Introduction to Accountancy

Module Code: ECO00008I  Credits: 10  Year: 2  Terms: 1
Contact Hours: 8 Lectures, 3 Seminars (11 contact hours)
Module Organiser: Dr A Salama

Overview:
The module provides an introduction to company accounting and financial reporting for students taking the Economics and Finance degree and other economics related degrees.

Aims:
- To introduce the student to the main principles of company accounting and financial reporting, and to give the student an overview of the activities of the accountancy profession in the UK and the main challenges which it faces.

Objectives:
On completing the module a student should:
- Be aware of the main activities of the accountancy profession, including the activities and duties of company auditors and the main problems which surround the role of the auditor
- Be familiar with the main accounting and legal entities in the private sector and their relative advantages and accounting obligations, and with the main items to be found in a typical Annual Report of a public limited company (PLC), and the reasons for this content
- Understand the process of accounting standards setting in the UK and related accounting concepts and desirable attributes of financial statements
- Understand the main sources of capital for a company and how these and other main accounting items make up the content of a Balance Sheet or Statement of Financial Position for a company and understand the meaning of each of these items and the valuation issues which arise in the context of items such as stock/inventories
- Understand the meaning of, and main differences between, accruals accounting and cash-flow accounting, and their relationship to the recording of business transactions; understand the relevance of accruals accounting to profit measurement and the concept of depreciation; and understand the meaning and nature of the main entries in a company's income statement or profit and loss account, and its statement of changes in equity
- Understand the role of the cash-flow statement in company accounting, the differences between solvency and profitability and the required content of a company's cash-flow statement and its meaning
- Understand who the potential users of company accounts are, their respective user needs and how the different concepts of ratio analysis and trend analysis can help to satisfy these needs, and how the existence of inflation and other limitations can distort these analyses
- Understand the main sources of tax revenue in the UK, the main features of income tax, capital gains tax and corporation tax in the UK, and the role of the accountancy profession in relation to the tax system, including the differences between tax compliance and tax planning
- Be able to draw up basic company Statements of Financial Position, Income Statements and Statements of Changes in Equity, and carry out detailed ratio analysis on them and carry out basic corporation tax computations, from raw data on company transactions.
Assessment:
There will be a 2-hour unseen examination in the Spring Term. Three questions are to be answered from a choice of six questions. This typically includes at least one numerical question.

Copies of past examination papers are available on the Department's website.

Pre-requisites:
Economics I (ECO00001C)

Main References: