



Accounting Principles

with IFRS

(International Financial Reporting Standard)

Dick O. Mukoro

Contributor: Samuel O. Faboyede

Accounting Principles
with IFRS
(International Financial Reporting Systems)
and
Tutorial Questions
& Suggested Solutions

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Published & Printed by
H-Link Excel
141, Railway Line, Odi-Olowo,
Mushin, Lagos State
Tel: 0802-329-0457

ISBN: 978-978-933-783-

DEDICATION

Dedicated to God Almighty
who made
impossibility possible.

PREFACE

The teaching of Accounting like the discipline of accounting itself, is an ever-evolving art. The problems and opportunities encountered by the accountants of modern organizations demand a thorough understanding of both external and internal reporting and the needs of decision makers, not merely a familiarity with mechanical procedures for recording transactions.

This book and *Managerial Accounting: An Introduction*, which follows it, make up a two — volume sequence that considers the fundamental principles of financial and managerial accounting. We believe that *Principle of Accounting* represents an important body of knowledge that would precede the study of managerial accounting, and the two books have been arranged on the assumption that this sequence will be followed. This does not mean that we have neglected managerial consideration in the financial accounting volume. Where relevant we have considered the information needs of the manager, but the major emphasis in this volume is on the fundamental understanding of Dr. (Debit) and CR. (Credit) for the beginners — the 100 level and 200 levels students. The 300 levels students are not left out.

The organization of material in this book has been influenced by the need of the introductory accounting courses to serve the diverse interests of both accounting majors and non-majors. We believed that the basic recording is an important educational tool that should be learned by each student. Thus the debiting and crediting procedures are explained at the early point of the text.

We see nothing to be gained, and nothing to be lost, by not teaching debits and credits to students beginning accounting. The basic logic of the debt-credit process is an elegant and logically consistent as anything that the business students will encounter in other courses. In addition the use of debits and credits actually simplifies the explanation of entries throughout the book.

Having introduced the debiting-crediting process we then expand the students ability to apply these basic concepts to a wide range of different financial transactions.

Throughout this book is an implication that there is a right way to record financial transactions and that the method of accounting does not make a difference to the users of the accounting records that involve. The reader is introduced starting in chapter one, to the challenging issues of accounting theory, my book on **Miles-stone In Accounting Theory: Evolution To Revolution** refers. Consideration of these issues should helps sustain the interest of the students in accounting while at the same time laying a strong foundation to support further study in the area of the intermediate and advanced levels.

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INTRODUCTION

The main purpose of this book is to provide first-year accounting, business studies and management students with a straightforward, logical guide to the 'mystery' of double entry recording which has become second nature to professional accountants. The book is also dedicated to the four 'central themes' which the UK Business Education Council (BEC) has identified as necessary for all people, the ability to express oneself clearly, and familiarity with analytical techniques.'

Accounting method is an important analytical technique and a mastery of the text and illustrations will, it is hoped, fill the gap left by the omission of any detailed exposition from many of the otherwise comprehensive textbooks written in recent years by British, American and Commonwealth academic accountants.

Double entry, which is at the core of the accounting process in practice, may have been played down in the interests of the attainment of academic respectability for accounting literature. Unfortunately, the failure to obtain thorough grasp of the method at an early stage can be a constant source of dissatisfaction and irritation throughout the rest of the accounting course, since applications are apt to crop up all too frequently and unexpectedly in later more advanced work. It is also evident that most employers and other interested outsiders expect an accounting course of any reasonable length to bestow a fair competence in the handling of accounting data.

This is not to assert that the subject should not be viewed conceptually; rather that it is necessary, either before, after, or (perhaps preferably) side-by-side with theoretical study, to provide a thorough-going, yet concise and unfussy tour of the accountant's traditional 'box of tools'. Without an easy familiarity with the basic technique one often experiences great difficulty with the later work on stock problem, group account, replacement cost accounting, internal control system taxation, branch, hire purchase and trust accounts, and in management accounting which has a most important place in a business studies course.

A personalized ledger approach, which is related to responsibility accounting and to the systems approach, has been preferred to the Balance Sheet (financial statement or proprietorship) approach, although it is conceded that the latter approach can also lead to a sufficiently profound understanding if the

balance sheet approach has, in fact, been employed early in the book to introduce the function of reporting to proprietors and the use of Funds statements.

As far as possible, the same data is used to explain a number of different points and the development of a single business followed through several consecutive accounting periods. These features are intended to add consistency and continuity and thus to help motivate newcomers to the accounting scene by encouraging them to identify the business and its changing fortunes.

The key models used in exposition simulate the financial affairs of the Nigeria corporate form of business organization, the CAMA. The vital reporting role of the accountants is most prominent in the corporate sector and it is in this area that most of the contemporary problems and issues are located. There are nearly 700,000 companies registered in the Nigeria and most entities with over, say 100 employees have adopted this legal form. Such system which includes, e.g., a detailed records of movements of goods and cash, and of dealings with customers and suppliers.

The text will yield the reader most benefit if, having checked through cash example with care, his grasp of the material is reinforced by attempting the related problem to which a full solution and any necessary commentary is furnished at the end of the book. Students are advised to discuss with their tutors, or with an accountant, any points which are not properly understood.

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ABOUT THE BOOK

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ABOUT THE AUTHORS

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