated fund
 - (b) Determination of an accumulated fund
 - (c) Effect of surplus or deficit on accumulated fund
10. Preparation of:
 - (a) Statement of profit or loss and other comprehensive income and
 - (b) Statement of financial position of a non-trading organisation.
11. Financial statements of a trading entity versus those of a non-trading organisation.

J. ETHICS

Ethical responsibilities and challenges of financial accountants

K. ENTREPRENEURSHIP

NATURE AND SCOPE OF ENTREPRENEURSHIP

1. Meaning of entrepreneurship and entrepreneur
2. Evolution of entrepreneurship in Uganda and in international context



3. Factors that determine the emerging of entrepreneurs
4. Entrepreneurial types
5. Characteristics of entrepreneurs
6. Challenges to entrepreneurs; solutions to those challenges
7. Entrepreneurial decision process
8. Risks taking
 - (a) Types of risks in business
 - (b) Risk identification
 - (c) Risk assessment
 - (d) Reward to entrepreneurship
9. Role of entrepreneurship in economic development of Uganda

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