

# UNIVERSITY OF KARACHI

## FINANCIAL ACCOUNTING

BBA – II (Hons.)

**Course Title: FINANCIAL ACCOUNTING**

**Course Number : BA (H) – 332**

**Credit Hours : 03**

### Objective

The objective of this course is to provide the students with a knowledge of accounting to enable them to; prepare financial statement for different types of business such as Nonprofit organizations and sole proprietorship, prepare financial statements of companies, compute and interpret working capital ratios and analyze various items of current assets and liabilities to highlight the current financial position of the companies and this course explain potential matters that should be considered while making a regulatory framework for published accounts.

### Course Contents

#### 1. **Introduction of Financial Accounting and Principles:**

- 1.1 The Impact of International Accounting Standards as Applicable in Pakistan for the Preparation of Financial Statements and Their Disclosure Requirement.
- 1.2 Forms of Business Enterprises such as Non-profit Organization, Sole Proprietorship, Partnerships and Corporation.

#### 2. **Financial Statements – The Outputs of the System**

- 2.1 Objectives of Financial Reporting
- 2.2 Qualitative Characteristics of Financial Information
- 2.3 The Uses and Limitations of Classified Balance Sheets
- 2.4 The Uses and Limitations of Classified Income Statements
- 2.5 The Retained Earnings Statement or Statements of Changes in Stockholders Equity

#### 3. **Inventory Accounting:**

- 3.1 Nature and Classes of Inventories
- 3.2 Periodic and Perpetual Inventory Valuation as per International Accounting Standard (IAS-2)
- 3.3 LIFO, FIFO Methods, Weighted Average Method, Moving Average
- 3.4 Inventory Valuation at Cost or NRV Whichever is Lower

#### **4. Cash Flow Statement**

- 4.1 Preparation of Cash Flow Statements According to the Requirement of IAS 7
- 4.2 Classification of Cash Flow Statements as Operating Activities
- 4.3 Investing Activities and Financial Activities by Using Direct and Indirect Methods

#### **5. Interpreting Financial Statement Data**

- 5.1 Users of Financial Statements and The Purposes of Financial Statement Analysis
- 5.2 The Techniques and Tools of Financial Analysis
- 5.3 Common Financial Ratios, Common Size Balance Sheet and Income Statement
- 5.4 Limitations of Financial Statement Analysis

#### **6. Accounting For Receivables**

- 6.1 Accounting for Receivables Under Income Statement and Balance Sheet Approach
- 6.2 Notes Receivable and Their Matters

#### **7. Current Liabilities and Accounting for Long Term Liabilities**

- 7.1 Definition and Recognition of Liabilities
- 7.2 Types of Current Liabilities
- 7.3 Types of Long Term Liabilities
- 7.4 Bonds
- 7.5 Accounting for Bonds by Borrowers
- 7.6 Accounting for Bonds by the Investor
- 7.7 Other Forms of Long Term Debt
- 7.8 Time Value of Money Concept

#### **8. Corporate Organization and Capital Stock Transactions.**

- 8.1 Characteristics of A Corporation
- 8.2 The Formation and Organization of a Corporation
- 8.3 Types of Capital Stock
- 8.4 The Components of Stockholders' Equity
- 8.5 Accounting for the Issuance of Stock
- 8.6 Use of Stock Information

## 9. **Stockholders Equity Retained Earnings and Dividends**

- 9.1 Corporate Income Statements
- 9.2 Earnings Per Share
- 9.3 Dividends
- 9.4 Stock Splits Prior Period Adjustments, Appropriations, and Treasury Stock
- 9.5 Retirement of Capital Stock
- 9.6 Statement of Stockholder's Equity

### **Recommended Books**

1. Horngren, Harrison, Robinson, Financial Accounting, Prentice Hall, 3rd Edition, 1995.
2. Weygandt, Kieso, Kimmel, Financial Accounting, John Wiley and Sons, Inc., 2nd Edition, 1998.
3. Meigs Robert F., Williams Jan R., Haka Susan F., Bettner Mark S., Accounting, McGraw Hill, 10th Edition, 1999.