

MICPA Conversion Programme

Module Outline

Financial Accounting 1

FINANCIAL ACCOUNTING 1

AIM

To ensure that students are able to:

1. Explain the role and function of accounting information in business entities, the financial reporting environment, the conceptual framework, the role of accountants and governing bodies, and accounting profession and ethics.
2. Describe the difference between financial reporting of sole proprietorships, partnerships, partnership with limited liabilities and companies.
3. Prepare journal entries, post journals to general ledgers and perform year-end adjustments.
4. Prepare whole set of financial statements including statement of cash flows for sole proprietorships, and companies.
5. Illustrate the principles and types of accounting system, the importance of internal control to organisations and impact of information technology on financial reporting.
6. Analyse and interpret the financial statements.

INTRODUCTION

Financial accounting is also known as the language of business. This paper introduces students to the essential knowledge and principles of financial accounting. Students will be exposed to the role and function of accounting information in business entities, the financial reporting environment, the conceptual framework, the role of accountants and governing bodies, and accounting profession and ethics. They will also learn how to apply accounting concepts, and record business transactions. Students are also required to prepare financial statements including statement of cash flows, for sole proprietorship, and companies. As such, they need to know the basic accounting for assets, liabilities, equity, income and expense. In addition, students will learn about accounting systems, internal controls and analysis and interpretation of financial statements.

EXAMINATION FORMAT

A 3-hour written paper comprising 5 – 6 compulsory questions

SYLLABUS WEIGHTING

SYLLABUS CONTENT AREA	WEIGHTING
Overview of Accounting and Financial Reporting Environment Conceptual Framework (2018)	20%
Accounting Systems and Controls	5%
Recording Business Transactions Accrual Accounting	20%
Accounting Principles for Assets Accounting Principles for Liabilities and Equity	20%
Financial Statements for Sole Proprietorships, Partnerships, Limited Liability Partnerships and Companies Presentation of Financial Statements	15%
Statement of Cash Flows (MFRS 107)	10%
Analysis and Interpretation of Financial Statements	10%
Total	100%

SYLLABUS CONTENT

NO	TOPIC	HOURS
1.	Overview of Accounting and Financial Reporting Environment a) Role of accounting information in business entities b) Types of business entities c) Service, trading and manufacturing business d) Financial Accounting and Management Accounting e) Role of accountants and governing bodies f) Accounting profession and ethics	4
2.	Conceptual Framework (2018) a) General purpose financial reporting b) Qualitative characteristics of, and the cost constraint on, useful financial information c) Objective and scope of financial statements d) Users of accounting information e) Assumptions in financial reporting f) Elements of financial statements (Asset, Liability, Equity, Income and Expense) f) Accounting Equations	4
3.	Accounting Systems and Controls a) Principles of accounting systems b) Manual versus computerised accounting systems c) Internal controls systems d) Impact of information technology on financial reporting	2
4.	Recording Business Transactions a) Accounting cycle for business transactions b) Double entry accounting c) Journals, ledgers and chart of accounts d) The trial balance	4
5.	Accrual Accounting a) Accrual accounting versus cash basis accounting b) Recognition of revenue and expenses c) Accounting principles for revenue and expenses d) The adjusting journal entries e) The adjusted trial balance	4
6.	Financial Statements for Sole Proprietorships, Partnerships, Limited Liability Partnerships and Companies a) Formation and capital structure b) Presentation requirements (MFRS 101) c) Annual reports of companies d) Preparation of financial statements for sole proprietorships and companies	4
7.	Presentation of Financial Statements a) Statement of Profit of Loss and Other Comprehensive Income b) Statement of Financial Position c) Statement of Changes in Equity d) Statement of Cash Flows e) Relationships among the Financial Statements	2

NO	TOPIC	HOURS
8.	Accounting Principles for Assets a) Non-current assets versus Current assets b) Property, plant & equipment c) Inventories d) Accounts receivable e) Prepayments f) Cash	6
9.	Accounting Principles for Liabilities and Equity a) Non-current liabilities versus current liabilities b) Share capital and debenture	2
10.	Statement of Cash Flows (MFRS 107) a) Importance of Statement of Cash Flows b) Concepts of cash and cash equivalents c) Direct method d) Indirect method e) Cash flows from operating activities f) Cash Flows from investing activities g) Cash flows from financing activities	4
11.	Analysis and Interpretation of Financial Statements a) Horizontal analysis b) Vertical analysis c) Benchmarking d) Ratios analysis	4
	Total	40

RECOMMENDED REFERENCE TEXTS

AUTHOR	TITLE	PUBLISHER
Harrison, W. T., Horngren, C. T., Thomas, C. W., & Suwardy, T. (2018)	Financial accounting: International Financial Reporting Standards, 11 th Edition	Pearson, Boston
Weygandt, J.J., Kimmel, P.D. & Kieso, D.E. (2018)	Financial Accounting with International Financial Reporting Standards, 4th Edition	Wiley, US
Ahmad, A., Mohd Saat, N.A., Mahmud, R., Mohd Aripin, R., Ngalim, S.M., Maswati, A.T. and Atqa, A.A. (2020)	Financial Accounting & Reporting 1, 2 nd Edition	Oxford University Press, Malaysia

OTHER REFERENCES

Malaysian Financial Reporting Standards (MFRS) issued by MASB; available at www.masb.org.my

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