

## Chapter 1 The fundamentals of accounting

<ul style="list-style-type: none"> <li>▪ <b>Accounting and its relevance to decision-making</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Planning</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Evaluating</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Controlling</b></li> </ul>		
<ul style="list-style-type: none"> <li>▪ <b>Types of accounting</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Financial accounting</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Management accounting</b></li> </ul>		
<ul style="list-style-type: none"> <li>▪ <b>Functions of accounting</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Recording</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Classifying</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Summarizing</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Communicating</b></li> </ul>		
<ul style="list-style-type: none"> <li>▪ <b>The accounting process</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Identify business transactions</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Record, classify and summarize business transactions</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Communicate and report the financial information</b></li> </ul>		
<ul style="list-style-type: none"> <li>▪ <b>The accounting cycle</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Step1: Analyse business transactions</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Step2: Record in books of original entry</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Step3: Post to ledgers</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Step4: Prepare a trial balance</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Step5: Make period-end adjustments</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Step6: Prepare financial statements</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Books of original entry</b></li> </ul>	<p>The primary accounting books used for recording business transaction</p>	

▫ <b>Ledgers</b>	The accounting books used for keeping the accounts	
▪ <b>The financial statements</b>		
▫ <b>Income statement</b>		
▫ <b>Statement of financial position</b>		
▪ <b>Users of financial statements</b>		
▫ <b>Internal users</b>	Managers Owners employees	
▫ <b>External users</b>	Investors Lenders Customers Suppliers Government bodies	
▪ <b>Limitations of financial statements</b>		
▫ <b>No standardized accounting methods and policies</b>		
▫ <b>Provision of historical information</b>		
▫ <b>Involvement of judgement and estimation</b>		
▫ <b>Lack of non-financial information</b>		
▫ <b>Ignore the time value of money</b>		
▫ <b>General purpose of financial statements</b>		

## Chapter 2 Double entry system

▪ <b>Business entity concept</b>	<b>2013.3a , 2016.1b</b>
▪ <b>The accounting equation</b>	
▪ <b>Effects of transaction on the accounting equation</b>	
▪ <b>Accounts receivable and accounts payable</b>	
▪ <b>Extended accounting equation</b>	
▪ <b>Introduction to the double entry system</b>	
▪ <b>Sales, purchases, returns inwards and returns outwards</b>	2014.3bii (sales, returns outwards)
▪ <b>Cash discounts</b>	

## Chapter 3 The Trial Balance

<ul style="list-style-type: none"> <li>▪ <b>Balancing off account</b></li> </ul>	<p>The process of computing the outstanding balance in each account at the end of a period, usually a monthly or yearly basis</p>	<b>2017</b>
<ul style="list-style-type: none"> <li>▫ <b>Step1: Sum up the total amount on the debit side and the total amount on the credit side</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Step2: Compare the total debit side with the total credit side. The difference between the two sides is the balance of the account</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Step3: Enter the balance on the side with the smaller amount. This balance us the closing balance of the account. Balance carried down will be used to mark the closing balance in the account</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Step4: State the total on the debit side and credit side at the same level</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Step5: Transfer the closing balance to the opposite of the account at the beginning of the next accounting period as the opening balance. Balance brought down will be used to mark the opening balance in the same account</b></li> </ul>		
<ul style="list-style-type: none"> <li>▪ <b>Types of balances</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Debit balance</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Credit balance</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Zero balance</b></li> </ul>		
<ul style="list-style-type: none"> <li>▪ <b>Trial balance</b></li> </ul>		
<ul style="list-style-type: none"> <li>▪ <b>Step of preparing a trial balance</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Step1:Balancing off all the accounts to obtain the closing balances</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Step2:List all account titles and their balances in the appropriate debit or credit columns</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Step3:Calculate the totals of the debit and credit columns</b></li> </ul>		
<ul style="list-style-type: none"> <li>▪ <b>Function of a trial balance</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>To identify error(s) in the ledgers</b></li> </ul>		
<ul style="list-style-type: none"> <li>▪ <b>Limitations of a trial balance</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Transaction omitted from the record</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Transaction with correct ammount entered to wrong account</b></li> </ul>		

## Chapter 5 Financial Statements for sole Proprietorship (II)- Statement of Financial Position

<ul style="list-style-type: none"> <li>▪ <b>Statement of financial position</b></li> </ul>		<b>2012.5a , 2014.5a 2018 Must VVVV</b>
<ul style="list-style-type: none"> <li>▪ <b>Assets</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Non-current assets</b></li> </ul>	<ol style="list-style-type: none"> <li>1. Generate future benefits for more than one year</li> <li>2. Not intended for resale</li> <li>3. For the purpose of operating a business</li> </ol>	
<ul style="list-style-type: none"> <li>▫ <b>Current assets</b></li> </ul>	<ol style="list-style-type: none"> <li>1. Generate future benefits for less than one year</li> <li>2. Can be converted into cash in a short period of time</li> <li>3. Intended for resale</li> </ol>	
<ul style="list-style-type: none"> <li>▪ <b>Liabilities</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Non-current liabilities</b></li> </ul>	The debts and obligations that a business has to repay after a year	
<ul style="list-style-type: none"> <li>▫ <b>Current liabilities</b></li> </ul>	The debts and obligations that a business has to repay within a year	
<ul style="list-style-type: none"> <li>▪ <b>Capital</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Net profit/Net loss</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Capital introduced</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Drawings</b></li> </ul>		
<ul style="list-style-type: none"> <li>▪ <b>Preparation of a statement of financial position</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Step1:Find the balance of the assets and liabilities from the pre-closing trail balance</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Step2:List the assets and liabilities in a meaningful manner</b></li> </ul>		
<ul style="list-style-type: none"> <li>▫ <b>Step3:Adjust the captial balance according to the pre-closing trial balance and show the closing balance in the statement of financial position</b></li> </ul>		
<b>Differences between the income statement and the statement of financial position</b>		

## Chapter 6 Accounting assumption, Principles and Conventions

### ▪ Importance of accounting assumptions and principles

▪ <b>Business entity concept</b>		2016DSE SQ 1(b) 2013DSE SQ 3 2014DSE MC5 2012DSE MC27 <b>2018 possibly</b>
▫ <b>Definition</b>		
▫ <b>Implications</b>		
▪ <b>Historical cost concept</b>		2016 DSE SQ 2 2013DSE SQ 3
▫ <b>Definition</b>		
▫ <b>Implications</b>		
▪ <b>Consistency concept</b>		2016 DSE SQ 2
▫ <b>Definition</b>		
▫ <b>Implications</b>		
▪ <b>Going concern concept</b>		2012DSE SQ 6(a) <b>2018 possibly</b>
▫ <b>Definition</b>		
▫ <b>Implications</b>		
▪ <b>Accrual concept</b>		2016DSE MC 5
▫ <b>Definition</b>		
▫ <b>Implications</b>		

topics: concept of inventory possibility : vvv

calculation of profit(gross and net) possibility : vvv

calculation of expenses possibility : vvv

carriage inwards and outwards possibility : vvv

Costs of goods sold possibility : vvv

RATIO(S)TOPICS:CACLUATIONN OF ALL RATIOS: liquidity ratio profitability ratio

solvency ratio management efficiently ratio return on investment ratio

possibility (must have but not all) : vvvvvvvvvvvvv