Principles of Accounts

Subject code: K233 (G2)
K342 (G3)

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MIGHTY IN THOUGHT AND DEED

ZEST FOR LIFE · CURIOUS MIND · GENEROUS SPIRIT

New words and terms

- **Assets**

- **Liabilities**

- **Expenses**

- **Income**

What students learn in POA

- Learn how to prepare and present accounting information.
- Students will be equipped with the basic knowledge and skills to prepare and present accounting information and communicate them in a useful manner that can be understood by the users

Example of preparation and presentation of accounting information

Z Health Food

Statement of Financial Performance for the year ended 31 December 2025

	$	$
Sales revenue	252,500	
less: Sales returns	1,300	
Net sales revenue		251,200
less: Cost of sales		110,000
Gross profit		141,200
Other income		
Discount received		800
less: Other expenses		
Discount allowed	700	
Salaries expense	36,000	
Rent expense	48,000	
Insurance expense	24,000	
General expenses	5,000	
Utilities expense	11,000	
Interest expense	1,000	125,700
Profit for the year		16,300

Z Health Food

Statement of Financial Position as at 31 December 2025

	$	$
Assets		
Non-current assets		
Fixtures and fittings	50,000	
Office equipment	10,000	
Motor vehicle	80,000	140,000
Current assets		
Inventory	55,000	
Trade receivables	43,000	
Cash in hand	3,000	
Cash at bank	22,000	123,000
Total assets		263,000
Equity and Liabilities		
Owner's equity		
Capital (110,000 + 16,300 - 500)		125,800
Non-current liabilities		
Long-term borrowing		100,000
Current liabilities		
Trade payables		37,200
Total equity and liabilities		263,000

Skills required and will be developed

- Presentation skills – prepare accounts in suitable forms. Formats of accounts are very important
- Analytical skills in interpreting financial statements and analysing the effects of business transactions - a keen eye for detail , which is an important attribute for accountants
- Evaluative skills in using financial information and ratios
- Decision-making skills using accounting and non-accounting information

You need to be Logical, Consistent and Accurate

40% Theory; 60% Preparing accounts and statements

The Beauty of Accounting

- Studying accounting is very similar to learning a new language. First you must learn a few terms and understand their meanings, then you familiarize yourself with scenarios where you would use those terms. You then move towards learning basic principles or rules that apply to these terms and then use them until you understand their context and meaning

- Just like learning a language, it takes time to understand how accounting works in the real world. With enough practice, its possible to gain a full understanding of the basic accounting rules in order to apply them to every day situations. As with any new language, eventually, the accounting terms and applications will become second nature to you.