

**MAKERERE UNIVERSITY BUSINESS SCHOOL  
FACULTY OF COMMERCE DEPARTMENT OF ACCOUNTING COURSE  
OUTLINE.**

**COURSE NAME: PRINCIPLES OF ACCOUNTING**

**YEAR OF STUDY: ONE**

**SEMESTER: ONE**

**ACADEMIC YEAR: 2024/2025**

<b>PROGRAM</b>	<b>BBC</b>	<b>BOIM</b>	<b>BAE</b>	<b>BLG</b>	<b>BTLM</b>	<b>BIB</b>	<b>BSM</b>
<b>COURSE</b>	ACC	ACC	ECB	ACC	ACC	ACC	ACC
<b>CODE</b>	1103	1103	1103	1103	1103	1103	1103

**COURSE OBJECTIVE**

To enable students develop an understanding of the fundamental principles of accounting relating to double entry and preparation of basic financial statements.

**LEARNING OUTCOMES**

On completing this course, the learner should be able to:

- Define the role of accounting, types of; accounting and business entities
- Define users of accounting information and their needs.
- Explain the elements of financial statement.
- Define, understand and apply the accounting concepts; their meaning, relevance and limitations.
- Explain the qualitative characteristics of financial statements.
- Record transactions in the books of prime entry and ledgers using double entry bookkeeping.
- Prepare a cashbook and bank reconciliations.
- Construct a trial balance.
- Prepare basic financial statements for sole traders, service entity, manufacturing firms and non-profit making organizations.

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## DETAILED COURSE CONTENT

Topic	Sub topic	Duration	Learning outcomes- students should be able to;
<b>ONE: Introduction to Accounting</b>	a) Definition and role of accounting b) Types of accounting c) Types of business entity d) Users of financial statements and their needs e) Accounting concepts, bases, standards, policies & GAAP. f) Accounting Concepts. i. Their meaning, relevancy and limitations using examples. ii. Explain and illustrate the application of the following concepts/assumptions:- <ul style="list-style-type: none"> <li>• Going concern.</li> <li>• Accruals/ matching.</li> <li>• Prudence.</li> <li>• Consistency.</li> <li>• Substance over form.</li> <li>• Historical cost,</li> <li>• Monetary measurement.</li> <li>• Materiality.</li> <li>• Periodicity</li> <li>• Realization</li> <li>• Business entity</li> <li>• Duality.</li> </ul> g) The qualitative characteristics of financial statements; <ul style="list-style-type: none"> <li>• Fundamental and</li> </ul>	<b>8Hrs (12th Aug- 25<sup>th</sup> Aug)</b>	<ul style="list-style-type: none"> <li>✓ Explain the role of accounting</li> <li>✓ Explain the different forms of business organizations.</li> <li>✓ Explain the qualitative characteristics of financial information</li> <li>✓ Identify the different users of financial statements and their needs</li> <li>✓ Distinguish between concepts, bases, standards, policies &amp; GAAP.</li> </ul>

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	<ul style="list-style-type: none"> <li>• Enhancing characteristics</li> </ul> <p>h) Accountants role and their Code of ethics.</p> <p>i) Definition of International Financial Reporting Standards and their purpose in brief</p>		
<b>TWO: The Accounting equation and the double entry accounting system.</b>	<p>a) The main types of business transactions (purchases, sales, payments, receipts, returns, discounts, drawings).</p> <p>b) Recording of Transactions within the Double Entry system;</p> <ul style="list-style-type: none"> <li>• The accounting equation and the statement of financial position.</li> <li>• The double entry system for assets, liabilities and capital.</li> <li>• The effect of profit or loss on capital and the double entry system for expenses and revenue</li> </ul>	<b>10Hrs (26<sup>th</sup> Aug-15<sup>th</sup> Sept)</b>	<ul style="list-style-type: none"> <li>✓ Identify and record business transactions using double entry</li> <li>✓ Explain the double entry system for assets, liabilities, capital, expenses and revenue</li> </ul>
<b>THREE: Books of Accounts</b>	<p>a) Accounting cycle.</p> <p>b) Source Documents.</p> <p>i. Identify and explain the purpose of source documents</p> <p>ii. Discuss the information shown on the face of each type of source document.</p>	<b>10Hrs(15<sup>th</sup> Sept- 29<sup>th</sup> Sept)</b>	<ul style="list-style-type: none"> <li>✓ Explain the accounting process/cycle</li> <li>✓ Explain the different source documents</li> </ul>

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	<p>c) Journals.</p> <p>i. Discuss the general journal and subsidiary journals.</p> <p>ii. Outline the format of the different types of journals including the narrative explanation.</p> <p>iii. Prepare and understand the books of prime entry: - sales day book, purchases day book, purchases and sales returns day books, cash book (one, two three column), and petty cash book (in brief).</p> <p>iv). Bank reconciliation</p> <ul style="list-style-type: none"> <li>• Definition and the purpose of bank reconciliation</li> <li>• Factors that bring the discrepancy between the cash book and the bank statement</li> <li>• Bank reconciliation procedures and how to deal with errors detected.</li> <li>• Preparation of a bank reconciliation statement</li> </ul> <p>d) Ledgers.</p> <p>i. Identify and explain the types of ledgers (general and subsidiary).</p> <p>ii. Discuss the purpose of the different ledgers.</p> <p>iii. Posting transactions from journals to ledger accounts.</p> <p>iv. Balancing and closing the ledger accounts.</p>		<ul style="list-style-type: none"> <li>✓ Prepare journal and Post to the ledgers</li> <li>✓ Explain the different types of ledgers</li> <li>✓ Extract a trial balance</li> <li>✓ Identify errors not revealed by the trial balance</li> <li>✓ Prepare a two and three column cash book</li> <li>✓ Prepare bank reconciliation statement</li> </ul>
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	<p>v. Explain the meaning of the balance of each type of account.</p> <p>e) Trial Balance Extraction.</p> <p>i. Define and discuss the purpose of a trial balance.</p> <p>ii. Extract ledger balances into a trial balance.</p> <p>iii. Explain errors that can be revealed by a trial balance.</p> <p>iv. Explain the errors that cannot be revealed by a trial balance</p>		
<b>FIRST COURSEWORK TEST</b>			
<b>FOUR: Adjustments to the Financial Statements</b>	<p>a) Accruals and Prepayments.</p> <p>i. Define accruals and prepayments of incomes and expenses</p> <p>ii. The need for these adjustments.</p> <p>iii. Illustrate the treatment of accruals and prepayments in the income statement and balance sheet.</p> <p>b) Bad Debts and Provisions for Doubtful Debts.</p> <p>i. Discuss the distinction between a definite bad debt and a doubtful debt.</p> <p>ii. Reasons for providing for bad debts.</p> <p>iii. Illustrate the accounting treatment of provisions for bad debts.</p> <p>c) Depreciation</p>	<b>8Hrs(30<sup>th</sup> Sept -13<sup>th</sup> Oct)</b>	<ul style="list-style-type: none"> <li>✓ Explain the different adjustments to the financial statements.</li> <li>✓ Calculate depreciation of the non-current assets</li> <li>✓ Account for disposal of fixed assets</li> </ul>

	<p>i. Definition of a non-current asset.</p> <p>ii. Discuss the purpose, causes of depreciation</p> <p>iii. Identify and explain the common methods of computing depreciation (straight line, &amp; reducing balance only)</p> <p>iv. Double entry to record depreciation and the treatment of depreciation in the financial statements.</p>		
<b>FIVE: Preparation of financial statements</b>	<p>a) Explain the complete set of financial statements</p> <p>b) Format for the statement of profit or loss (income statement) and statement of financial position.</p> <p>c) Presentation of financial statements for;</p> <p><i>i. Trading concerns</i></p> <p><i>ii. Service firms.</i></p>	<b>8Hrs(14<sup>th</sup> Oct- 27<sup>th</sup> Oct)</b>	<p>✓ Prepare an income statement and statement of financial position of trading and service firms</p> <p>✓ Identify a complete set of financial statements</p>
<b>SECOND COURSEWORK TEST</b>			
	<p>iii. <i>Manufacturing firms</i></p> <p>a) Manufacturing cost statement. Identify and explain the different manufacturing costs (direct and indirect).</p> <p>i. Illustrate the preparation of a manufacturing account</p> <p>b) Income Statement.</p>	<b>4Hrs (28<sup>th</sup> Oct- 3<sup>rd</sup> Nov)</b>	<p>✓ Prepare an income statement and statement of financial position of a manufacturing firm.</p>

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	<p>i. Explain the link of the manufacturing account to the income statement.</p> <p>ii. Classification of operating expenses.</p> <p>Iii. Distinguish between manufacturing profit and trading profit.</p> <p>iv. Classify and determine the cost of goods fully manufactured by preparing a cost statement and Transfer goods manufactured from the factory to the income statement at Cost price only</p> <p>v. Illustrate the preparation of the income statement for a manufacturing firm</p>		
	<p><b>iv. Non-profit making organizations</b></p> <p>i. Entities that are non-profit &amp; their process.</p> <p>ii. Differences between accounting records of profit and non-profit entities.</p> <p>iii. Sources of income for nonprofit entities</p> <p>iv. Receipts and payment account versus income and expenditure account</p> <p>vi. Subscription accounts (Ordinary &amp; Life subscriptions)</p> <p>vii. Statement of accumulated funds or general funds</p> <p>viii. The statement of comprehensive income and statement of financial position</p>	<p><b>8Hrs(4<sup>th</sup> Nov – 15<sup>th</sup> Nov)</b></p>	<ul style="list-style-type: none"> <li>✓ Identify the different sources income and expenditures of non-profit entities</li> <li>✓ Prepare an income statement and statement of financial position of a non-profit making organizations</li> </ul>

## **METHODS OF INSTRUCTION AND DELIVERY**

- i) Straight Lectures (Blended teaching physical and online)
- ii) Group discussion and presentations.
- iii) Take home assignments

## **COURSE ASSESSMENT**

This shall be composed of the following;

- Coursework tests (One and Two) .....30%
- Final examination ..... 70%
- Total .....100%

## **READING LIST**

1. Nkundabanyanga K.S (2017): *Financial Accounting* (Practical approach) 2nd Edition Wide Link Services
2. Sserwanga .A (2005): *Introduction to Financial Accounting*, Kampala 1st Edition. Wide Link Services.
3. Alinda .K. (2022): *Financial Accounting* (From its basics to financial reporting and analysis) 1<sup>st</sup> Edition.
4. Internal Accounting Standards Board, International Financial Reporting Standard, IFRS Foundation
5. Wood Frank. and Alan Sangster, (2011): *Business Accounting*, Prentice Hall, Great Britain 12th Edition. Available online.



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