



# LEVEL 3

## FINANCIAL ACCOUNTING – PAPER 10

### **OVERALL AIM**

To enable learners prepare and interpret financial statements

### **LEARNING OUTCOMES**

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

1. Prepare partnership accounts
2. Identify and explain accounting concepts and conventions
3. Prepare financial statements of manufacturing concerns
4. Prepare specialised accounts
5. Explain the features of public sector entities
6. Explain the regulatory framework of financial reporting in Uganda
7. Prepare financial statements of different form of business entities and the public sector
8. Interpret financial statements

### **LEVEL OF ASSESSMENT**

The examination will test the learner's knowledge and application of accounting principles and concepts

### **EXAMINATION STRUCTURE**

There will be a three hour examination consisting of six questions of 20 marks each of which the candidate will be required to attempt any five.

## **DETAILED SYLLABUS**

### **A. ACCOUNTING CONCEPTS AND CONVENTIONS**

1. Meaning of accounting concepts and conventions
2. Application of the concepts:
  - (a) Going concern
  - (b) Accruals/ matching
  - (b) Prudence

- (c) Consistency
- (d) Substance over form
- (e) Historical cost
- (f) Stable monetary unit
- (g) Money measurement
- (h) Materiality
- (i) Realisation
- (j) Objectivity
- (k) Business entity
- (l) Duality

## **B. THE FRAMEWORK OF FINANCIAL REPORTING IN UGANDA**

1. Users of financial statements and their information needs
2. Objectives and qualitative characteristics of financial statements
3. Elements of financial statements
4. Need for the regulation of financial reporting
5. Forms of regulation:
  - (a) Legal Framework:
    - (i) The Companies Act, 2012
    - (ii) The Public Finance Management Act, 2015
    - (iii) International Financial Reporting Standards
  - (b) Capital Markets Authority and Securities Exchange and their roles in setting financial reporting requirements

## **C. PARTNERSHIP ACCOUNTS**

1. Accounting for changes in partnerships
  - (a) On retirement
  - (b) On admission of new partners
  - (c) On change in profit or loss sharing arrangements including adjustments to assets and goodwill
2. Accounting procedures for dissolution of partnerships; the rule in Garner versus Murray

## **D. ACCOUNTING FOR MANUFACTURING CONCERNS**

1. Retailing versus manufacturing businesses
2. Preparation of a manufacturing accounts and adjustments for work-in-progress
3. Apportionment of expenses
  - (a) Production

- (b) Selling and distribution
  - (c) Administration
4. Preparation of financial statements

## **E. ACCOUNTING FOR LIMITED COMPANIES**

1. Issue of shares and debentures
2. Preparation of financial statements for internal use

## **F. INTRODUCTION TO FINANCIAL REPORTING STANDARDS**

1. The standards setting process
2. Merits and demerits of accounting standards
3. Application of standards on:
  - (a) Presentation of Financial Statements (IAS 1)
    - (i) The objective of the standard
    - (ii) The financial statements
    - (iii) Scope of the standard
    - (iv) Key concepts of the standard: fair presentation, current assets, current liabilities, long-term interest bearing liabilities
    - (v) Accounting treatment: information to be presented on the face of each financial statement.
    - (vi) Presentation and disclosure; minimum information on the face of each of the components of financial statements.
    - (vii) Statement of profit or loss and other comprehensive income: meaning of comprehensive income, reporting comprehensive income, results of operating activities, other comprehensive income
    - (viii) Statement of financial position: disclosure of property plant and equipment, disclosures on the face of the statement of financial position, current assets and current liabilities non-current assets and liabilities, equity
    - (ix) Statement of cash flows
    - (x) Statement of changes in equity: components, disclosure of changes in accounting policies, disclosure of dividends, disclosure of issue of share capital, disclosure of transfers to and from reserves
    - (xi) Accounting policies and notes to financial statements: disclosure of the measurement basis (or bases) used in preparing financial statements, disclosure of other accounting

policies used that are relevant to the understanding of the financial statements, disclosure of sources of estimation uncertainty

(b) Statement of Cash Flows (IAS 7)

- (i) Meaning of cash, cash equivalents and cash flows
- (ii) Disclosures under operating activities, investing activities and financing activities
- (iii) Preparation of statement of cash flows; the direct and indirect methods of ascertaining cash flows from operating activities

(c) Inventories (IAS 2)

- (i) Objective of the standard
- (ii) Scope of the standard
- (iii) Exceptions to the standard
- (iv) Key Concepts of the standard: measurement cost of inventories, net realisable value
- (v) Accounting treatment: composition of cost of inventory; exclusions from the cost of inventory; cost formulas (weighted average and first in first out); techniques for measuring cost of inventory (standard cost and retail method)
- (vi) Presentation and disclosure: accounting policies, total carrying amounts for every class of inventory, write-offs, recognised as expenses and circumstances or events leading write-off

(d) Property, Plant and Equipment (IAS 16)

- (i) Objective of the standard
- (ii) Scope of the standard
- (iii) Exceptions to the standard
- (iv) Key concepts of the standard
- (v) Cost (initial and subsequent)
- (vi) Elements of cost
- (vii) Measurement of cost
- (viii) Measurement after recognition (cost model and revaluation model)
- (ix) Explanation of fair value; carrying amounts; depreciation; impairment loss; property, plant and equipment; recoverable amounts; useful life

- (x) Accounting treatment: recognition of an asset, disposal of assets, capitalisation, write-offs and expenses, revaluation surplus/ deficit, reversals of revaluation surplus
  - (xi) Presentation and disclosure: measurement bases, depreciation methods and depreciation rates, reconciliation of the assets at the beginning and end of period showing additions, disposals, revaluations, impairments and write-offs; assets pledged as securities for liabilities; date of revaluations and the names of the valuers
- (e) Revenue (IAS 18)
- (i) Objective of the Standard
  - (ii) Scope of the standard
  - (iii) Exceptions to the standard
  - (iv) Key concepts of the standard
  - (v) Measurement
  - (vi) Revenue recognition from sale of goods and rendering of services
  - (vii) Exception to recognition of revenue
  - (viii) Fair value and effective yield

## REFERENCES

1. Wood Frank & Alan Sangster (2011), Business Accounting, Prentice Hall, Great Britain. 12<sup>th</sup> Edition.
2. Frank Wood & Sheila Robinson (2009), Book Keeping and Accounts, Financial Times Management, Prentice Hall Great Britain. 7<sup>th</sup> Edition.
3. Frank Wood (2008), Business Accounting 1, Financial Times Prentice Hall, Great Britain 11<sup>th</sup> Edition.