

Course Title: Financial Accounting – II**Course Objectives:**

To provide a profound understanding regarding the need for internal control over cash transactions since cash is the asset most susceptible to theft and embezzlement. Discussions on Notes Receivable and Accounts Receivable have made possible to perceive a better understanding of the goals of credit management. Emphasis upon the objectives of efficient inventory management and Cost of Goods Sold has been made by discussing perpetual inventory systems. An appropriate explanation is provided on the accounting concepts relating to the acquisition, use and disposal of plant assets. Hence, the course covers alternative depreciation methods. Parallel to the assets, the types of liabilities commonly found in most business organization are also the part of the course that enables the students to analyze the situation arising from the economic activities. The accounting procedures for partnership are also discussed.

Prerequisites:

The course requires basic knowledge of accounting process for instance accounting cycle and financial reporting.

Course Contents	
Basic objective of cash management, internal control over cash transactions	As cash is susceptible to theft and embezzlement, a student must know to develop an internal control system
Voucher system, Bank reconciliation statement, petty cash fund, problem solving	A student must be able to reconcile the balances maintained by the bank and the business, must know how to maintain the petty cash fund
Accounts Receivable, methods of accounting for uncollectible accounts, ways of converting receivables into cash, credit card sales	Student must be able to prepare the estimate of uncollectible accounts receivable, compare the allowance method and direct write-off method, identify several ways of converting receivables quickly into liquid cash
Promissory notes and interest, accounts receivable turnover rate, interest included in the face amount of the note receivable, concept of present value in accounting for long-term N/R, problem solving	Should understand what is a Promissory note and the nature of interest, compute the account receivable turnover rate, account for N/R with the interest included in the face amount, understand the concept of present value
Define liabilities, distinguish between liabilities and owner's equity, between current and long term liabilities, notes payable and accrual of interest, notes payable and interest included in the face amount, amortization table	Student should be able to make distinction between different liabilities, account for notes payable and accrual of interest, should construct the amortization table

Quick ratio, debt ratio and interest coverage ratio, loss contingencies, accounting for payroll system, problem solving	Should understand the use of these ratios, should understand the process involved in the payroll system
Understanding special journal	Student should know the types formats, further should be able to design and record transactions in the special journal
Related numerical problems	problem solving
Perpetual inventory system, various method to determine the CGS, taking physical inventory, shrinkage losses, ending inventory and CGS under periodic inventory system	Student should be able to apply various cost computing methods to calculate CGS and ending inventory under perpetual and periodic inventory systems, know the use of the physical count of the inventory,
Effects of an inventory error on the income statement, estimating CGS and ending inventory by GP method and retail method, considering optimal size of the inventory, inventory turnover rate computation, LIFO reserve, related numerical problems	Should be able to explain the effect of an inventory error of the current and the following year, know to use GP and retail method for the computation of CGS and ending inventory, know how to compute the inventory turnover rate, should be able to interpret LIFO reserve
Determine the cost of plant asset, capital and revenue expenditures, matching principle, alternative methods of depreciation	Student should be able to determine the cost of plant asset, distinguish between , capital and revenue expenditures, should understand what is the matching principle and when should this hold good, should be able to identify which method of depreciation should be applied
Disposal of plant asset, nature of goodwill, depletion of natural resources, impairment of long-lived assets, MACRS, related numerical problems	Be able to account for the disposal of the plant asset, understand the concept of intangible asset, how the natural resources be depreciated and the concept of impairment, be able to compute the depreciation for income tax purposes
What is partnership, advantages and disadvantages, regular and limited partnership	Student should know the characteristics of the partnership as the form of a business organization
Accounting for the formation of the partnership, distribution of the net income among the partners, admission and the with drawl of a partner	Should know to make the journal entries regarding the formation, distribution of the net income and if a partner is admitted, accounting in the case of a with drawl
Accounting for the liquidation of the partnership, related numerical problems	Be able to pass the journal entries relating to the liquidation of the partnership

Teaching Methods:

Lectures, discussions, presentations, quiz and assignments

Assessment Mechanism/Criteria

40% (40 Marks)	Internal Assessment by affiliated institution	*15Marks for Assignments, Quizzes and others **25 Marks for Mid-term Exam
60% (60Marks)	External Assessment by the Punjab University	Final Term Examination

Suggested Readings:

Meigs & Meigs, *Accounting the basis for business decisions*, McGraw Hill Publishing Company.

Additional Readings:

1. Niswonger & Fess, *Accounting Principles*, South Western Publishing Company.
2. M.A.Ghani, *Principles of Accounting*, Pak Imperial Book Depot, Lahore.
3. M.Arif & Sohail Afzal, *Accounting*, Azeem Academy, Lahore.
4. Ch.Muhammad Hanif & Azam Shafiq, *Fundamentals of Accounting*, Kitab Markaz, Faisalabad.