Principles of Accounting

Lecturer: Kondrakhina Olesya
Class teachers: Kondrakhina S. Olesya, Victoria V. Poleschuk, Tatyana S. Shurchkova, Ekaterina V. Kononova, Kristina S. Pogosbekyan

Course description

The course develops background for understanding and reading companies’ financial reports and for assessing company’s financial position and making managerial decisions. The course covers basic concepts of modern financial reporting, essentials in UK standard of financial and managerial accounting. It provides basic knowledge in preparing, processing and interpreting the data about business transactions for different types of external as well as internal investors, management and other accounting information users. The course requires the knowledge in micro and macroeconomics and banking. The course is based on lectures, seminars, case studies and self-study. “Principles of Accounting” is a two-semester course designed to prepare students for UL examination.

Teaching objectives

The course is focused on developing skills in preparing and analyzing companies’ financial statements and data for decision-making purposes. By the end of autumn semester students are expected to be able to apply a set of accounting concepts to read annual financial report of a corporation and financial ratios to assess its position. By the end of spring semester students are expected to apply managerial accounting analytical tools for internal control, pricing and developing different budgets for financial planning purposes as well as to get essential skills in capital budgeting techniques.

Teaching methods

The following methods and forms of study are used in the course:

- lectures
- classes
- teacher’s consultations
- self-study
- written home assignments
- essay writing
Assessment

Current control includes: written home assignments, essays and their assessment, participation in classwork by solving exercises and case presentations.

Intermediate control is based on mid-term exam in each semester plus first-term exam in January in UOL format or MOCK exam in March/April.

Final exam is set by the University of London.

Grade determination

The first term grade is calculated as weighted average with the following weights:

- 10% — for written home assignments
- 10% — for class participation
- 30% — for the mid-term exam
- 50% — for the first-term exam in January

The final grade is based on the final UOL/HSE exam (60%) and the remaining 40% is given for performance evaluation during the course including:

- 17% — for the first term grade
- 15% — for the spring MOCK exam grade
- 8% — for home assignments and class participation in the second term

Main reading


3. V. Dobrynskaya, V. Poleshchuk Management Accounting: A Key to Your Success in the Exam. ICEF, 2013


Additional reading


2. Reader in Managerial Accounting. (R)


7. Николаева О.Е., Шишкова Т.В.. Управленческий учет. Москва:УРСС.1997


12. Д.Шим, Д.Сигел. Основы коммерческого бюджетирования. ЗАО “Бизнес Микро”.2001


Course outline

Accounting Model of the Organization

1. Introduction to the Course. The Scope of Accounting

partnership, the limited companies (corporations). The type of organization and the scope of accounting information. Accounting leaders and institutions. The regulation of financial reporting: institutional framework and the role. The usefulness of accounting standards. Generally Accepted Accounting Principles and accounting policies. The need for harmonization of financial accounting standards: what has been done in IAS and under European Directives.

(GU Ch.1–3; SG; AHSK Ch.1–3)

2. Basic Accounting Elements and Accounting Equation


(GU Ch.4; SG; AHSK Ch.4)

3. The Framework for Conventional Accounting Model


(GU Ch.5–7; SG; AHSK Ch.3)

4. Building Accounting Cycle


(GU Ch.8–9; SG; AHSK Ch.5)

5. Periodic measurement and identification of revenues and expenses

Accounting concepts and the need to adjust revenues and expense accounts. Adjusting revenues accounts for amounts owing at the end of the period. The use of debtors’ accounts. The types of debtors and the types of debts. The reasons for bad debts and accounting for bad debts. Provisions for doubtful

(GU Ch.10; SG; AHSK Ch.6 (pp.144–158), Ch.7)

6. Preparing Balance Sheet and Profit and Loss Statement


(GU Ch.11; SG)

7. Accounting and Reporting the Asset of Stock (Inventory)

The asset of stock and the need for closing stock adjustments. Perpetual and periodic stock (inventory) measurement. The need for stock (inventory) valuation. The type of the business and the stock flows. Stock (inventory) costing: first-in, first-out (FIFO); last-in, first-out (LIFO); average cost (AVC). The choice of stock flow assumptions and accounting policies. The influence of inventory costing over the reported profits. Inventory (illusory) profits. Lower of costs or market rule. Net realizable value of stocks.

(GU Ch.11; SG)

8. Accounting and Reporting Noncurrent Assets: Fixed Assets


(GU Ch.12; SG; AHSK Ch.6, pp.160–173)

9. Accounting and Reporting Intangible Assets

Major types of intangibles (patents, licenses, trademarks and brands, software, goodwill) and their role in new economy. Internally created intangibles and acquired intangibles. The asset recognition criteria and accounting treatment of intangibles. The methods of writing off the intangibles. Amortization

(GU Ch.12; SG; AHSK Ch.6, pp.160–173)

10. Elements of Accounting and Financial Reporting in Limited Companies (Corporate Enterprises)


(GU Ch.13; SG; AHSK Ch.8)

11. Basic Financial Statements of Limited Companies


(GU Ch.14; SG; AHSK Ch.8)

Interpretation of Financial Reports

12. The Cash Flow Statement


(GU Ch.15; SG; AHSK Ch.11)

13. Analysis of Financial Performance

(GU Ch.16; SG; AHSK Ch.10)


(GU Ch.19–21; SG; AHSK Ch.12–14)

Accounting and Managerial Decision-Making

15. Managerial Accounting: Costing Concepts and Costing Systems


(GU Ch.25–26; SG; R)


(GU Ch.27; SG)

17. Cost — Volume — Profit Relationship and Analysis

margin of safety. The sales mix and break-even analysis. Target profit analysis. Limitations in CVP analysis.

\[GU \text{ Ch.28; R}\]

18. Variable Costing

Variable (marginal) costing compared to absorption (full) costing. Variable costing and stock valuation. Variable costing and activity-based costing. The benefits and limitations of variable costing. Variable costing controversy.

\[GU \text{ Ch.29; R}\]

19. Accounting Data and Pricing


\[GU \text{ Ch.30; R}\]

20. Profit Planning and Budgeting


\[GU \text{ Ch.30; R}\]

21. Standard Cost and Variance Analysis


\[GU \text{ Ch.35–36; R}\]

22. Basics of Capital Budgeting


\[GU \text{ Ch.31–32; R}\]

23. Using Accounting Data in Performance Evaluation


*(GU Ch.37–38; SG; R)*

### Distribution of hours

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