

**HAILEY COLLEGE OF COMMERCE**  
**UNIVERSITY OF THE PUNJAB, LAHORE**

**Course Title: Financial Accounting II**

**Course Code: BSAF-116**

**Credit Hours: 3**

**Program: BS Accounting & Finance**

**Semester: 02**

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**2.0 Introduction of the Course:**

Financial Accounting II is an advanced course that builds upon the foundational concepts introduced in Financial Accounting I, focusing on more complex accounting procedures and financial reporting standards. It is designed to enhance the understanding of accounting practices that businesses use to ensure accurate and transparent financial reporting, which is crucial for decision-making by stakeholders. The course addresses critical aspects like accounting for partnership business, analysis of financial statements and rectification of errors. An important focus of the course is on the Statement of Cash Flows, which plays a key role in providing insight into a company's liquidity, financial flexibility, and operational efficiency.

**2.0 Pre-Requisites Course or Other Requirements/Skills:**

Financial Accounting I

**3.0 Course Learning Outcomes:**

On completion of this course, the student will be able to:

**1. Understanding Partnership Accounting:**

- To equip students with the ability to record, manage, and report transactions in partnership businesses.
- To develop skills in handling complex partnership-related issues such as profit and loss distribution, changes in partnership structure (admission, retirement, and dissolution), and preparation of final accounts for partnerships.

**2. Mastering Allowance for Bad Debts and Write-Offs:**

- To enable students to accurately account for bad debts using the allowance method.
- To enhance the ability to assess, record, and manage uncollectible receivables and understand the impact of write-offs on financial statements.

**3. Handling Prepayments and Accruals:**

- To provide a thorough understanding of prepayments and accruals, ensuring students can accurately recognize and adjust for expenses and revenues in the appropriate accounting periods.
- To enhance the preparation of adjusting entries for accurate financial reporting in line with the accrual accounting principle.

**4. Preparation of the Statement of Cash Flows (IAS 7):**

- To develop proficiency in preparing and analysing the statement of cash flows, as per International Accounting Standard (IAS) 7, focusing on operating, investing, and financing activities.
- To enable students to assess a company's liquidity, cash management, and financial health through effective cash flow analysis.

**5. Rectification of Errors in Financial Statements:**

- To build competency in identifying, analysing, and rectifying errors in accounting records, whether discovered during or after the preparation of financial statements.
- To ensure students can correct errors in accordance with accounting standards, preserving the accuracy and integrity of financial reports.

#### **6. Understanding Subsidiary Ledgers:**

- To equip students with the knowledge of using subsidiary ledgers (such as accounts receivable and payable ledgers) to track detailed transactions related to customers, suppliers, and other specific accounts.
- To understand the role of subsidiary ledgers in supporting the accuracy and efficiency of the general ledger and financial reporting.

#### **7. Accounting for Non-Trading Concerns**

- To enable students to prepare income and expenditure accounts for non-profit organizations, ensuring the proper treatment of revenues and expenses.
- To develop an understanding of the differences between income and expenditure accounts and profit-and-loss accounts, focusing on non-profit financial reporting.

### **4.0 Course Contents:**

#### **Unit 1: Accounting for partnership**

- 1.1 Understanding partnership and its essential elements
- 1.2 Understanding good will
- 1.3 Preparation of capital account and current account
- 1.4 Preparation of profit and loss account and statement of financial position for partnership
- 1.5 Passing journal entries and preparation of relative records

#### **Unit 2: Retirement, death and dissolution of partnership**

- 2.1 Passing journal entries and preparation of relative records
- 2.2 Dissolution: Passing entries to transfer/ sale of assets and liabilities to third parties and partners, payment of realization expenses, closing realization account, and settlement of partners' capital account
- 2.3 Death and retirement: Adjustments for relating to goodwill, accumulated reserves and undistributed profits, revaluation account, adjustment of partners' capital, application of new profit sharing ratio

#### **Unit 3: Preparation of accounts from incomplete records**

- 1.1 Understanding background/situations on incomplete records: asset destroyed, cash misappropriation, destroyed accounting record
- 1.2 Learning to apply following techniques for incomplete records: Using accounting equation, using opening and closing balance of ledger accounts, Using cash and bank summary
- 1.3 Using markup on cost and gross and net profit percentages

#### **Unit 4: Accounting for accounts receivables: Allowance for bad debts and write off**

- 1.1 Understanding bad debts and allowances for bad debt based on policy and passing entry
- 1.2 Computation of write offs and passing entries and understanding impact on allowance for bad debts

#### **Unit 5: Rectification of errors**

- 1.1 Understanding types of errors that might incur in book keeping
- 5.10 Calculating and understanding the impact of error on financial statements
- 5.11 Passing journal entries to rectify errors

#### **Unit 6: Preparation of statement of cash flows (IAS 7)**

- 6.1 Learning IAS 7 and preparing simple statement of cash flows in accordance with IAS 7.
- 6.2 calculating changes in working capital to calculate cash flow from operating activities, computing other items in cash flow statement

- 6.3 Understanding cash & equivalent, operating activities, investing activities and financing activities.

#### **Unit 7: Analysis of financial statements through ratios**

- 7.1 Understanding structure of financial statement and relevance of individual items for ratio analysis.
- 7.2 Basics of ratio analysis: Liquidity, solvency, profitability, efficiency/activity, and market ratios
- 7.3 Learning to calculate and interpret liquidity, solvency and profitability ratios on an actual financial statement: Current ratio, quick ratio, gross profit margin, operating profit margin, net profit margin, return on equity, return on asset, return on capital employed, debt to equity ratio, debt ratio, debt servicing ratios.
- 7.4 Learning to calculate and interpret efficiency/activity and market ratios on actual financial statement: inventory turnover, average age of inventory, debtor turn over, average collection period, creditor turnover, average payment period, asset turnover, fixed asset turnover, market to book ratio, price/ earnings ratio.

#### **Unit 8: subsidiary Accounts**

- 8.1 Understanding mapping between control accounts and subsidiary ledger for accounts receivable and accounts payable.
- 8.2 Preparing control accounts and subsidiary ledgers.
- 8.3 Performing control accounts reconciliation for accounts receivable and account payable and identify errors for corrections

#### **5.0 Teaching-Learning Strategies**

1. Lectures
2. Handouts
3. Group Discussions
4. Classroom Presentations
5. Projects and Term Paper
6. Quizzes
7. Case Study, Reading Assignment

#### **6.0 Textbooks**

1. CAF-01 Introduction to Accounting – Study Text by ICAP
2. Contemporary Financial Accounting by Dr. Saeed Ahmad Sabir
3. Financial Accounting 17th Edition by Jan Williams and Susan Haka and Mark Bettner and Joseph Carcello
4. Financial & Managerial Accounting by Jerry J. Weygandt, Paul D. Kimmel, Donald E. Kieso