

E-Workbook: Principles of Accounting II

Develops the concepts and procedures of financial accounting through the examination of accounting cash flow statements and financial statement analysis. The fundamentals of management accounting are also introduced.

This E-Workbook deepens understanding of the accounting principles and standards introduced in Principles of Accounting I through continued interaction with journal entries.

Part 1: Exploring accounting concepts and procedures

Review of journal entries and transactions

- Review of transactions: basic concepts and adjusting entries
- Review of journal entries: asset, liability and equity accounts

Non-current assets: exploring revaluation and disposal

- The concept of revaluation increments and revaluation decrements
- Determining the gain or loss on disposal of non-current assets
- Derecognition of non-current assets
- Preparing journal entries for revaluations, reversals and disposals

Part 2: The cash flow statement and statement analysis

The cash flow statement and reconciliation

- The purpose and limitations of the cash flow statement
- Classifying cash flows: operating, investing and financing
- Preparing a cash flow statement using the direct and indirect methods

Financial statement analysis

- The purpose and limitations of financial statement analysis
- Horizontal and vertical trend analysis of financial statements
- Performing ratio analysis: liquidity, solvency and profitability ratios
- Using common-size statements and benchmarking
- Consequences of accounting policy choice

Part 3: Accounting for companies and partnerships

Owners' equity: company accounting

- Equity for companies: equity accounts and transactions
- Owners' equity: share capital, retained earnings, reserves
- Accounting for private and public issue of shares
- Ordinary and preference shares including dividends

Owners' equity: partnership accounting

- Accounting for the formation and dissolution of partnerships
- Drawings, advances and allocation of partnership profits and losses
- Comparing partnerships to companies

Part 4: Management accounting

Introduction to management accounting

- Role of management accounting: strategy, planning and control
- Contrasting management accounting and financial accounting
- Contemporary issues including technology and changing cost structures
- Classifying costs and categories of costs
- Cost drivers and cost behaviour including fixed and variable costs
- Absorption and variable costing
- The schedule of costs of goods manufactured

Cost Volume Profit analysis

- The significance of cost behaviour
- Assumptions underlying CVP analysis
- Calculating the break-even point and the contribution margin
- The CVP graph: construction and interpretation
- Using CVP analysis for profit planning and sensitivity analysis

Budgeting

- The master budget and key concepts of budgeting
- Operating budgets and budgeted financial statements
- Static and flexible budgets
- Preparing budgeted balance sheet and income statement

Capital budgeting decisions

- Time value of money
- Net present value
- Internal rate of return
- Payback period
- Return on average investment

Incremental analysis

- Relevant costs, opportunity costs and sunk costs
- Special order decisions
- Make or buy decisions
- Product mix decisions