

## University of the Punjab

## Course outline

## Associated Degree in Commerce (Specialization in Accounting &amp; Finance)

<b>Semester</b>	2		
<b>Course Name</b>	Advanced Financial Accounting		
<b>Course Code</b>	ADC 311		
<b>Credit Hours</b>	4		
<b>Prerequisites</b>	The student will be expected to acquire proficiencies and cognise relating to the basic accounting concepts of recording classification and summarisation of the business information. They must be able to appreciate the connectivity between the Journal , ledger , trial balance and make necessary closing adjustments		
<b>Follow Up</b>	Financial Reporting		
<b>Subject Objective</b>	<ul style="list-style-type: none"> <li>• Apply conceptual principles when selecting appropriate accounting policies.</li> <li>• Demonstrate the ability to assess a situation, identify issues and alternatives, and provide a recommendation using advanced accounting knowledge and ethical professional judgment.</li> <li>• Classify and account for various financial instruments using International Financial Accounting conventions</li> <li>• Explain the concept of business combinations and the main theories and methods of accounting for business combinations.</li> <li>• Prepare consolidated financial statements at acquisition and in subsequent years for both fully owned and partially owned subsidiaries.</li> <li>• Apply the equity method of accounting for joint ventures</li> <li>• Appreciate the concepts behind Mergers and acquisition and corporate restructuring</li> <li>• Perform financial statement analysis</li> </ul>		
<b>Teaching Strategies</b>	e.g. i. Lectures ii. Handouts iii. Group discussions iv. Class-room presentations v. Projects and term paper vi. Quizzes vii. Case study, reading assignment		
<b>Assessment Criteria</b>	<b>Mid-term</b>		<b>Final Examination</b>
	(Assessment by respective College)		(Assessment by University of the Punjab)
	40 %		60 %
	Quizzes and Tests, Assignment and Presentations, Viva, Attendance, Class Participations and discipline etc.	Written Paper	Written Paper

## Weekly Lecture Plan

Weeks	Topics Covered	Detail
1	<p data-bbox="395 323 675 358">Partnership accounts</p> <p data-bbox="395 606 759 675">Admission and amalgamation</p> <p data-bbox="395 1024 759 1092">Dissolution, liquidation of Partnership</p>	<ul data-bbox="831 323 1410 1251" style="list-style-type: none"> <li>• Define a partnership and state its essential elements</li> <li>• Understand goodwill</li> <li>• Prepare Profit and Loss Appropriation Account Capital account Current account</li> <li>• Process the necessary adjustments on the admission of a new partner, namely:</li> <li>• Revaluation of assets and liabilities of the firm</li> <li>• Treatment of goodwill</li> <li>• Application of new profit sharing ratio</li> <li>• Prepare the nominal accounts, profit and loss account and statement of financial position upon amalgamation of two partnerships</li> <li>• Make journal entries in the case of the dissolution of a partnership to record:</li> <li>• Transfer and sale of assets and liabilities to third parties and partners</li> <li>• Payment of realization expenses</li> <li>• Closing of the realization account and settlement of partners' capital account.</li> </ul>
2	<p data-bbox="395 1265 759 1333">Retirement, death of Partner</p> <p data-bbox="395 1650 759 1788">Introduction to the company Accounts :The issue of shares and debentures</p>	<ul data-bbox="831 1265 1410 1933" style="list-style-type: none"> <li>• Process the necessary adjustments on the death or retirement of a partner:</li> <li>• adjustments relating to goodwill, accumulated reserves and undistributed profits</li> <li>• revaluation account</li> <li>• adjustment and treatment of partners' capital</li> <li>• application of new profit sharing ratio</li> <li>• explain the terminology relating to the issue of shares and debentures</li> <li>• describe the steps in the process of issuing of shares and debentures</li> <li>• record the accounting entries relating to the issue of shares and debentures</li> <li>• make the necessary entries in the ledger accounts when shares are forfeited</li> </ul>

3	<b>Companies purchasing and redeeming their own shares and debentures</b>	<ul style="list-style-type: none"> <li>• explain, in the context of shares and debentures, the difference between the terms 'purchasing' and 'redeeming'</li> <li>• describe the alternative ways in which a company may purchase or redeem its own shares and debentures</li> <li>• explain the difference between the purchase/redemption opportunities available to private companies, and those available to other companies</li> <li>• record the accounting entries relating to the purchase and the redemption of shares and debentures</li> </ul>
4	<b>Limited companies taking over other businesses</b>	<ul style="list-style-type: none"> <li>• explain how goodwill may arise on the purchase of a business</li> <li>• explain the difference between goodwill and negative goodwill</li> <li>• record the accounting entries relating to a limited company taking over another business</li> <li>• describe the difference in the accounting treatment of takeovers by limited companies of sole traders, partnerships and limited companies</li> <li>• describe the two methods whereby a limited company may take over another limited company</li> <li>• deal with pre-incorporation profits and losses</li> </ul>
5	<b>Taxation in company financial Statements</b>	<ul style="list-style-type: none"> <li>• explain why profit as per the profit and loss account is normally different from assessable profit for corporation tax calculations</li> <li>• explain how income tax on interest affects companies and individuals</li> <li>• describe how the 'imputation system' operates</li> <li>• describe how and why deferred tax is relevant to capital allowances</li> </ul>
6	<b>Provisions, reserves and liabilities</b>	<ul style="list-style-type: none"> <li>• explain the difference between a provision and a liability</li> <li>• explain the difference between revenue reserves and capital reserves</li> <li>• describe how capital reserves may be used</li> <li>• describe what normally comprises distributable profits</li> </ul>
7	<b>The financial statements of limited companies: profit and loss accounts, related</b>	<ul style="list-style-type: none"> <li>• state how the Companies Act defines company size</li> <li>• explain the alternative presentation formats</li> </ul>

	<b>statements and notes</b>	<p>available under the Companies Acts that must be used when preparing profit and loss accounts for external reporting purposes</p> <ul style="list-style-type: none"> <li>• explain how to present financial information under the most commonly used Companies Act format</li> </ul>
8	<b>The financial statements of limited companies: profit and loss accounts, related statements and notes</b>	<ul style="list-style-type: none"> <li>• describe the differences between the most commonly used statutory financial statement format and the formats generally adopted for internal use</li> <li>• describe the requirements that relate to the profit and loss account concerning: continuing operations, acquisitions, discontinued operations, sale or termination of an operation, reorganization and restructuring costs,</li> <li>• profits and losses on disposal of fixed assets,</li> <li>• exceptional and extraordinary items and</li> <li>• prior period adjustments</li> <li>• describe the format of the statement of total recognized gains and losses</li> </ul>
9	<b>The financial statements of limited companies: balance sheets</b>	<ul style="list-style-type: none"> <li>• describe the most commonly used format available under the Companies Acts that may be used when preparing balance sheets for external reporting purposes</li> <li>• present information under the most commonly used of the Companies Acts formats</li> <li>• describe the differences between the statutory format and formats generally adopted for internal use</li> <li>• describe the additional notes to published financial statements that are required by the Companies Acts</li> <li>• describe the requirement to include a directors' report with the published financial statements</li> </ul>
10	<b>Cash flow statements</b>	<ul style="list-style-type: none"> <li>• explain the purpose of cash flow information</li> <li>• explain the difference between cash flow and profit</li> <li>• prepare a cash flow statement for a company following the format Of IAS 7</li> <li>• Prepare and differentiate between direct and indirect method</li> </ul>

11	<b>Group financial statements: an introduction</b>	<ul style="list-style-type: none"> <li>• explain the difference between a parent undertaking and a subsidiary undertaking</li> <li>• explain the importance of the control concept</li> <li>• describe the circumstances under which a parent/subsidiary relationship is recognized</li> <li>• describe the conditions whereby companies are exempt from preparing consolidated financial statements</li> <li>• describe the conditions under which a subsidiary company should not be included in the consolidated financial statements</li> <li>• explain why it is important to produce consolidated financial statements</li> <li>• describe some of the alternative methods whereby control can be acquired by one company over another</li> </ul>
12	<b>Consolidation of balance sheets: basic mechanics (I)</b>	<ul style="list-style-type: none"> <li>• explain the principle of cancellation that is adopted when preparing consolidated financial statements</li> <li>• explain why goodwill may arise on consolidation</li> <li>• calculate goodwill and include it in the consolidated balance sheet</li> <li>• explain what is meant by the term 'minority interest'</li> <li>• explain how the existence of reserves at the time of acquisition affects the preparation of consolidated financial statements</li> <li>• explain the implications when the date of acquisition and the group balance sheet date do not coincide</li> <li>• explain that the calculation of goodwill is performed as at the date of acquisition</li> <li>• describe the difference in treatment between pre- and post-acquisition reserves of subsidiary undertakings</li> </ul>
13	<b>Intercompany dealings: indebtedness and unrealized profit in stocks, acquisition of shares in subsidiaries at different dates &amp; Intra-group dividends</b>	<ul style="list-style-type: none"> <li>• explain how to treat intra-group indebtedness upon consolidation</li> <li>• explain how to treat unrealized intragroup profits upon consolidation</li> <li>• calculate goodwill when an interest in a subsidiary undertaking was acquired in blocks over a period of time</li> <li>• calculate goodwill when a subsidiary undertaking was acquired part-way through its accounting period</li> </ul>

		<ul style="list-style-type: none"> <li>• explain how to treat intra-group dividends</li> <li>• explain how to treat dividends from a newly acquired subsidiary undertaking that were proposed prior to the acquisition date</li> <li>• explain how to treat dividends proposed by subsidiary undertakings at the</li> <li>• balance sheet date</li> </ul>
14	<b>Consolidated balance sheets: sundry matters</b>	<ul style="list-style-type: none"> <li>• calculate goodwill on the purchase of preference shares</li> <li>• treat unrealised profits and losses on intra-group asset sales</li> <li>• describe the effect of 'fair value' on the calculation of goodwill and on the preparation of the consolidated financial statements</li> <li>• explain how a company that is the subsidiary of another is also a subsidiary of its parent's own parent undertaking</li> <li>• consolidate groups that include subsidiaries of subsidiaries</li> </ul>
15	<b>Consolidated profit and loss accounts</b>	<ul style="list-style-type: none"> <li>• prepare consolidated profit and loss accounts for groups with wholly-owned subsidiaries</li> <li>• prepare consolidated profit and loss accounts for groups with wholly-owned subsidiaries</li> <li>• explain when merger accounting should be used</li> <li>• explain the difference between the acquisition and the merger methods of preparing consolidated financial statements</li> </ul>
16	<b>Ratio and trend Analysis</b>	<ul style="list-style-type: none"> <li>• describe various groups of accounting ratios, where they would be used, why they would be of interest, and to whom they would be of interest</li> <li>• calculate a number of commonly used accounting ratios</li> <li>• describe some of the difficulties that may arise in the calculation and interpretation of accounting ratios</li> <li>• describe the dangers of overtrading and how ratio analysis can be used to detect it</li> <li>• explain the importance of trend analysis when analysing financial statements</li> <li>• explain that there is no such thing as a generally 'good' or 'bad' value for any ratio</li> <li>• describe the need to compare like with like if attempting to assess the quality of the</li> </ul>

		<p>result found from ratio analysis</p> <ul style="list-style-type: none"> <li>• explain the pyramid of ratios that can be used in order to enhance the view obtained from ratio analysis</li> <li>• explain that different groups of users of financial statements have access to different sources of information that may help in developing an understanding of and explanation for the results of ratio analysis</li> </ul>
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<b>Primary Recommended Book</b>	Business Accounting II By Frank wood INTRODUCTION TO ACCOUNTING CAF-1 Study Text by ICAP
<b>Additional Books</b>	<ol style="list-style-type: none"> <li>1. Advanced Financial Accounting Richard Lewis David Pendrill 7<sup>th</sup> Edition</li> <li>2. Advanced Financial Accounting: An International Approach, Jagdish Kothari, &amp; Elisabetta Barone</li> </ol>