

LEVEL 1

BUSINESS ACCOUNTING 1

PAPER

1

OVERALL AIM

To equip learners with knowledge and skills to prepare and interpret financial statements

LEARNING OUTCOMES

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

	Learning outcome	K	C	A	An	S	E
1.	Explain the role of business accounting		✓				
2.	Describe the regulatory and financial reporting frameworks	✓					
3.	Discuss the ethical responsibilities and challenges of accountants in business		✓				
4.	Explain the qualitative characteristics of financial information		✓				
5.	Record transactions in the books of prime entry and ledgers using double entry bookkeeping			✓			
6.	Prepare a trial balance from accounting records			✓			
7.	Correct errors in accounting records			✓			
8.	Prepare financial statements for business entities and non-profit making organisations			✓			
9.	Reconcile financial transactions			✓			
10.	Prepare financial information from incomplete records			✓			
11.	Discuss the general features of financial statements		✓				
12.	Prepare specialised accounts			✓			

LEVEL OF ASSESSMENT

The examination will test the learner's knowledge, application, analytical and comprehension skills of preparation and interpretation of financial information.

EXAMINATION STRUCTURE

There will be a three hour examination comprising of five questions of 25 marks each, of which the candidate will be required to attempt any four questions.

DETAILED SYLLABUS

A INTRODUCTION

1. Bookkeeping and financial accounting
 - (a) Meaning
 - (b) Nature, scope and limitations of financial accounting
 - (c) Branches of accounting; financial accounting; cost and management accounting
 - (d) Basic concepts and conventions
 - (e) Accounting Standards
 - (f) Procedure for issue of Accounting Standards in Uganda
 - (g) Generally Accepted Accounting Principles (GAAP)
2. The Accountant:
 - (a) Meaning of:
 - (i) An accountant as per the Accountants Act, 2013
 - (ii) Professional accountant as per the International Federation of Accountants (IFAC)
 - (b) Accountants as drivers of sustainable organisational success
 - (c) Role of an accountant in sustainable organisational success and provision of assurance services

- (d) Accountants and ethics:
 - (i) Fundamental ethical principles for professional accountants
 - (ii) Ethical responsibilities
 - (iii) Ethical dilemmas

B INTRODUCTION TO THE 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 the set standard(s)
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 users of financial information
 - (d) Economic decisions made by users of financial information
 - (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 assumptions
3. Understanding Uganda's financial reporting regulatory framework
 - (a) The Companies Act 2012; accounting and reporting requirements
 - (b) The Accountants Act, 2013

4. General features of financial statements under International Accounting Standard (IAS) 1, Presentation of Financial Statements:
 - (a) Fair presentation and compliance with IFRSs
 - (b) Going concern
 - (c) Accrual basis of accounting
 - (d) Materiality and aggregation
 - (e) Offsetting
 - (f) Frequency of reporting
 - (g) Comparative information
 - (h) Consistency of presentation

C FORMS OF BUSINESS ENTITIES

1. Sole proprietorships:
 - (a) Meaning
 - (b) Characteristics
 - (c) Advantages and disadvantages
2. Partnerships:
 - (a) Meaning
 - (b) Types and characteristics
 - (c) Advantages and disadvantages
 - (d) Types of partners and their obligations to the partnership
 - (e) Legal framework (Partnership Act and the partnership agreement/ deed)
3. Limited liability companies:
 - (a) Meaning
 - (b) Characteristics and forms
 - (c) Benefits and limitations
 - (d) Advantages and disadvantages of a limited liability company
 - (e) Public versus private limited liability companies

- (f) Capital of a limited liability company
- 4. Choice of business entity

D PRINCIPLES OF DOUBLE ENTRY AND SYSTEMS OF ACCOUNTING

1. Accounting equation and double entry system:
 - (a) The double entry framework
 - (b) The accounting equation and the statement of financial position
 - (c) Double entry system for assets, liabilities and capital
 - (d) Effect of profit or loss on capital and the double entry system for expenses and revenue
 - (e) Double entry and bookkeeping
2. Preparation of books of account:
 - (a) Books of prime entry:
 - (i) Subsidiary journals
 - (ii) General journal
 - (iii) Journal entries
 - (b) Ledgers:
 - (i) The purpose of the various ledgers
 - (ii) Format of a ledger
 - (iii) Recording transactions from journals to ledger accounts
 - (iv) Balancing and closing the ledger accounts
 - (c) The cashbook
 - (i) The double and three-column cashbook; purpose of two-column and three-column cashbooks
 - (ii) The concept of contra entries
 - (iii) Bank reconciliation statements: Nature and purpose; preparation

3. Trial balance:
 - (a) Purpose
 - (b) Preparation
 - (c) Errors that can and cannot be revealed by a trial balance
 - (d) Suspense accounts and correction of errors

E PREPARATION OF FINANCIAL INFORMATION FROM INCOMPLETE RECORDS

1. Incomplete records:
 - (a) Meaning
 - (b) Reasons for existence of incomplete records and their disadvantages
 - (c) Purpose and preparation of a statement of affairs
 - (d) Derivation of 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. Derivation of figures for profit/ loss where only the increase/ decrease in capital and details of drawings are known
4. Definition, computation and application of mark-up and margin
5. Preparation of financial statements

F FINANCIAL STATEMENTS FOR SOLE TRADERS, PARTNERSHIPS, MANUFACTURING AND LIMITED LIABILITY COMPANIES

1. Adjustments to financial statements:
 - (a) Accruals and prepayments:
 - (i) Meaning
 - (ii) Calculation
 - (iii) The matching concept
 - (iv) Treatment in the financial statements
 - (b) Depreciation:
 - (i) Purpose and causes
 - (ii) Relationship between depreciation and asset replacement
 - (iii) Depreciable amount; factors to consider in determining depreciable amount
 - (iv) Computation of depreciation using the straight line, reducing balance, sum of digits and revaluation methods
 - (v) Double entry to record depreciation
 - (vi) Treatment of depreciation in the financial statements
 - (vii) Accounting for:
 - Change in the economic useful life of an asset
 - Revaluation of an asset
 - Acquisition of an asset
 - (viii) Disposal and trade-ins of non-current assets
 - (c) Bad debts and provisions for doubtful debts:
 - (i) Reasons for providing for bad debts
 - (ii) Specific and general provisions
 - (iii) Accounting for bad debts and provisions for bad debts
 - (d) Discounts:
 - (i) Trade and settlement (cash) discounts

- (ii) Provisions for discounts allowed and received
- 2. Financial statements for manufacturing concerns:
 - (a) Meaning of key terms
 - (b) Classification of manufacturing costs
 - (c) Purpose, format and preparation of a manufacturing account
 - (d) Classification of operating expenses; bases of apportioning operating expenses
 - (e) Unrealised profits in closing stocks
 - (f) Manufacturing and trading profits compared
 - (g) Format of income statement
- 3. Preparation of financial statements for trading concerns:
 - (a) Sole proprietorships
 - (b) Partnerships:
 - (i) Partnership accounts; methods of preparing partnership accounts; separate capital and current accounts
 - (ii) Appropriation of profits/ losses; treatment of partners' share of profits/ losses, interest on capital, drawings and interest on drawings
 - (iii) Redrafting of balance sheet after revaluation and/ or merger
 - (iv) Dissolution (The case of Garner V Murray)
 - (v) Conversion of partnership into limited company
 - (c) Limited liability companies: Income statement, balance sheet, statement of changes in equity and statement of cash flows

G FINANCIAL STATEMENTS FOR NON-PROFIT MAKING ORGANISATIONS

- 1. Meaning
- 2. Objectives and purpose(s)
- 3. Non-profit making organisations versus profit making organisations

4. Subscriptions:
 - (a) Types
 - (b) Preparation of subscriptions account
5. Receipts and payments account:
 - (a) Meaning and purpose
 - (b) Preparation
 - (c) Shortcomings
6. Income and expenditure statement:
 - (a) Nature and purpose
 - (b) Sources of income
 - (c) Preparation
 - (d) Receipts and payments account versus income and expenditure statement
7. Profits or losses from other activities
8. Donations, grants, life membership fees and entrance fees
9. Accumulated fund; effect of surplus or deficit on accumulated fund
10. Balance sheet
11. Financial statements of non-trading versus trading organisations

H PREPARATION OF SPECIALISED ACCOUNTS

1. Consignments
2. Joint ventures
3. Hire purchase arrangements
4. Branch accounts
5. Royalties accounts
6. Containers

REFERENCES

1. ICPAU, Financial Accounting, Kampala
2. Alan Sangster (2019), Frank Wood's Business Accounting, Pearson Education Limited, Harlow, 14th Edition
3. Frank Wood & Sheila Robinson (2018), Book-keeping and Accounts, Pearson, 9th Edition
4. Alan Sangster & Lewis Gordon (2022), Frank Wood's Business Accounting, Pearson Education Limited, Harlow, 15th Edition
5. Government of Uganda (2012), The Companies Act, Uganda Printing & Publishing Company