

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

ACCOUNTING AND FINANCE (5566)

CHECK LIST

SEMESTER: SPRING, 2014

This packet comprises the following material:-

1. Text Books
2. Assignment No. 1, 2
3. Assignment Forms (two sets)
4. Course outlines

In this packet, if you find anything missing out of the above mentioned material, please contact at the address given below:

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Wishing you all the best

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(Course Coordinator)

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: Accounting and Finance (5566)
Level: COL MBA/MPA

Semester: Spring, 2014
Total Marks: 100
Pass Marks: 40

Instructions

- (a) All written assignment must be well organized, presented in an easy-to-read format and neat. Moreover, pay particularly close attention to grammar, spelling, punctuation and understandability. Communication is extremely important in this course.
- (b) Documentation is likewise very important. Un-supported statements or opinions are worthless to the reader, who desires to verify your finding. Complete and specific documentation is mandatory. Also, your references should be to primary sources, except in rare unusual situation.
- (c) Quoting should be kept to an absolute minimum.

Guidelines for Doing Assignments

We expect you to answer each question as per instructions in the assignment. You will find it useful to keep the following points in mind:

- 1) **Planning:** Read the assignments carefully, go through the Units on which they are based. Make some points regarding each question and then rearrange them in a logical order.
- 2) **Organization:** Be a little selective and analytical before drawing up a rough outline of your answer. Give adequate attention to question's introduction and conclusion.
Make sure that:
 - a) The answer is logical and coherent,
 - b) It has clear connections between sentences and paragraphs,
 - c) The presentation is correct in your own expression and style.
- 3) **Presentation:** Once you are satisfied with your answer, you can write down the final version for submission. It is mandatory to write all assignments neatly. If you so desire, you may underline the points you wish to emphasize. Make sure that the answer is within the stipulated word limit.

ASSIGNMENT No. 1

Total Marks: 100

Pass Marks: 40

- Q. 1 a) Accounting is sometime described as the language of business. What is meant by this description? Describe the relationship between accounting process, accounting information, decision makers and economic activities? **(10)**
- b) Identify several ways in which you currently use accounting information in your life as a student. Do the terms financial reporting and financial statements meant the same thing? Explain. **(10)**
- Q. 2 Sameena, after receiving her degree in computer sciences, began her own business called Sameena computing Services. She completed the following transactions soon after starting the business: **(20)**
- a) Sameena began her business with Rs.90,000 cash investment, which she deposited in the United Bank Ltd, Blue Area, Islamabad, branch. She also bought a system library which cost Rs.30,920.
 - b) Paid Rs.5,000 as one month rent for an office.
 - c) Purchased computer for Rs.57,000 paying by cheque.
 - d) Purchased computer supplies on Credit, Rs.6000.
 - e) Developed software and collected revenue from a client Rs.8,000.
 - f) Billed a client Rs.3,710 upon completion of a composing assignment.
 - g) Paid expenses of Rs.400.
 - h) Received Rs.2,710 from the client billed previously.
 - i) Withdrew Rs.1,250 for personal expenses.
 - j) Paid Rs.2,000 of amount owed on computer supplies purchased in d.

Required:

- i) Arrange the assets, liabilities and owners capital accounts in an equation suing the following account titles: cash, debtors, supplies equipment, system library, creditors and Sameena's capital.
 - ii) Show by addition and subtraction the effects of the transactions on the balance sheet equation.
- Q. 3 At the end of first month operation, June 2001, Khalid Plumbing services had the following accounts balances: **(20)**

Cash	Rs.29,300	Tolls	Rs.23,800
Debtors	Rs.15,400	Creditors	Rs.1400
Delivery Truck	Rs.69,000		

In addition, during June, the following transactions affected owner's equity:

Investment by Khalid	Rs.20,000
Repair revenue	Rs.32,800
Drawing	Rs.12,000
Salaries	Rs.28,300
Further investment by Khalid	Rs.30,000
Rent	Rs.7,000
Contract revenue	Rs.51,600
Fuel expense	Rs.4,200

Required: Prepare balance sheet.

- Q. 4 Differentiate between: (20)
- Straight line method and written down value method of providing depreciation.
 - Operating profit and net profit
 - FIFO and LIFO methods of inventory valuation
- Q. 5 a) Discounted cash flow techniques may be fine for some projects, but they have one flaw they ignore depreciation. Depreciation is an important factor in some types of capital investment. Therefore, discounted cash flow methods are useless when considering investment in depreciable assets, “discuss the logic of this position in detail”. (10)
- b) What is the meaning of internal rate of return? Is there any relationship between internal rate and payback period? What is meant by net present value? Explain with suitable example. (10)

ASSIGNMENT No. 2

Total Marks: 100

Instructions:

1. This assignment is a research-oriented activity. You are required to develop a term paper and submit to the tutor for evaluation prior to the final examination. The last date of this assignment will be notified separately by our directorate of regional services and the same will be communicated to you directly as well as through approved study centers assigned to you.
2. You will have to participate in the activity fully, actively, and practically to be eligible to sit in the final examination of the course.
3. For the preparation of this assignment, you should first thoroughly review the conceptual framework of the topic and develop a scholarly material of the same giving references, quotations, and extracts of various scholars and experts. Then visit any business/commercial organization and study the relevant practical aspects there. Combining the theoretical and practical aspects, develop a comprehensive paper consisting of at least 20 to 25 typed pages to be submitted to your tutor.
 - a) Introduction to the topic
 - b) Important sub-topics
 - c) Practical study of the organization with respect to the topic
 - d) Review of theoretical and practical situations, merits, de-merits deficiencies or strengths of the organization with respect to the topic under study.
 - e) Conclusion and recommendation
 - f) Annex, if any
4. Prepare a copy of this assignment and submit to your tutor for your evaluation.

5. You should add any illustrative material/data/tables/analysis for effective submission.
6. If you fail to submit this assignment in the class, then you will not be able to sit in the final examination conducted by AIOU.
A number of topics given below are the general aspects of the course and you are required to select one of the topics according to the last digit of your roll number. For example, if the roll number is N-9337241, you will select topic number 1, and if the roll number is O-3427185 then you will select topic number 5 (the last digit).

List of Topics

0. Accounting Information System
1. Accounting for Plan Assets (Acquisition and Disposal)
2. Accounting for Non-Profit Organization
3. Construction and Analysis of Fund Statements
4. Marginal Costing and Cost Volume Profit Analysis
5. Budgetary control and investment appraisal methods
6. Analyzing working capital
7. Dividend Decision for share holders
8. Financial decision in an electronic industry.
9. Role of Accounting Information System in Pakistan.

ACCOUNTING AND FINANCE (5566)
Course Outline

UNIT-1: ACCOUNTING AND ITS FUNCTIONS

- Scope of Accounting
- Emerging Role of Accounting
- Accounting as an Information System
- Role and Activities of an Accountant
- Accounting Personnel
- Nature of Accounting Function
- Organization for Accounting and Finance

UNIT-2: ACCOUNTING CONCEPTS AND STATEMENTS

- Accounting Framework
- Accounting Concepts
- Accounting Standards
- Changing Nature of GAAP
- Attempts towards Standardization
- Accounting Standards in India

UNIT-3: ACCOUNTING INFORMATION AND ITS APPLICATIONS

- Purposes of Accounting Information
- Accounting and Control in Organization
- Profit and Cash Balance Distinguished
- Uses of Earnings Information

- Uses of Balance Sheet

UNIT-4: CONSTRUCTION AND ANALYSIS OF BALANCE SHEET

- Conceptual Basis of a Balance Sheet
- Constructing a Balance Sheet
- Balance Sheet Contents
- Form and Classification of Items

UNIT-5: CONSTRUCTION AND ANALYSIS OF PROFIT AND LOSS ACCOUNT

- Profit and Loss Account and Balance Sheet: The Linkage
- Measurement of Income
- Preparation of Profit and Loss Account
- Sonic Indirect Expenses
- Methods of Depreciation
- Form of Profit and Loss Account
- Cost of Goods Sold
- Methods of Inventory Valuation
- Complete understanding of Gross Profit, Operating Profit, Net Profit

UNIT-6: CONSTRUCTION AND ANALYSIS OF FUND FLOW STATEMENT

- Working Capital and its Need
- Determining Working Capital Requirements
- Sources of Funds
- Uses (Applications) of Funds.
- Factors Affecting Fund Requirements
- Analyzing Changes in Working Capital
- Fund Flow Statement

UNIT-7: UNDERSTANDING AND CLASSIFYING COST

- Cost Accounting
- Costs
- Elements of Cost
- Components of Total Cost
- Cost Sheet
- Classification of Costs
- Some Other Concepts of Costs

UNIT-8: ABSORPTION AND MARGINAL COSTING

- Absorption Costing
- Marginal Costing
- Absorption Costing and Marginal Costing: Differences
- Marginal Cost
- Segregation of Semi-variable Costs
- Contribution
- Break-even Analysis

- Utility of Marginal Costing
- Limitations of marginal costing

UNIT-9: COST –VOLUME-PROFIT ANALYSIS

- What is Cost-Volume-Profit Analysis?
- Interplay and Impact of Factors on Profit
- Profit Graph
- Cost Segregation
- Marginal Cost and Contribution

UNIT-10: VARIANCE ANALYSIS

- Meaning of Variance
- Cost Variances
- Direct Material Variances
- Direct Labor Variances
- Overhead Variances
- Sales Variances
- Control of Variances
- Variance Reporting

UNIT-11: RATIO ANALYSIS

- Ratio Analysis
- Classification
- The Norms for Evaluation
- Computation and Purpose
- Managerial Uses of the Primary Ratio

UNIT-12: LEVERAGE ANALYSIS

- Concept of Financial Leverage
- Measures of Financial Leverage
- Effects of Financial Leverage
- Operating Leverage, Combined Leverage
- Financial Leverage and Risk

UNIT-13: BUDGETING AND BUDGETARY CONTROL

- Financial Planning
- Budget
- Budgetary Control
- Classification of Budgets
- Budget Control Ratios
- Performance Budgeting
- Zero base Budgeting

UNIT-14: INVESTMENT APPRAISAL METHODS

- Types of Investment Proposals
- Need for Appraisal

- Project Report
- Methods of Appraisal
- Depreciation, Tax and Inflows
- Cost of Capital
- Limitations of Investment Appraisal Techniques

UNIT-15: MANAGEMENT OF WORKING CAPITAL

- Significance of Working Capital, Operating Cycle, Concepts of Working Capital
- Kinds of Working Capital, Components of Working Capital
- Importance of Working Capital Management
- Determinants of Working Capital Needs
- Approaches to Managing Working Capital
- Measuring Working Capital
- Working Capital Management under Inflation
- Efficiency Criteria

UNIT-16: MANAGING CASH NEEDS

- Cash Needs
- Determining Optimal Cash Balance
- Cash Management
- Cash Budgeting

UNIT-17: CAPITAL STRUCTURE

- Capital Structure
- Features of an Appropriate Capital Structure
- Determinants of Capital Structure

UNIT-18: DIVIDEND DECISION

- Forms of Dividend, Dividend Policy
- Role of Financial Manager, Role of Board of Directors
- Factors Affecting Dividend Decision

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