

**BACHELOR OF BUSINESS ADMINISTRATION DEGREE YEAR ONE
COURSE OUTLINE FOR FUNDAMENTALS OF ACCOUNTING PRINCIPLES,
SEMESTER II, A/Y 2025/2026**

Course Name: *Fundamentals of Accounting Principles*

Course Code: ACC1202

Course Level: 1

Credit Units: 4

Credit hours: 60

Course Description

This course introduces the fundamental principles and practices of accounting. It examines the various forms of business organisations and the ethical principles that guide professional accounting practice. The course provides an overview of the financial reporting framework, including International Financial Reporting Standards (IFRS), the Conceptual Framework for Financial Reporting, and the general features of financial statements. It also explores the Companies Act and other regulatory requirements governing accounting and financial reporting. The course covers the principles of double-entry bookkeeping, the accounting equation, and the preparation of books of accounts. It further examines adjustments to financial statements, including accruals, prepayments, depreciation, bad debts, provisions for doubtful debts, and accounting for discounts. In addition, the course addresses inventory accounting, including carriage costs, inventory valuation methods, factors influencing the choice of valuation methods, and relevant disclosure requirements.

Finally, the course equips learners with the skills required to prepare financial statements for different types of entities, including sole traders, service organisations, manufacturing firms, and non-profit organisations.

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 / Competencies

Upon successful completion of this course, learners should be able to:

- Explain the various forms of business organisations.
- Describe the purpose of financial reporting and identify key users of financial statements.
- Explain the different regulatory frameworks governing accounting practice.
- Analyse the qualitative characteristics of useful financial information.
- Accurately record financial transactions in books of prime entry and ledgers using double-entry bookkeeping principles.
- Prepare cash books and perform bank reconciliation statements.
- Prepare trial balances and identify and correct accounting errors.
- Prepare financial statements for different types of business entities.

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Mode of Delivery

Lectures

Group and class discussions

Practical sessions

Mode of Assessment

Course work 30%

Examination 70%

COURSE CONTENT

NO.	Topic	Details	Duration	Week No.
<u>1</u>	Introduction to accounting	Define financial accounting, bookkeeping, cost accounting, and management accounting, clearly bringing out their similarities and differences, and the rationale of accounting	2 hours	1
<u>2</u>	Forms of business entity	<ul style="list-style-type: none"> • Sole proprietorships: <ul style="list-style-type: none"> ✓ Explanation of sole proprietorship business entity ✓ Describe the characteristics ✓ Explain the benefits and limitations • Partnerships: <ul style="list-style-type: none"> ✓ Explanation of partnership business entity ✓ Describe the characteristics ✓ Explain the benefits and limitations • Limited liability companies: <ul style="list-style-type: none"> ✓ Explanation of a limited liability company ✓ Characteristics and forms of a limited liability companies ✓ Explain the benefits and limitations; distinguish between partnership and Limited Liability Company ✓ Public vs. private limited liability companies: <ul style="list-style-type: none"> ✓ Definition of public and private limited liability companies ✓ Explain the similarities and differences between public and private limited liability companies ✓ Explain the advantages and disadvantages of public and private limited liability companies 	6 hours	1&2

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<u>3</u>	The Accountant	<ul style="list-style-type: none"> • Define an accountant per the Accountants Act, 2013 and professional accountant per International Federation of Accountants (IFAC) • Explain the role of an accountant in sustainable organizational success, and provision of assurance services • Explain the drivers of sustainable organizational success • Identify and explain the fundamental ethical principles which an accountant should observe. 	<u>4</u>	<u>3</u>
<u>4</u>	Introduction To Financial Reporting Framework	<p>The Conceptual Framework for Financial Reporting</p> <ul style="list-style-type: none"> ✓ Explain the purpose and status of the conceptual framework. ✓ Identify and explain the types, objectives, benefits and limitations of general-purpose financial statements ✓ Identify and describe the economic decisions made by users of financial statements and the information needs of the users of financial statements ✓ Explain the types of and apply the qualitative characteristics of useful financial information ✓ Appreciate the cost constraint of useful financial reporting ✓ Identify and explain the elements of financial statements ✓ Describe the underlying accounting assumption ✓ Preface to International Financial Reporting Standards (IFRSs) ✓ Explain the purpose of the preface to IFRSs ✓ Explain the objectives of the International Accounting Standards Board ✓ Discuss the scope and authority of IFRSs ✓ Explain the process of setting accounting standards and the timing of the application of IFRSs <p>General features of financial statements</p> <ul style="list-style-type: none"> ✓ Define and discuss the general features of financial statements under IAS 1 	<u>8</u>	<u>4&5</u>

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		<p>Presentation of Financial Statements:</p> <ul style="list-style-type: none"> ✓ Fair presentation and compliance with IFRSs ✓ Going concern ✓ Accruals basis of accounting ✓ Materiality and aggregation ✓ Offsetting ✓ Frequency of reporting ✓ Comparative information ✓ Consistency of presentation <p>The Companies Act</p> <ul style="list-style-type: none"> ✓ Accounting and reporting requirements. ✓ Outline the impact of the Companies Act on financial accounting and reporting. <p>Other regulations;</p> <ul style="list-style-type: none"> ✓ Capital and Financial Market ✓ The role of Capital Markets Authority ✓ Other forms of regulation e.g. Financial Institutions Act, Insurance Act 		
<u>5</u>	Principles of Double Entry and Systems of Accounting	<p>Accounting equation and double entry system</p> <p>(a) The accounting equation and the statement of financial position</p> <ul style="list-style-type: none"> ✓ Define the accounting equation ✓ Illustration of effects of business transactions on the accounting equation ✓ The effect of profit or loss on capital <p>(b) Double entry bookkeeping</p> <ul style="list-style-type: none"> ✓ Explain ‘transaction’, ‘debit’ and ‘credit’ concepts ✓ Explain the double entry system for assets, liabilities, capital, expenses and income ✓ Explain how double entry bookkeeping relies upon the convention of duality and the accounting equation ✓ Distinguish between capital and revenue expenditure and give examples ✓ Preparation of books of account <p>(a) Accounting process/ cycle</p> <ul style="list-style-type: none"> ✓ Define and illustrate the accounting cycle ✓ Identify books of prime entry <p>(b) Source documents</p> <ul style="list-style-type: none"> ✓ Identify and explain the purpose of source documents: sales order, purchases order, invoice, credit note, delivery note, pay slip, goods received note, receipt 	<u>8</u>	<u>6&7</u>

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		<ul style="list-style-type: none"> ✓ Describe the information shown on the face of each type of source document (c) Journals ✓ Explain the general journal and subsidiary journals (sales day book, purchases day book, purchases and sales returns day books) ✓ Uses of the different types of journals ✓ Prepare the different types of journals and post transactions to the ledgers (d) Cash book ✓ Explain and discuss the purpose of the two and three column cash books ✓ The purpose of cash discounts – their recording and eventual transfer ✓ Preparation of the two and three column cash books, explaining the concept of contra entries and balancing of the cash book ✓ Explain the use of a petty cash book and imprest systems ✓ Prepare the petty cash book and post to the ledger accounts (e) Ledgers ✓ Identify and explain the types of ledgers: general and subsidiary ✓ Discuss the purpose of the different ledgers ✓ Describe the format of a ledger and steps in ledger posting ✓ Recording transactions from journals to ledger accounts ✓ Balancing and closing ledger accounts ✓ Explain the meaning of the balance of each type of account (f) Trial balance extraction ✓ Define ‘trial balance’ ✓ Discuss the purpose of a trial balance ✓ Prepare a trial balance (g) Preparation of bank reconciliation statement ✓ Explain the nature and purposes of a bank reconciliation statement. ✓ Identify the reasons that may cause a difference between bank statement balance and the cash book balance ✓ Explain cheque crossing, cheque 		
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		<p>endorsement, cheque clearing and pay-in slips</p> <ul style="list-style-type: none"> ✓ Explain the types of bank accounts ✓ Prepare an adjusted cash book ✓ Prepare a bank reconciliation statement ✓ Understand the effect of bank overdraft on the reconciliation process 		
<u>6</u>	Adjustments to Financial Statements	<ul style="list-style-type: none"> • Accruals and Prepayments <ul style="list-style-type: none"> ✓ Define accruals and prepayments of incomes and expenses ✓ The need for adjustments for accruals and prepayments ✓ Prepare journal entries and ledger entries for the adjustment of accruals and prepayments ✓ Explain how the accruals concept applies to accruals and prepayments ✓ Account for accruals and prepayments in financial statements • Depreciation <ul style="list-style-type: none"> ✓ Define and explain the purpose, causes and process of depreciation ✓ Application of IAS 16 Property, Plant and Equipment: <ul style="list-style-type: none"> ✓ Definition of terms: property, plant and equipment, depreciation, depreciable amount, cost, carrying amount, entity-specific value, fair value, recoverable amount, residual value, useful life ✓ Recognition: criteria for cost recognition, initial costs and subsequent costs ✓ Measurement at recognition: elements of cost, measurement of cost ✓ Measurement after recognition: cost model vs. revaluation model, depreciation, depreciable amount and depreciation period, depreciation method ✓ De-recognition – on disposal or when no economic benefits are expected from use or disposal, treatment of gains or losses on de-recognition ✓ Identify and explain the different methods of computing depreciation: straight line, reducing balance and revaluation. Illustrate the application of each method 	<u>8</u>	<u>8&9</u>

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		<ul style="list-style-type: none"> ✓ Explain the roles of consistency and subjectivity in accounting for depreciation ✓ Prepare non-current assets, depreciation and disposal of non-current assets accounts; prepare journal entries to record transactions in non-current assets ✓ Account for depreciation in the financial statements ✓ Account for revaluation of non-current assets ✓ Accounting treatment of trade-in value and insurance claims of non-current assets • Bad debts and provisions for doubtful debts ✓ Distinguish between a bad debt and a doubtful debt ✓ Reasons for providing for bad debts ✓ Distinguish between specific provision and general provision; compute specific and general provisions of bad debts ✓ 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 • Discounts ✓ Define trade and settlement (cash) discounts; record cash discounts in the ledger accounts ✓ Understand and illustrate the treatment of provisions for discounts allowed and received in the ledger accounts and the financial statements 		
<u>7</u>	Inventories	<p>IAS 2 Inventories</p> <p>(a) Definition of terms:</p> <ul style="list-style-type: none"> ✓ Inventories ✓ Net realizable value ✓ Fair value ✓ Raw materials, work in progress and finished goods <p>(b) Accounting treatment for inventory and carriage costs</p> <ul style="list-style-type: none"> ✓ Measurement of inventories: cost of inventories (purchase, conversion and 	<u>8</u>	<u>10&11</u>

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		<p>other costs), cost of inventories of a service provider</p> <ul style="list-style-type: none"> ✓ Cost formulas – types and computation of inventory values; net realizable value ✓ Apply the prudence convention to justify the valuation at lower of cost and net realizable value ✓ Explain the relative merits and demerits of continuous and period end records (stores ledger adjustments) <p>(c) Methods of inventory valuation and their impact on profits and assets</p> <p>(d) Factors that affect the choice of method adopted</p> <p>(e) Disclosures in respect of inventories in the financial statements</p>		
<u>8</u>	Correction of Errors and the Suspense Account	<ul style="list-style-type: none"> ✓ Definition of errors ✓ Explain the types of errors revealed by a trial balance and those which are not revealed by the trial balance ✓ Explain the use of a suspense account; prepare suspense account ✓ Correct errors using journals and suspense accounts ✓ Prepare a corrected trial balance, statement of corrected net profit or loss and a statement of corrected financial position 	<u>4</u>	<u>12</u>
<u>9</u>	Preparation of Financial Statements	<ul style="list-style-type: none"> • Preparation of financial statements for trading entities and service entities • 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 • Preparation of financial statements for manufacturing concerns <p>(a) Manufacturing account</p> <ul style="list-style-type: none"> ✓ Identify and explain the different manufacturing costs (direct and indirect) ✓ Distinction between the various classifications of costs: - direct production costs and factory overheads, fixed and variable costs, prime costs and 	<u>4</u>	<u>13</u>

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		<p>total factory costs</p> <ul style="list-style-type: none"> ✓ Explain the different categories of inventory ✓ Purpose of preparing a manufacturing account; preparation of a manufacturing account ✓ Account for factory costs with and without manufacturing profit ✓ Statement of profit or loss and other comprehensive income (SPLC), and statement of financial position ✓ Explain the link between the manufacturing account and SPLC ✓ Classify and apportion expenses ✓ Compute and account for unrealized profits ✓ Distinguish between manufacturing profit and trading profit; and inventory of manufacturing concerns and trading entities ✓ Prepare a statement of profit or loss and other comprehensive income, and a statement of financial position <p>• Preparation of financial statements for non-profit making organizations</p> <p>(a) Describe with examples what a non-profit making organization is.</p> <p>(b) Explain the objectives/ purpose of non-profit making organizations.</p> <p>(c) Distinguish between non-profit making organizations and profit-making organizations</p> <p>(d). Subscriptions account</p> <ul style="list-style-type: none"> ✓ Explain the different types of subscriptions ✓ Accounting treatment for the different types of subscriptions i.e. ordinary and life. ✓ Prepare a subscriptions account <p>(e). Receipts and payments account</p> <ul style="list-style-type: none"> ✓ Explain its meaning and purpose ✓ Prepare a receipts and payments account ✓ Identify shortcomings of receipts and payments reports <p>(f). Statement of profit or loss</p> <ul style="list-style-type: none"> ✓ Describe the nature and purpose of 		
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		<p>statement of profit or loss of a non-trading organisation</p> <ul style="list-style-type: none"> ✓ Identify the different sources of income. ✓ Distinguish between a receipts and payments account, and statement of profit or loss of a non-trading organisation <p>(g). Calculate profits or losses from special activities and incorporate them in the financial statements</p> <p>(h). Explain the treatment for donations, grants, life membership fees and entrance fees</p> <p>(i). Accumulated fund</p> <p>(a) Define accumulated fund</p> <p>(b) Illustrate the determination of accumulated fund</p> <p>(c) The effect of surplus or deficit on accumulated fund</p> <p>(j). Prepare a statement of profit or loss and other comprehensive income and statement of financial position of a non-trading organization.</p> <p>(k). Distinguish between the financial statements of a trading entity and those of a non-trading organization.</p>		
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Facilitators:

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