

Unit Title: Introduction to Accounting	Unit Code: IA
Level: 3	Learning Hours: 100
Learning Outcomes and Indicative Content:	
Candidates will be able to:	
<ol style="list-style-type: none"> 1. Describe and explain briefly the nature and scope of accounting <ol style="list-style-type: none"> 1.1 Briefly explain and describe the purpose of financial and management accounting 1.2 Briefly explain and describe who are the different users of financial information 1.3 Explain and describe the essential differences between a sole trader, a partnership and a limited company 1.4 Briefly explain and describe the role and the function of accounting concepts, standards and principles and Statements of Standard Accounting Practice (S.S.A.P.'s) and Financial Reporting Standards (FRS's) 2. Describe, explain and accurately reflect double entry bookkeeping principles and adjustments from books of original entry such as day books to the trial balance stage <ol style="list-style-type: none"> 2.1 Explain, describe and accurately reflect bookkeeping entries and adjustments in the books of a business 2.2 Explain, describe and accurately reflect the bookkeeping entries necessary to complete a two or a three column cash book 2.3 Accurately prepare control accounts and suspense accounts including any necessary adjustments 2.4 Accurately prepare a trial balance that reflects, as appropriate, any necessary adjustments in the books of a business 3. Prepare a set of final annual accounts, including any appropriate adjustments needed, for a sole trader, a partnership and a limited company <ol style="list-style-type: none"> 3.1 Explain, describe and accurately prepare a trading account for a sole trader, a partnership and a limited company 3.2 Explain, describe and accurately prepare a profit and loss account for a sole trader, a partnership and a limited company 3.3 Explain, describe and accurately prepare an appropriation account for a partnership and a limited company 3.4 Explain, describe and accurately prepare a balance sheet for a sole trader, a partnership and a limited company 	

- 4. Understand the need for and complete accurately a cash flow statement**
 - 4.1 Outline and describe the requirements for a cash flow statement
 - 4.2 Complete accurately a cash flow statement (under the requirements of FRS 1) using either the direct (ie cash) method or the indirect (ie accruals) method
 - 4.3 Understand and describe the uses of a cash flow statement
- 5. Undertake some financial ratio analysis of a company's accounts and make reasoned judgements and comments on company performance based on their figures**
 - 5.1 Accurately calculate a range of financial and accounting ratios principally the following: return on capital employed (ROCE); gross profit and net profit to sales ratio; asset turnover; working capital ratio, acid test ratio; debtor days; creditor days; capital gearing ratio
 - 5.2 Describe and explain accurately the results of any ratio calculations
- 6. Describe, explain and calculate accurately different elements of costs**
 - 6.1 Describe and explain the nature, purpose and objectives of cost and management accounting
 - 6.2 Describe, explain and understand the following cost terms; direct and indirect cost; overhead cost, fixed and variable cost
- 7. Describe, explain and calculate labour and material costs**
 - 7.1 Calculate material costs using the following three methods of material (stock) valuation:
FIFO (first in first out); LIFO (last in first out); AVCO (average cost)
 - 7.2 Calculate labour costs, given a range of figures on wage and payroll rates and labour hours
- 8. Describe and explain the essential concepts and principles of break-even analysis and undertake calculations accurately to demonstrate their overall understanding and knowledge**
 - 8.1 Describe and explain the essential concepts and principles of the break-even point and break-even analysis
 - 8.2 Use the concepts of break-even analysis to calculate the break-even point for a given level of profit and accurately account for changes in either the fixed or variable cost level

9. Describe and explain the concepts and principles of budgeting and the essential factors behind budgetary control

- 9.1 Describe and explain the main purposes and benefits of budgets to a business
- 9.2 Describe and explain the different timescales for budgets and the main steps in the preparation of a budget
- 9.3 Describe and explain the different styles and types of budgets
- 9.4 Accurately prepare a budget from a given set of simple figures

Assessment Criteria:

- Assessment method: written examination
- Length of examination: three hours
- Candidates should answer four questions from a choice of eight, each question carrying equal marks

Recommended Reading

ABE, *ABE Study Manual – Introduction to Accounting*, ABE

Wood F, Sangster A – *Business Accounting 1* (2005), Pearson Higher Education

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