

**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD**  
**(Department of Business Administration)**

**FUNDAMENTALS OF ACCOUNTING (134)**

**CHECKLIST**

**SEMESTER: SPRING, 2014**

This packet comprises following material:-

1. Text Book
2. Course Outline
3. Assignment No. 1, 2
4. Assignment Forms (two sets)
5. Schedule for Submitting the Assignments and Tutorial Meetings.

If you find anything missing, in this packet, out of the above mentioned material, please contact at the address given below;

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**ALLAMA IQBAL OPEN UNIVERSITY ISLAMABAD**  
(Department of Business Administration)

**WARNING**

1. PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.
2. SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".

Course: Fundamentals of Accounting (134)

Semester: Spring, 2014

Level: BBA

Total Marks: 100

**ASSIGNMENT No. 1**

(Units: 1–4)

*Note: Attempt all the questions. All carry equal marks.*

- Q. 1 (a) Briefly discuss the concept of Accounting Information System (06)  
(b) Discuss the benefits and limitations of accounting information systems. (14)
- Q. 2 Explain the term accounting equation. Discuss the similarities and differences between accounting equation and balance sheet. (6+14)
- Q. 3 The trial balance of M/s Amjad is following:

Account Title	Amount (Rs.)	Amount (Rs.)
Cash	22600	
Bank	46520	
Opening Stock	26940	
Electricity Charges	18632	
Transportation Expenses	2156	
Office Supplies	4280	
Accounts Receivable and Payable	16520	12358
Rent	10000	
Wages	17112	
Capital		210650
Miscellaneous Expenses	7624	
Drawings	19624	
Furniture	25310	
Office Equipments	9800	
Salaries	18620	
Purchases and Sales	67850	90580
Total Amount	<b>313588</b>	<b>313588</b>

**Adjustments:**

- (1) Outstanding wages Rs.1680
- (2) Closing Stock was valued at Rs.29680.
- (3) Depreciation on furniture to be charged at 10%

**Required:** Prepared the following statements:

- (1) Income Statement
  - (2) Balance Sheet
  - (3) Worksheet. (7+7+6)
- Q. 4 (a) Explain the term accounting cycle. Why it is called cycle? (5+5)  
(b) Discuss the different parts of accounting cycle in detail. (10)
- Q. 5 (a) Discuss the nature and causes of adjusting entries. (3+5)  
(b) Explain the nature of adjusted trial balance. Discuss the causes of preparation of adjusted trail balance. (4+8)

**ASSIGNMENT No. 2**

(Units: 1-9)

Total Marks: 100

**Note:** Attempt all the questions. All carry equal marks.

- Q. 1 (a) Discuss the importance of consistency and going concern principle in detail. (10)  
(b) The objectivity and cost principles are related in that most users consider information based on cost as objectives. Do you agree or not? Justify your answer. (10)
- Q. 2 (a) Explain the term cash book. Discuss the relationship between cash book and cash account.  
(b) Amjad enterprises completed the following petty cash transactions.  
March 1 Drew a cheque of Rs. 6000 and encashed to establish petty cash fund.  
7 Paid miscellaneous expenses of Rs.569.  
11 Paid postage expenses Rs.980.  
16 Purchased computer papers of Rs.1560.  
19 Paid Rs.550 to deliver merchandize to a customer.  
21 Paid office supplies for Rs.1900.  
**Required:** Pass journal entries to establish the petty cash fund. (10+10)
- Q. 3 (a) What do you understand by the write-off method of bad debts? Explain in detail. (10)  
(b) Why does the direct write-off method of accounting for bad debts usually fail to match revenue and expenses? Explain with examples. (10)
- Q. 4 (a) Explain the term single entry system? Discuss the benefits of double entry system over single entry system. (4+8)

- (b) What is non-profit organization? Discuss the need of proper accounting system for non-profit organization. **(08)**
- Q. 5 Discuss the following topics in detail: **(20)**
1. Cash management
  2. Cost of Goods sold Statement
  3. Full disclosure principle
  4. LIFO method
  5. Receipts and payments account
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## **FUNDAMENTALS OF ACCOUNTING**

### **Course Outline (134)**

**Level: BBA**

**Credit Hours: 03**

**Unit 1: Introduction to Accounting**

- 1.1. Accounting: Concept, Development and Significance
- 1.2. Accounting Theory & Conceptual Framework
- 1.3. Accounting Information System (AIS)
- 1.4. The Basic Accounting Model
- 1.5. Financial Statements: Concept and Characteristics
- 1.6. Users of Accounting Information
- 1.7. Major Fields of Accounting

**Unit 2: Accounting Information Processing Cycle**

- 2.1 Business Events and Business Transactions
- 2.2 Evidence and Authentication of Transactions
- 2.3 Accounting Equation
- 2.4 The Recording Process
- 2.5 Journalizing the Transactions
- 2.6 Posting and Classification of Transactions
- 2.7 Balancing the Accounts
- 2.8 Trial Balance: Concept and Limitations

**Unit 3: Information Processing at the End of the Accounting Period**

- 3.1. Concepts of Accruals and Deferrals
- 3.2. Recording of Revenue and Expenses
- 3.3. Need for Adjusting Entries
- 3.4. Prepaid and Accrued Expenses
- 3.5. Depreciation
- 3.6. Accrued and Unearned Revenues
- 3.7. Adjusted Trial Balance
- 3.8. Work Sheet
- 3.9. Multi Step Income Statement and Classified Balance Sheet
- 3.10. Error Detection and Correcting Entries
- 3.11. Closing and Reversing Entries

**Unit 4: Accounting for Trading Organizations**

- 4.1 Difference Between Manufacturing and Merchandising Organizations
- 4.2 Merchandizing Activities and Reporting
- 4.3 Accounting for Purchases, Sales and Inventories
- 4.4 Inventory systems
- 4.5 Returns, Allowances, and Discounts
- 4.6 Work Sheet for Merchandising Concern
- 4.7 Adjusting Entries and Closing Entries
- 4.8 Cost of Goods Sold Statement, Income Statement and Balance Sheet

**Unit 5: Generally Accepted Accounting Principles (GAAP)**

- 5.1 Business Entity Principle
- 5.2 Consistency Principle
- 5.3 Cost c Principle
- 5.4 Full Disclosure Principle
- 5.5 Going Concern Principle
- 5.6 Lower of Cost or Market Value Principle
- 5.7 Mark to Market Adjustment Principle
- 5.8 Money Measurement Concept
- 5.9 Objectivity Principle
- 5.10 Realization Principle

**Unit 6: Cash and Temporary Investments**

- 6.1 Cash
  - 6.1.1 Nature and Composition of Cash
  - 6.1.2 Cash Claim and Debt
  - 6.1.3 Cash Management and Control
  - 6.1.4 The Imprest Petty Cash System
  - 6.1.5 Maintaining Bank Account
  - 6.1.6 Steps in Preparing the Bank Reconciliation
  - 6.1.7 Cash Flow Statement
- 6.2 Temporary Investments
  - 6.2.1 Purchase of Marketable Securities
  - 6.2.2 Recognition of Investment Revenue
  - 6.2.3 Adjusting Marketable Securities to Market Value
  - 6.2.4 Reporting Investment Transactions

**Unit 7: Receivables and Payables**

- 7.1 Accounts Receivable
  - 7.1.1 Credit Policy
  - 7.1.2 Write-off Methods
  - 7.1.3 Estimation of Credit Losses
  - 7.1.4 Management of Accounts Receivable
  - 7.1.5 Techniques to Minimize Credit Losses
  - 7.1.6 Evaluating the Quality of Accounts Receivable

- 7.1.7 Credit Card Sales
- 7.1.8 Credit Risk
- 7.2 Notes Receivable
  - 7.2.1 Difference between accounts receivable and notes Receivable
  - 7.2.2 Advantages and Disadvantages of Note Receivable
  - 7.2.3 Interest Bearing Notes
  - 7.2.4 Adjustment of Interest on Notes
  - 7.2.5 Endorsement, Discounting and Renewal of Notes
- 7.3 Accounts Payable and Notes Payable
  - 7.3.1 Nature of Liabilities
  - 7.3.2 Current Liabilities
  - 7.3.3 Accounts Payable and Note Payable
  - 7.3.4 Accrued Portion of Long Term Liabilities

**Unit 8: Accounting for Inventory**

- 8.1 Inventory: Concept and Types
- 8.2 Identifiable Costing Methods
- 8.3 Cost Flow Assumption
- 8.4 Inventory Issuing Methods
- 8.5 Lower of Cost or Market
- 8.6 Net Realizable Value
- 8.7 Effect of error in Inventory Valuation on Financial Statements
- 8.8 Inventory Estimation Methods
- 8.9 Liquidity of Inventory

**Unit 9: Single Entry System and Accounting for Non-business Organizations**

- 9.1. Single Entry System
- 9.2. Incomplete Records and Missing Figures
- 9.3. Goods Stolen or Lost
- 9.4. Non Profit Organization
- 9.5. Receipts and Payments Accounts
- 9.6. Income and Expenditure Accounts
- 9.7. Drawing up Income and Expenditure Accounts
- 9.8. Accumulated Fund
- 9.9. Outstanding Subscriptions and the Prudence Concept

**Recommended Books:**

Khan Amanullah M. (updated edition), *“Financial Accounting: A Managerial Prospective”* First Edition. Islamabad, Anas Publishers.

1. Meigs B. Walter and Meigs F. Rebert, *“Accounting: The Basic of business Decisions”* 11<sup>th</sup> Edition. New York, McGraw Hill Book Company.
2. Mukharherjee Amitabha and Hanif Muhammad, *“Modern Accountancy”* Volume First. New Delhi, Tata McGraw-Hill Publishing Company Limited.

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