**MAKERERE UNIVERSITY BUSINESS SCHOOL**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING**

**COURSE OUTLINE**

**PROGRAM:** BACHELOR OF SCIENCE IN FINANCE

**COURSE NAME:** FINANCIAL ACCOUNTING

 **YEAR OF STUDY:** TWO

**SEMESTER:** ONE

**COURSE CODE:** ACC2103

**ACADEMIC YEAR:** 2025/2026

**Course Description**

Introduction to accounting; different forms of business and the fundamental ethical principles which an accountant should observe, introduction to financial reporting framework; the IFRSs, the conceptual framework for financial reporting, the general features of financial statements and the company’s Act and other regulations, principles of double entry and system of accounting; accounting equation and double entry system and preparation of books of account, adjustments to financial statements; accruals and prepayments, depreciation, bad debts and provision for bad debts and discounts; accounting treatment for inventory and carriage costs, methods of inventory valuation, factors that affect the valuation method and the disclosure requirements and preparation of financial statements for a sole trader, service entity, manufacturing and non-profit making organizations.

 **Course objective**

To develop knowledge and understanding of the underlying principles and concepts relating to

financial accounting and technical proficiency in the use of double-entry accounting techniques

including fundamentals of financial accounting relating to bookkeeping and the preparation of basic financial statements.

**Learning outcomes / competences**

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

* Explain the different forms of business organizations
* Describe the role of financial reports and their users
* Describe the various types of regulatory framework of accounting
* Explain the qualitative characteristics of financial information
* Record transactions in the books of prime entry and ledgers using double entry
* Prepare a cashbook and bank reconciliations
* Construct a trial balance and correct errors
* Prepare financial statements for different entities,

Detailed course content

**A INTRODUCTION**

1. Introduction

(a) Define an accountant as per the Accountants Act, 2013 and professional accountant per International Federation of Accountants (IFAC)

(b) Explain the role of an accountant in an organization

(c) Identify and explain the fundamental ethical principles which an accountant should observe.

**B INTRODUCTION TO FINANCIAL REPORTING FRAMEWORK**

1. The Conceptual Framework for Financial Reporting

(a) Explain the purpose and status of the conceptual framework.

(b) Identify and explain the types, objectives, benefits and limitations of general purpose financial statements

(c) Identify and describe the economic decisions made by users of financial statements and the information needs of the users of financial statements

(d) Explain the qualitative characteristics of useful financial information

(e) Identify and explain the elements of financial statements

(f) Describe the underlying accounting assumption

2. General features of financial statements

Define and discuss the 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.

(b) Outline the impact of the Companies Act on financial accounting and reporting.

(c) Other regulations;

* Capital and Financial Markets – The role of Capital Markets Authority
* Other forms of regulation e.g. Financial Institutions Act, Insurance Act

**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) Define the accounting equation

(ii) Illustration of effects of business transactions on the accounting equation

(iii) The effect of profit or loss on capital

(b) Double entry bookkeeping

(i) Explain „transaction‟, „debit‟ and „credit‟ concepts

(ii) Explain the double entry system for assets, liabilities, capital, expenses and income

(iii) Explain how double entry bookkeeping relies upon the convention of duality and the accounting equation

(iv)Distinguish between capital and revenue expenditure and give examples

2. Preparation of books of account

(a) Accounting process/ cycle

(i) Define and illustrate the accounting cycle

(ii) Identify books of prime entry

(b) Source documents

(i) Identify and explain the purpose of source documents: sales order, purchases order, invoice, credit note, delivery note, pay slip, goods received note, receipt

(ii) Describe the information shown on the face of each type of source document

(c) Journals

(i) Explain the 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) Prepare the different types of journals and post transactions to the ledgers

(d) Cash book

(i) Explain and discuss the purpose of the two and three column cash books

(ii) The purpose of cash discounts – their recording and eventual transfer

(iii) Preparation of the two and three column cash book, explaining the concept of contra entries and balancing of the cash book

(iv) Explain the use of a petty cash book and imprest systems

(v) Prepare the petty cash book and post to the ledger accounts

(e) Ledgers

(i) Identify and explain the types of ledgers: general and subsidiary

(ii) Discuss the purpose of the different ledgers

(iii) Describe the format of a ledger and steps in ledger posting

(iv) Recording transactions from journals to ledger accounts

(v) Balancing and closing ledger accounts

(vi) Explain the meaning of the balance of each type of account

(f) Trial balance extraction

(i) Define „trial balance‟

(ii) Discuss the purpose of a trial balance

(iii) Prepare a trial balance

(g) Preparation of bank reconciliation statement

(i) Explain the nature and purposes of a bank reconciliation statement.

(ii) Identify the reasons that may cause a difference between bank statement balance and the cash book balance

(iii) Explain cheque crossing, cheque endorsement, cheque clearing and pay-in slips

(iv) Explain the types of bank accounts

(v) Prepare an adjusted cash book

(vi) Prepare a bank reconciliation statement

(vii) Understand the effect of bank overdraft on the reconciliation process

**D. ADJUSTMENTS TO FINANCIAL STATEMENTS**

(1) Accruals and Prepayments

(a) Define accruals and prepayments of incomes and expenses

(b) The need for adjustments for accruals and prepayments

(c) Prepare journal entries and ledger entries for the adjustment of accruals and prepayments

(d) Explain how the accruals concept applies to accruals and prepayments

(e) Account for accruals and prepayments in financial statements

(2) Depreciation

(a) Define and explain the purpose, causes and process of depreciation

(b) Application of IAS 16 Property, Plant and Equipment:

(i) Definition of terms: property, plant and equipment, depreciation, depreciable amount, cost, carrying amount, entity- specific value, fair value, recoverable amount, residual value, useful life

(c) Identify and explain the different methods of computing depreciation: straight line, reducing balance and revaluation. Illustrate theapplication of each method

(d) Explain the roles of consistency and subjectivity in accounting for depreciation

(e) Prepare non-current assets, depreciation and disposal of non-current assets accounts; prepare journal entries to record transactions in non- current assets

(f) Account for depreciation in the financial statements

(g) Account 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) Distinguish between a bad debt and a doubtful debt

(b) Reasons for providing for bad debts

(c) Understand and illustrate the 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) Discounts

(a) Define trade and settlement (cash) discounts; record cash discounts in the ledger accounts

(b) Understand and illustrate the treatment of provisions for discounts allowed and received in the ledger accounts and the financial statements

**E INVENTORIES**

1. IAS 2 Inventories

(a) Definition of terms:

(i) Inventories

(ii) Net realizable value

(iii) Fair value

(iv) Raw materials, work in progress and finished goods

(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 realizable value

 (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

**F.** **CORRECTION OF ERRORS AND THE SUSPENSE ACCOUNT**

1. Definition of errors

2. Explain the types of errors revealed by a trial balance and those which are not revealed by the trial balance

3. Explain the use of a suspense account; prepare suspense account

4. Correct errors using journals and suspense accounts

5. Prepare a corrected trial balance, statement of corrected net profit or loss and a statement of corrected financial position

**G. PREPARATION OF FINANCIAL STATEMENTS**

1 Preparation of financial statements for trading entities and service entities

(a) Sole trader/practitioner:

Prepare a statement of profit or loss and other comprehensive income and a statement of financial position for a sole trader or practitioner

2. Preparation of financial statements for manufacturing concerns

(a) Manufacturing account

(i) Identify and explain the different manufacturing costs (direct and indirect)

(ii) Distinction between the various classifications of costs: - direct production costs and factory overheads, fixed and variable costs, prime costs and total factory costs

(iii) Explain the different 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) Explain the link between the manufacturing account and SPLC

(ii) Classify and apportion expenses

(iii) Compute and account for unrealized profits

(iv) Distinguish between manufacturing profit and trading profit; and inventory of manufacturing concerns and trading entities

(v) Prepare a statement of profit or loss and other comprehensive income, and a statement of financial position

3 Preparation of financial statements for non-profit making organizations

(a) Describe with examples what a non-profit making organization is.

(b) Explain the objectives/ purpose of non-profit making organizations.

(c) Distinguish between non-profit making organizations and profit making organizations

(d). Subscriptions account

(i) Explain the different types of subscriptions

 (ii) Prepare a subscriptions account

(e). Receipts and payments account

(i) Explain its meaning and purpose

(ii) Prepare a receipts and payments account

(ii) Identify shortcomings of receipts and payments reports (f).

(f)Statement of profit or loss

(i) Describe the nature and purpose of statement of profit or loss of a non- trading organisation

(ii) Identify the different sources of income.

(iii) Distinguish between a receipts and payments account, and statement of profit or loss of a non-trading organization

(g). Calculate profits or losses from special activities and incorporate them in the financial statements

(h). Explain the treatment for donations, grants, life membership fees and entrance fees

(i). Accumulated fund

(a) Define accumulated fund

(b) Illustrate the determination of accumulated fund

(c) The effect of surplus or deficit on accumulated fund

(j). Prepare a statement of profit or loss and other comprehensive income and statement of financial position of a non-trading organization.

(k). Distinguish between the financial statements of a trading entity and those of a non-trading organization.

**Mode of Delivery**

Straight lecturers

ODel Model

Group and class discussions Practical Sessions

**Mode of Assessment**

Course work 30%a\

Examination 70%

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