

## **Business Accounting**

### **I. Subject Overview and Objective**

Accounting is the methodology of presentation of financial outcomes on businesses in terms of recognized principles and standards. The application of correct accounting methodology shows true condition of the financial status of a business. The contents and presentation of financial statements showing the financial status and underlying accounting standards differ among businesses. Accounting is a separate professional career field which requires theoretical and practical training of several years. Banking and financial institutions also will require employment of dedicated/qualified accounting professionals. Therefore, this subject is not intended to teach accounting as a professional subject which involves tedious and meticulous numbering exercises in line with numerous accounting principles and standards. However, professionals in banking and finance businesses need to understand major contents in the financial statements of their employer institutions and corporate customers to enable them to evaluate the financial status of their employer institutions, impact and contribution of their work in the institution and creditworthiness and performance of their business customers. The understanding in financial statements of business institutions will also promote integrity of employees since they know the importance of their work on the financial soundness and long-term sustainability of the institutions. Therefore, this subject is designed to provide knowledge on understanding of key financial statements prepared under Sri Lanka Accounting Standards and underlying major accounting standards and regulatory requirements that mainly relate to financial and other business entities.

### **II. Recommended Subject Coverage**

- (a) Basic concepts and principles underlying Accounting & Financial Statements of business enterprises and others: Objective of Financial Accounting, Cash and Accrual Concepts
- (b) Preparation of ledger accounts and supporting documents: Ledger Accounts, Bank reconciliations, Trial balance and other specific accounting treatments such as taxes
- (c) Recognition and Measurement of financial instruments (LKAS 39) and other assets(LKAS 16, LKAS 17 and LKAS 40): Financial assets and liabilities designated at fair value through profit and loss, financial assets and financial liabilities held for trading, held-to-maturity investments, loans and receivables, lease receivables (financial and operational),property, plant and equipment, investment properties, impairment and uncollectibility of financial assets and interest income after impairment recognition
- (d) Introduction to preparation of financial statements and disclosure of financial instruments (Statements of financial position, total comprehensive income, cash flow and changes in equity): Sole Proprietorships, Partnership, Limited Liability Companies, Manufacturing Companies, Others (Not for profit organizations(NPOs),Clubs and Associations)
- (e) Understanding of preparation and presentation of financial statements of financial institutions (banks, finance companies, insurance companies)and statutory requirements of the Banking Act, Finance Business Act, Regulation of Insurance Industry Act, Securities and Exchange Commission Act, Companies Act and Sri Lanka Accounting and Auditing Standards Act.