

OBERLIN HIGH SCHOOL
BUSINESS EDUCATION DEPARTMENT
Principles of Accounts
Term 1 Course Outline

SPECIFIC OBJECTIVES	CONTENT
Students should be able to:	
1. explain the purpose of preparing financial statements;	The purpose of preparing Financial Statements to satisfy the needs of the users.
2. identify the components of the Financial Statements;	<i>Trading and Profit and Loss Account and Balance Sheet.</i>
3. *draw up the <i>income statement for sole traders</i> to determine gross profit or loss and net profit or loss;	<i>Income statements for sole traders including adjustments for return inwards (sales returns) and return outwards (purchases returns), carriage – inwards and outwards; and closing inventory.</i>
4. *prepare classified balance sheet in vertical style;	Definition of working capital (<i>net current assets</i>); calculation of working capital; preparation of classified Balance Sheet showing working capital.
5. explain the significance of the working capital for the operation of a business;	Working capital as a basic tool for solvency; working capital formula.
8. *show the effect of net profit or loss on capital; and,	Treatment of net profit or loss on the Balance Sheet.

◆ SECTION 6: ACCOUNTING ADJUSTMENTS

SPECIFIC OBJECTIVES	CONTENT
Students should be able to:	
1. <i>explain accounting concepts that underpin the need for adjustments;</i>	<i>Prudence, accrual, consistency.</i>
2. <i>explain why adjustments are made to financial statements;</i>	<i>The reasons for adjustments; application of the matching/accruals concept.</i>
3. <i>prepare journal entries and ledger accounts to reflect adjustments and the treatment in the balance sheet;</i>	<i>Pre-payments – prepaid expenses and advanced revenues; Accruals – accrued expenses and revenues.</i> <i>(a) Journal entries.</i> <i>(b) Ledger accounts.</i>
4. <i>explain the reasons for bad debts;</i>	<i>Definition of bad and doubtful debts; reasons for bad debts (aging debtors) and provisions for doubtful debts.</i>
5. <i>*prepare journal entries and ledger accounts to write off bad debts and create provision for doubtful debts;</i>	<i>Journal entries and ledger accounts.</i>
6. <i>indicate the treatment of bad and doubtful debts in the Income Statement and Balance Sheet;</i>	<i>Accounting entries in the Income Statement and Balance Sheet.</i>
7. <i>discuss the nature of depreciation;</i>	<i>Definition of depreciation.</i> <i>Causes of depreciation.</i> <i>Factors to be considered when calculating depreciation (cost, estimated useful life and scrap value).</i>
8. <i>*calculate annual depreciation expenses using straight line method and reducing balance method;</i>	<i>Straight line method (using formula) and reducing balance method of depreciation.</i>

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| 9. | <i>*prepare journal entries and ledger accounts for provision for depreciation;</i> | Journal entries for the provision for depreciation; the maintenance of the provision for depreciation account; the treatment of accumulated depreciation on the Balance Sheet; the determination of Net Book Value (NBV). |
| 10. | distinguish between capital expenditure and revenue expenditures; | Capital expenditure; revenue expenditure. |
| 11. | determine the amount of expenses or revenues to be transferred to the <i>Income Statement</i> ; | Journal entries and Ledger accounts for expenses and revenues. |
| 12. | <i>*prepare income statements to reflect adjusting entries; and,</i> | <ul style="list-style-type: none"> (a) Pre-payments and accruals. (b) Indicate where accruals and prepayments will appear on the Balance Sheet. |
| 13. | <i>*prepare Financial Statements after adjustments.</i> | The preparation of adjusted Financial Statements. |

◆ SECTION 8: ACCOUNTING FOR PARTNERSHIPS

SPECIFIC OBJECTIVES

CONTENT

Students should be able to:

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| 1. | define a partnership business; | Definition of partnership; comparison of a partnership with sole traders and corporations; types of partners. |
| 2. | state the features of a partnership; | Features of partnership – voluntary association, mutual agency, unlimited liability. |
| 3. | give reasons for establishing partnerships; | Reasons for formation of partnership, for example, increased capital, diverse skills. |
| 4. | outline the essential components of a partnership agreement; | Features of partnership agreement, including share of profits, interest on capital and drawings, salaries. |
| 5. | *prepare journal entries and ledger accounts to record the capital of partnership; | The capital account of partners – cash and non-cash resources; types of capital account – fixed and fluctuating capital accounts and their implications. |
| 6. | *use various methods to share profit/loss among partners; | Methods of sharing profit/loss: capital ratio, fixed percentage, equally. |
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| 7. | *prepare appropriation account of partnerships; | The preparation of the appropriation account. |
| 8. | *prepare current account of partners; | The current account prepared with items posted from the appropriation account; columnar form and single accounts. |
| 9. | explain the significance of the brought down balances on partners' current accounts; and, | The significance of the debit and credit balances brought down on the current accounts. |
| 10. | *prepare balance sheet of partnerships. | The treatment of current account balances on the balance sheet; (<i>emphasis on capital section</i>). |