

Fundamentals of Accounting

A Two-Day Programme



Aim and Objectives

The aim of this course is that the delegates gain knowledge of the fundamentals of accounting, and an understanding of the main financial statements used.

No prior experience of accounting is required although delegates should have some basic mathematical ability and should bring a calculator to the course.

By the end of this course, participants will be able to:

- Describe how to record transactions
- Describe the utilisation of the balance sheet and the profit and loss account
- Understand how cash flow statements work
- Explain how audits and regulatory requirements work
- Describe the international accounting environment

Methodology

The course will involve instruction in the fundamentals of accounting with a focus on actively involving participants in discussion and practical application of standards. The course will run on a workshop basis with each workshop including:

- Short instructor-led sessions
- Slide presentations
- Practical exercises

Day One

Session 1

Introduction to Accounting

- Understanding the business process
- The balance sheet equation
- Understanding different types of business entities
- Generally accepted accounting practices

Session 2

An Overview of the Accounting Fundamentals and Environment

- Double entry bookkeeping
- Principles of accounting

Exercise: Double entry bookkeeping

Session 3

Recording Transactions

- The concept of double entry bookkeeping
- Understanding debits and credits
- Books of prime entry
- Nominal ledger
- Trial balance
- Types of errors and how to prevent them
- Accounting and modern EDP and ERP systems

Case study: To be agreed with the client

Session 4

Balance Sheet

- Using the balance sheet equation
- Fixed assets
- Current assets
- Liabilities
- Capital and reserves
- International Accounting Standards (IAS) format balance sheet

Case study: To be agreed with the client

Session 5

Profit and Loss Account

- Measuring earnings
- Sales
- Gross profit
- Operating expenses
- Understanding the difference between revenue items and capital items
- Accrual accounting
- Earnings per share

Case study: To be agreed with the client

Session 6

Special Situations

- Market value versus book values
- Goodwill
- Depreciation
- Off balance sheet financing
- Stock valuation

Exercises

Day Two

Session 1

Introduction to Cash Flow Statements

- Operating profit
- Non cash items
- Difference between cash flow and funds flow
- Changes in working capital investment
- Capital expenditure and disposals

Exercises

Session 2

Cash Flow Statement

- The cash flow cycle
- Linking the balance sheet and the profit and loss account
- Operating activities
- Investing activities
- Financing activities
- Cash flows on a net basis

Exercises

Session 3

More Advanced Cash Flow Statements

- Extraordinary items
- Foreign currency
- Interest and dividends
- Taxation
- Acquisitions and disposal of subsidiaries
- Non-cash amounts
- The direct method versus the indirect method

Case study: To be agreed with the client

Session 4

Audits and Regulatory Requirements

- Regulatory framework and reports on corporate governance
- Chairman's statement
- Operating and financial review
- Directors report
- Audit report

Session 5

The International Accounting Environment

- Accounting diversity
- The need for accounting harmonization
- IASC; US GAAP and UK GAAP – history and objectives