

**FOUNDATION EXAMINATIONS
MODULE A**

PAPER A 1: FUNCTIONAL ENGLISH**(100 marks)****OBJECTIVE**

The objective of this syllabus is to help students communicate effectively in English language through proper usage of vocabulary & knowledge of English grammar.

INDICATIVE GRID

SYLLABUS CONTENT AREA	WEIGHTAGE
1. Vocabulary	10
2. Practical use of Grammar	40
3. Composition and Comprehension	50
TOTAL	100

Note: The weightages given above are for guidance purposes only and some deviations in setting of papers could be expected

CONTENTS:**1. Vocabulary**

- a. Frequently confused words
- b. Frequently misused words
- c. Phrases, synonyms, antonyms, idioms
- d. General vocabulary

2. Practical Use of Grammar**a. Grammar**

- i. Nouns
- ii. Pronouns
- iii. Verbs
- iv. Adjectives
- v. Adverbs
- vi. Prepositions
- vii. Conjunctions
- viii. Articles
- ix. Interjections
- x. Tenses

- b. Sentences**
 - i. Types of sentences
 - ii. Parts of sentences
 - iii. Rules for structuring sentences
 - iv. Phrases – Types and functions
 - v. Clauses – Types and functions
 - vi. Direct and Indirect Speech
 - vii. Active & Passive Voice

 - c. Punctuation**

Periods, Question Marks, Exclamation marks, Semicolons, Colons, Commas, Apostrophes, Quotation Marks

 - d. Writing Mechanics**

Capitals, Abbreviations
- 3. Composition and Comprehension**
- a. Story writing from outlines
 - b. Letter writing (informal and formal)
 - c. Précis writing
 - d. Essay writing
 - e. Comprehension

MODULE A**PAPER A2: QUANTITATIVE METHODS****(100 marks)****INTRODUCTION**

The role of an accountant has changed over the years; it has become imperative for him to have knowledge of various Mathematical and Statistical Techniques, which are being used in Financial Analysis and Decision Making. The latest research carried out in the above areas is mostly based on such techniques. The syllabus includes topics which the students will use not only in their later studies but throughout their career.

OBJECTIVE

The objective of the course is to train the students in the use of Quantitative Techniques in business and finance. The students are required to gain thorough theoretical knowledge of the subject and understanding of the application of such knowledge.

INDICATIVE GRID

SYLLABUS CONTENTS	WEIGHTAGE
Mathematics 1. Basic Mathematics 2. Financial Mathematics 3. Calculus 4. Matrix and Determinants	50
Statistics 5. Statistical Methods 6. Methods of Least Square & Regression 7. Probability & Probability Distribution 8. Sampling & Decision Making	50
TOTAL	100

Note: The weightages given above are for guidance purposes only and some deviations in setting of papers could be expected

CONTENTS:**1. Basic Mathematics**

Rates, ratios, percentages; discounts, markup, markdown; indices, exponential and logarithmic functions

Use of brackets, simplification rules, co-ordinate system, concept of equation, gradient, equation of straight line, application of straight line in business and

economics; simultaneous equations; quadratic equations; factorization of equations including factorization by completion of squares, arithmetic progression and geometric progression.

2. Financial Mathematics

Simple interest, present and future values; discounting notes; bank discount; compound interest and annuities; sinking funds, present value; perpetuities; effective rate of interest.

Note: The students should be able to use both formulas as well as mathematical table.

3. Calculus

Techniques of differentiation; sum, difference, product and quotient rules of differentiation. Marginal function, calculation of revenue, cost & profit of marginal unit. Use of second order derivatives; maxima, minima and point of inflexion.

4. Matrix and Determinants

Addition, subtraction, multiplication, inverse of matrices. Solution of equations using matrix; inequalities, graphical presentation of inequalities; graphical method for linear programming; problems in graphical solutions such as no feasible solution, alternative optimum solution, unbounded solutions and redundant constraints.

5. Statistical Methods

Collection, presentation, tabulation, graphical presentation through graphs, charts and diagrams, stem and leaf display, box and whisker plot. Measures of central tendencies. Measures of dispersions. Index numbers, weighted index numbers, concept of purchasing power and deflation of income.

6. Methods of Least Square and Regression

Scatter diagram, linear relationship, simple linear regression lines by method of least square. Simple linear correlation, Coefficient of correlation, determination and interpretation. Rank correlation

7. Probability and Probability Distribution

Counting techniques, probability, addition law for mutually exclusive and not mutually exclusive events. Multiplicative laws for dependent and independent events. Binomial, Poisson, hypergeometric and normal distribution.

Note: The students should be able to use both formulas as well as mathematical tables

8. Sampling and Decision Making

Simple random sampling, sampling distribution of mean, standard error of mean. Sampling with and without replacement. Testing of hypothesis for population mean, difference between population means, population proportion, difference between two population proportions, single population variance and test of association through z, t and Chi-square. Confidence interval for estimating population mean. Population and variance. Difference between means, proportion and difference between proportion and population variance. Problems of determination of sample size for the study of population mean and proportion.

Note: Although the use of scientific calculators is allowed, the use of programmable calculators/ devices is not allowed

MODULE B**PAPER B 3 : INTRODUCTION TO ECONOMICS AND FINANCE (100 marks)****INTRODUCTION**

The object of the course is to enable candidates to equip themselves with the main economic concepts and their use, relevance in economic analysis and as an introduction to the economic environment of trade, industry and banking as well as to methods of analysis relevant to the study of financial decisions.

INDICATIVE GRID

SYLLABUS CONTENT AREA	WEIGHTAGE
1. Economic Concepts	10
2. Microeconomics	40
3. Macroeconomic	50
TOTAL	100

Note: The weightages given above are for guidance purposes only and some deviations in setting of papers could be expected

CONTENTS**1. Economic Concepts**

- Basic concepts;
- Natural resources, labour, capital and enterprise;
- Allocation of scarce resources – production, distribution and consumption;
- Production possibility frontier and the opportunity cost;
- Key characteristics of market economy, planned economy and mix economy;
- Microeconomics and Macroeconomics.

2. Microeconomics– **Concept of Market**

- Market forces of Demand and Supply;
- Demand and supply;
- Equilibrium of demand and supply;
- Elasticity of demand and supply;
- Utility analysis and indifference curve;
- Consumer, producers and efficiency of market.

– **Theory of the Firm**

- Production function and isoquants;
- Cost, revenue and profits;
- Maximization of profits;
- Cost and revenue curves;
- Distinction between long run and short run assumptions;
- Equilibrium of firm under perfect competition, monopoly, oligopoly and monopolistic conditions.

– **Factors of Production**

- Laws of returns;
- Pricing of factors of production
- Marginal productivity theory.

3. Macroeconomics

– **National Income**

- Circular flow of income;
- Measurement of national income including knowledge of basic concepts like GDP, GNP, NNP;
- Marginal propensity to consume and save;
- Consumption, saving and investment functions;
- Multiplier and accelerator;
- Equilibrium of national income;

– **Government and the Economy**

- Fiscal Budget
- Unemployment;
- Inflation;
- Growth, price stability and employment;
- Recession

– **Fiscal Policy**

- Direct and indirect taxation;
- Principles, methods and forms of taxation.

– **Money & Monetary Policy**

- Types of money;
- Value of money;

- Nature and functions of money;
 - Definitions of banking, banking system and its institutions;
 - Financial intermediaries;
 - Role of State Bank;
 - The supply of money and interest rate policy.
- **Capital**
- Role of the money and capital markets.
- **International Trade**
- Trade and balance of payments;
 - Foreign exchange rates (floating and fixed exchange rates) their nature, function and determination;
 - Trade and its determinants;
 - Markets and demand for imports and exports;
 - Open Economy (Basic concept)
 - Introduction to World Trade Organization

MODULE B**PAPER B 4 : INTRODUCTION TO FINANCIAL ACCOUNTING (100 marks)****OBJECTIVE**

The objective of this course is to enable candidates to understand fundamentals of accounting theory; apply theory to basic financial accounting and prepare accounting statements of sole proprietorships and partnerships. To develop knowledge and understanding of financial statements and the techniques used to prepare financial statements including necessary underlying records.

INDICATIVE GRID

SYLLABUS CONTENT AREA	WEIGHTAGE
1. Introduction to business and accounting theory	10
2. Financial accounting practices	35
3. Receipt and payment accounts, income and expenditure accounts and preparation of accounts from incomplete records	20
4. Other specialized areas	35
TOTAL	100

Note: The weightages given above are for guidance purposes only and some deviations in setting of papers could be expected

CONTENTS**1. a) Introduction to business and accounting theory**

- Definition and scope of business;
- Economic setup of business;
- Organization structures;
 - Sole proprietorship;
 - Partnership (its merits and demerits);
 - Limited Companies (their advantages and disadvantages);
- Types of finances including
 - Long term finance;
 - Short term finance;
- Commercial Banks;
- Stock Exchange
- Insurance Companies;
- Procurement and production of goods;
- Marketing and sales;
- Marketing channels;

- Sole Distributors;
- Wholesalers and;
- Retailers.

b) Accounting Theory

- Fundamental accounting concepts including:
 - Accrual basis
 - Consistency
 - True and fair view
 - Materiality
 - Prudence
 - Completeness
 - Going Concern
 - Substance over form
- Financial statements;
 - Components
 - Responsibility
 - Presentation
 - Users of financial statements;
- Asset valuation alternatives;
 - Historical cost;
 - Fair value;
 - Net realizable value;
 - Replacement cost;

2. Financial accounting practices

Accounting Records

- Petty cash book and imprest system;
- Cash books (including transactions with banks and their documentation);
- Sales journal and the sales ledger;
- Purchase journal and the purchase ledger;
- General journal;
- General ledger
- Computerized Accounting

Introduction to Double Entry

- Double entry System, Accounting Equation and Rules of Debit & Credit

- Concept of capital and revenue expenditure;
- Concept of liability and income
- Effect of profit or loss on capital;
- Balancing of accounts;
- Trial balance;

Adjustments before Final Accounts

- Methods and recording of depreciation on Fixed Assets;
- Provisions for bad debts/ write off;
- Provisions for discounts on debtors;
- Prepayments and accruals;
- Inventory adjustments
- Bank reconciliation and related adjustments;
- Control accounts reconciliation and adjustments
- Errors in trial balance
- Suspense accounts
- Other adjustments;

The Final Accounts of Sole Traders & Partnership

- Balance sheets;
- Manufacturing, Trading and profit and loss accounts (Income Statement);
- Cash Flows Statements

3. Receipt and payment accounts and accounts from incomplete records

- Receipt and payment accounts;
- Income and expenditure accounts;
- Preparation of accounts from incomplete records.

4. Other specialized areas

- a) Accounting for inventories (IAS-2)
- Cost formulas (LIFO/ FIFO/ weighted average cost);
 - Cost of inventories (cost of purchase, cost of conversions, other costs);
 - Measurement of inventories (lower of cost or Net realizable value);
 - Presentation of inventories in financial statements.

Note: (Cost Accounting techniques will not be tested at this stage)

- b) Accounting for property, plant and equipment (IAS-16)
- Initial measurement of property, plant & equipment (components of cost, exchange of assets);

- Subsequent costs;
 - Depreciation – Unit of measure, depreciable amount, depreciation period and depreciation method
 - Derecognition
- c) Branch accounts (excluding foreign branches);
- d) Treatment of the following in partnership accounts:
- Admission;
 - Retirement / death of partner (excluding life insurance policies, annuities etc);
 - Goodwill.

Note (s):

Reference to IAS shall be deemed to have been changed whenever the same is replaced by a new reporting standard.

MODULE B**PAPER B 5: MERCANTILE LAW****(100 marks)****OBJECTIVE**

The syllabus aims to enable the students to develop a professional approach towards matters connected with Mercantile Law in the performance of their duties as Chartered Accountants.

INDICATIVE GRID

SYLLABUS CONTENT AREA		WEIGHTAGE
1.	Introduction to legal system Contract Act 1872	40
2. 3.	Partnership Act 1932 Negotiable Instruments Act 1881	30
4. 5. 6.	Sale of Goods Act 1930 Trust Act 1920 Carriage of Goods by Sea Act 1925	30
TOTAL		100

Note: The weightages given above are for guidance purposes only and some deviations in setting of papers could be expected

CONTENTS:

- 1. Introduction to Legal System**
Sources of law; process of legislation; and the legal system in Pakistan
Contract Act 1872
All sections
- 2. Partnership Act 1932**
All Sections
- 3. Negotiable Instruments Act 1881**
All Sections
- 4. Sale of Goods Act 1930**
All Sections
- 5. Trust Act 1920**
Duties and Liabilities of Trustees; Rights, powers and liabilities of the beneficiary; Revocation of Trust
- 6. Carriage of Goods by Sea Act 1925**
All Sections