

E-workbook: Accounting for Decision Making

Part 1: Financial accounting

Introduction to accounting

- The role of accounting
- Users of accounting information
- Regulatory environment

Business Structures

- Sole traders
- Partnerships
- Companies
- Advantages and disadvantages of each business structure
- Financial statements of each business structure

Introduction to financial statements

- Defining assets, liabilities, equity, income, expenses and profit
- Classifying accounts as assets, liabilities, equity, income or expenses
- Assets = Liabilities + Equity
- Characteristics of financial statements
- Introduction to the balance sheet
- Introduction to the income statement

Transaction analysis

- The principle of duality
- Recording transactions to start up a business
- Recording income and expense transactions
- Recording transactions that affect inventory
- Multiple transaction analysis

Balance sheet

- The definition and recognition criteria of assets, liabilities and equity
- Applying the definition and recognition criteria
- Current and non-current classifications
- Transactions affecting the balance sheet
- Format, presentation and limitations of the balance sheet

Income statement

- The definition and recognition criteria of income and expenses
- Applying the definition and recognition criteria
- Cash vs accrual accounting
- Transactions affecting the income statement
- Determining gross and net profit
- Format and presentation of the income statement

Cash flow statement

- Purpose and format of the cash flow statement
- Operating, investing and financing cash flows
- Direct method of preparing the cash flow statement
- Indirect method of preparing the cash flow statement
- Interpretation and analysis of cash flows

Financial statement analysis

- Horizontal and vertical analysis
- Calculating ratios
- Interpreting ratios
- Using financial statement analysis in decision making

Ratios covered include:

- | | |
|--|---|
| - Current ratio | - Debt to equity ratio |
| - Quick ratio | - Debt ratio |
| - Cash flow from operations ratio | - EPS |
| - Return on equity | - P/E |
| - Return on assets | - Asset turnover |
| - Net profit margin | - Average inventory turnover period/Inventory turnover (days) |
| - Gross profit margin | - Average debtors settlement (debtors turnover (days)) |
| - Interest cover / times interest earned | |

Part 2: Management accounting

Costing

- Direct and indirect costs
- Product and period costs
- Job costing and process costing
- Allocating overhead to a single product or service
- Determining costs in multi-product (multi-service) firms
- Using cost information to determine selling price and profit
- Using cost information to determine the value of inventory

CVP analysis

- Cost behaviour: variable, fixed and mixed
- CVP graph
- Break-even analysis
- Target profit and CVP analysis
- Using CVP analysis in decision making

Budgeting

- The budgeting process and the master budget
- Preparation of the sales, production and purchases budgets
- Preparation of the cash budget
- Preparation of the budgeted financial statements
- Flexible budgets
- Budget variance analysis

Capital investment decisions

- The nature of capital investment decisions
- Time value of money
- Accounting rate of return/Return on average investment
- Payback period
- Net present value
- Internal rate of return
- Using capital investment techniques in decision making, including multiple and mutually exclusive projects

Relevant costs and decision making

- Relevant costs and opportunity costs
- Incremental/differential analysis
- Special pricing/special order decisions
- Make or buy decisions
- Product mix decisions with resource constraints
- Add, retain or eliminate business segments or products
- Qualitative factors to consider in decision making

E-workbook: Principles of Accounting I

Introduces the generally accepted accounting principles by studying transactions throughout the accounting cycle from journal entries to financial statements. The elements of the balance sheet are examined.

This e-workbook focuses on the procedures of basic financial accounting, providing unlimited practice of transaction analysis and journal entries.

Part 1: Introduction to accounting

The accounting environment

- Key regulatory and professional bodies
- Standards in accounting
- Ethics in accounting with reference to large corporate collapses
- The role of accounting in decision making
- Different business structures and their suitability
- Assumptions and qualitative characteristics of financial reports

Part 2: Transactions throughout the accounting cycle

Introduction to financial statements and the accounting equation

- Financial statements: income, balance sheet, cash flow
- Assets, liabilities, equity, income, expenses
- The accounting equation and its application to transactions
- Including income, expense and profit in the accounting equation
- Specific asset, liability, equity, income and expense accounts

Starting the accounting cycle - recording transactions

- Transactions and their journey through the accounting cycle
- Transaction analysis
- Rules of debit and credit including the normal balance of accounts
- Journal entries using double entry accounting including T-accounts
- Posting transactions to the general ledger
- The purpose and limitation of a trial balance

Adjusting entries and accrual concepts

- Comparing cash and accrual accounting
- Temporary/nominal and permanent/real accounts
- Deferrals and accruals: their similarities and differences
- Preparing adjusting entries for deferrals, prepayments and accruals

Completing the accounting cycle

- Adjusting and closing entries
- Preparing adjusted and post-closing trial balances
- Preparing an accounting worksheet
- Preparing financial statements
- Reversing entries at the beginning of the next accounting period

Part 3: Exploring the balance sheet

Current assets: receivables, cash and their internal control

- Accounting for uncollectible receivables
- Preparing journal entries for receivables
- The principles and limitations of internal control procedures
- Accounting for petty cash
- Preparing bank reconciliation statements

Current assets: inventory and its purchase and sale

- Comparing periodic and perpetual inventory systems
- Journal entries for inventory: purchases, sales, returns, discounts
- Calculating cost of sales and its impact on profit
- Inventory costing methods: FIFO, LIFO, weighted average, specific unit
- Inventory valuation and estimation issues
- Goods and services tax

Non-current assets: their acquisition and depreciation

- Acquisition costs of non-current assets
- Concepts of depreciation and amortisation
- Methods of depreciation
- Preparing journal entries for acquisition and depreciation
- Subsequent expenditure: repairs, maintenance, improvements

Liabilities and owners' equity

- Classifying current and non-current liabilities
- Preparing journal entries for specific liabilities
- Provisions and contingencies
- Owners' equity: share capital, reserves and retained earnings
- Ordinary and preference shares
- Journal entries for share issues and cash dividends

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