

FINANCIAL ACCOUNTING I

ACCT. 201

By

Dereje Assefa

Tiruzena Asrat

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Bahir Dar

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PREPARED BY

Dereje Assefa (First, Second, Third & Fourth Chapter)

Tiruzena Asrat (Fifth, Sixth, Seventh & Eighth chapter)

EDITED BY

Teramaj Walle

Asmamaw Yigzaw

BAHIR DAR UNIVERSITY

DEPARTMENT OF ACCOUNTING

B.A. DEGREE IN ACCOUNTING

FINANCIAL ACCOUNTING I

COURSE INTRODUCTION

Financial reporting plays a unique role in the allocation of resources in our economy by providing information necessary for informed investment and credit decision. Because of the importance of the financial reporting process, it is imperative that preparers and users of the information presented in financial statements understand what the data represent and how data are determined. Only then can financial reports be used as a basis for good business decisions.

Financial Accounting is study of the public information that organizations publish about their economic performance. This information is disseminated to those outside the organization for evaluation and action.

Investors decide which firms' stocks or bonds they will buy. Other organizations use the data to decide whether to acquire them. Governments develop tax and trade policies based in part on financial reporting information. These are only a few of the major types of decisions, which rely heavily on accounting data. Dear student, this distance teaching material presents partly the subject mater of this area so that you will be aware of many types of information that are made available, the rules that govern its composition and disclosure, and some of the limitations of current financial reporting practice

To give focus to the subject matter, we have organized the material in to parts. The first part, Basic Concepts and Financial Statements, includes an overview of accounting principles and professional practice, a summary of

the accounting process, recognition of revenue and expenses, financial statements and additional disclosures, and present and future value concepts to financial accounting measurements. The second part of this material, Working Capital, addresses the accounting for cash and short-term investments, receivables, and inventories

The material includes abundant learning activities (most of them with solutions), in-text questions, and self-assessment questions with their solutions at the end of the material. You are highly recommended to make

effective utilization of all these learning aids. Try all the questions with out looking the solutions first.

Course objectives

At the end of the course you should be able to

- Discuss the general role of Financial Accounting and Reporting in business environment.
- Explain how and why the principles currently governing Financial Accounting have developed and applied.
- Explain and illustrate the basic financial statements.

There are symbols in the course material to guide you as you study.





This tells you there is an **activity** for you to do.

This tells you there is a **question** to answer or think about in the text.



This tells you there is a self-examination question for you to do



This tells you that there are the **answers** to the self-examination questions.

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