



SECOND SEMESTER 2023-24
COURSE HANDOUT

Date: 10.01.2024

In addition to part I (General Handout for all courses appended to the Time table) this portion gives further specific details regarding the course.

Course No.	: ECON F212
Course Title	: FUNDAMENTALS OF FINANCE & ACCOUNTING
Instructor-in-charge	: Krishna M
Instructors	: Aprajita Pandey

1. Course description:

Accounting is the language of business. Through this language, the business (i.e. the Company) not only maintain the records of transactions it undertakes during the course of its existence, but also communicates with the outside world by publishing various financial reports that summarize transactions undertaken by the company. Therefore, it is important to note here that this course entails two important and interrelated aspects, i.e.

- a. Recording transactions, and
- b. Preparing financial statements such as balance sheet, income statement, etc.

Since, b. follows a., it is important to learn the recording of transactions first to learn preparing financial statements.

The course will introduce you to the following key concepts: introduction, standards and basic rules of accounting, double-entry accounting system, identifying and recoding transactions, preparing trial balance, dealing with incomplete transactions, preparing the balance sheet, types of ownership, credibility and role of auditing, measuring income, adjustments to the accounts, preparing the statement of cash flows, recording sales revenue, reporting inventories and cost of goods sold, recording capital assets, liabilities and interest, stockholders' equity and valuation of financial assets.

This course is specifically designed to meet the educational needs of second year Economics students and students pursuing Finance minor program. To complete the program requirement, the students from Economics and Finance background require a basic understanding on accounting principles and financial statement analysis. This course serves that purpose, and it is prerequisite to other advanced courses that students from (MSc) Economics and Finance (minor) undertake in the subsequent semesters. Hence, being elementary in nature this course has got its relevance and importance. Besides, a few students also take this course as an elective to pursue their academic interests in the field of finance.

2. Scope and Objective:

The scope of this course largely encapsulates an introduction to the *reporting system* used by businesses to record and convey financial information to investors, analysts, and regulators.



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This reporting system is referred to as financial accounting. The key learning objectives that this course accomplishes enables participants in learning:

- how companies *identify* and *record* transactions that have a financial impact and are critical to day-to-day functioning of the company.
- how using a systematic procedure, the recorded transactions are summarized into meaningful and standardized reports (financial statements) such as the balance sheet, statement of income etc.
- the key components that form part of these financial statements.
- how these financial statements are analyzed and what information do they convey about the financial well-being and prospects about the company.

3. Text Book: The below given text-book (prefer 11th Edition) is highly recommended for this course.

TB1: Horngren, Sundem, Elliott and Philbrick, “Introduction to Financial Accounting”, Pearson Education India Ltd., 11th edition, 2018.

4. Ref. Books:

R1: Libby, Robert., Libby, Short, “Financial Accounting”, Tata McGraw-Hill., 6th edition, 2011 R2: R Narayanaswamy, Financial Accounting: A managerial perspectives, 6th edition, PHI 2017

5 Course Plan:

Module No.	Lecture/tutorial session	References	Learning objectives
1. Basics of financial Accounting	L1.1 Introduction, significance of financial accounting, scope and prospects, evaluation scheme of the course	Class Notes	Understanding the relevance of accounting in business transactions and its recording process
	L1.2 Understanding business, Why we invest, financial statement users, analyzing financial statements, double-entry accounting system, debits and credits, Accounting rules and procedures	Class Notes; Ch. 1,R1	
	L1.3 Assumptions in financial reporting, GAAP, Indian accounting system, IFRS, Ind AS, and Indian GAAP, Accounting methods, types of accounts, analyzing transactions, accounting process	Class Notes; Ch. 1,R1	
2: Accounting : The Language of Business and recording transactions	L2.1 Accounting system: traditional versus modern, Analyzing, and journalizing transactions, posting transactions to ledger, accounting rules	Ch.3, TB1	Identifying the steps involved in the recording of business transactions and
	L2.2: Preparing the trail balance, effects of errors; accounting system, Some basic accounting concepts	Ch.3, TB1& class notes	
	L2.3: Revenue and expense transactions, depreciation, and prepaid transactions,	Ch.3, TB1; Ch. 1R2	



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	L2.4: accumulated depreciation, adjusted vs unadjusted trial balance	Ch.3, TB1	preparation of
	L2.5: Financial statements from trial balance	Ch.3, TB1	trial
	L2.6: Closing the accounts, capital vs. revenue, types of errors, ethics	Ch.3, TB1	balance
	T2.1 CASE STUDY and Critical thinking problems		
3: Measuring Income to Assess Performance	L3.1: Basics of income measurement, operating cycle, concepts related to income, recognition of revenue, the income statement	Ch.2, TB1	Preparing and analyzing the income statement
	L3.2: Understanding income statement, cash dividends and retained earnings	Ch.2, TB1	
	L3.3: Four popular financial ratios with real-world cases.	Ch.2, TB1	
	T3.1 Critical thinking problems and real-world cases	Class notes	
4. Adjustments to the accounts and Financial Statements	L4.1 Adjustments to the accounts. four types of adjustments	Ch.4, TB1	Understand different types of accounting adjustments
	L4.2: four types of adjustments, classified balance sheet	Ch.4, TB1	
	L4.3 Income statement and profitability evaluation ratios	Ch.4, TB1	
	T4.1 Critical thinking problems using financial statements	Ch.4, TB1	
5. Statement of cash flows	L5.1 Overview the cash flow statement, preparing the cash flow statement, types of cash flow activities, inflows and outflows of cash flows	Ch.5, TB1	Preparation of cash flow statements using direct and indirect methods and its importance
	L5.2 Cash flow statement and balance sheet, examples of cash flow statements		
	L5.3 Methods of preparing cash flow statements, accounting rules, the importance of cash flow statements	Ch.5, TB1	
	T5.1 Critical thinking problems and real-world cases		
6: Accounting for Sales	L6.1: recognition of sales revenue, measuring sales revenue, cash sales and account receivables	Ch.6, TB1	Recording the sales using contra account and internal controls
	L6.2: Measuring of uncollectible accounts Assessing	Ch.6, TB1	



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	the level of account receivable, Internal control		
	T6.1 Critical thinking problems and real world cases		
7: Inventories and Cost of Goods Sold	L7.1: Profit and cost of goods sold, types of inventory systems, cost of merchandise acquired, Inventory valuation methods	Ch.7, TB1	Estimating the cost of goods sold and inventory valuation
	L7.2: Inventory valuation methods: LIFO and FIFO, effects of inventory errors, importance of gross profits, internal control of inventories	Ch.7, TB1	
	T7.1 Critical thinking problems		
8. Long-lived Assets and Depreciation	L8.1: Overview of long-lived assets, expenditure versus expenses, acquisition of tangible assets, depreciation of building and equipment	Ch.8, TB1	Estimating and accounting tangible and intangible assets
	L8.2: Changes in estimated useful life, contrasting income tax and shareholding reporting	Ch.8, TB1	
	L8.3 Methods of depreciation, Depreciation and cash flow, gains and losses on sales of tangible assets, impairment, goodwill	Ch.8, TB1	
	T8.1 Critical thinking problems		
9. Liabilities and Interest	L9.1 Accounting for current liabilities, other liabilities, long-term liabilities	Ch.9, TB1	Understand the recording of current and
	L9.2 Bond accounting, accounting for lease, other long-term liabilities	Ch.9, TB1	
	L9.3 Debt ratios and interest covering ratios, pensions and deferred taxes	Ch.9, TB1	non-current liabilities
	T9.1 Critical thinking problems		
10 Stockholder's Equity	L10.1 Types of share capital, cash dividend, preferred stock	Ch.10, TB1	Understanding types of shares and how to account owners' capital
	L10.2 additional stock issuance, stock splits and stock dividends, repurchase of stocks	Ch.10, TB1	
	L10.3 Other issuance of common stocks, retained earnings restricts, other components of stock holders' equity	Ch.10, TB1	
11: Financial Statement Analysis	L11.1 Sources of information about companies Auditor's report, objectives of financial statement analysis, evaluating trends	Ch.12, TB1	Evaluate the performance and financial position of companies



	L11.2 Financial ratios, operating performance and financial decisions, real world cases	Ch.12, TB1	
	L11.3 Prominence of earning per share, Disclosure of nonrecurring items, international issues, valuation issues, relating cash flow and net income	Ch.12, TB1	

6 Evaluation Scheme:

Component	Duration	Weightage (marks)	Date & Time	Remarks
Mid-Semester Test	90 Min.	30% (90)	As per timetable	Closed book
Comprehensive Exam	3 hrs.	40% (120)	As per timetable	Partly open book
QUIZ (Best 2 of 3)	30 Min.	30% (90)	To be announced	Closed book

7 Learning outcome

Students who complete this course would be able to

- Understand the accounting methods for recording the business transactions.
- Evaluate various financial concepts and preparation of financial statements-balance sheet, income statement, and cash flow statement.
- Identify the financial position and performance of the companies.
- Make better economic decisions while undertaking investments in financial assets.

Closed Book Test: No reference material of any kind will be permitted inside the exam hall.

Open Book Exam: **Only prescribed reference (i.e., textbook/reference books) and hand-written lecture notes are allowed inside the exam hall.** The use of calculator is permitted in all exams, including quizzes. Exchange of any material *is not* allowed inside the examination hall.

Make-up policy:

The application for make-up of the mid-semester and the comprehensive exam will not be entertained without genuine reasons. Application must be submitted to instructor-in-charge along with documents supporting the reason for seeking make-up beforehand. All such documents must be verified by the respective authorities such as hostel warden and medical superintendent.

Chamber Consultation Hour: To be announced by respective instructors.

Notices: Notices concerning the course will be circulated via Nalanda and/or will be put on Economics and Finance Notice Board (6165, NAB).

Instructor in-charge
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