

Unit Title: Introduction to Financial Accounting

Unit Code: IFA

Level: Certificate in Financial Management

Learning Outcomes and Indicative Content:

Candidates will be able to:

1. Understand the nature of financial accounting and accountability

- 1.1. Identify and describe the fundamental accounting concepts (going concern, accruals, consistency, prudence, true and fair)
- 1.2. Explain why it is important that accurate financial records are kept for a business
- 1.3. Identify the key elements of financial accounts (assets, liabilities, capital) and demonstrate their relationship using the accounting equation
- 1.4. Convert a list of account balances into a trial balance
- 1.5. Identify the main financial statements and explain their purpose (Profit and Loss Account, Balance Sheet)

2. Understand and demonstrate the principles of double entry book-keeping

- 2.1. Explain the purpose of a business maintaining a general ledger
- 2.2. Record opening balances in the general ledger from a trial balance or list of account balances
- 2.3. Use double entry accounting to record income and expense transactions in the general ledger where a business does not keep separate sales and purchase ledgers or a cash book
- 2.4. Write up an analysed cash book
- 2.5. Compare the cashbook to a bank statement, amend the cashbook and perform a bank reconciliation
- 2.6. Use double entry accounting to record income and expense transactions in the general ledger where a business does keep an analysed cash book
- 2.7. Balance off general ledger accounts and extract a trial balance
- 2.8. Identify the types of error not disclosed by a trial balance

3. Understand how Value Added Tax is calculated and recorded in the books of account

- 3.1. Calculate the VAT element of net sales and purchase amounts and record in the Sales Day Book and Purchase Day Book
- 3.2. Extract VAT from gross sales and purchase amounts
- 3.3. Record VAT on sales, sales returns, purchases, purchase returns and the cash book in the general ledger account for VAT, calculating a balance due to or due from HMRC
- 3.4. Record a VAT liability in the Balance Sheet

4. Demonstrate an understanding of the sales ledger control account and the purchase ledger control account

- 4.1. Write up a sales day book and sales returns day book
- 4.2. Using information extracted from a sales day book, sales returns day book and cash book, record the relevant accounting entries in the sales ledger control account and subsidiary sales ledger accounts
- 4.3. Extract a list of sales ledger balances from the subsidiary ledger and compare to the balance on the sales ledger control account
- 4.4. Write up an analysed purchase day book and purchase returns day book
- 4.5. Using information extracted from a purchase day book, purchase returns day book and cash book, record the relevant accounting entries in the purchase ledger control account and subsidiary purchase ledger accounts
- 4.6. Extract a list of purchase ledger balances from the subsidiary ledger and compare to the balance on the purchase ledger control account
- 4.7. Identify possible reasons for any difference between a list of balances extracted from the subsidiary ledger with the balance on the corresponding control account, for both sales and purchases

5. Understand the need to allocate expenses to the correct accounting period using prepayments and accruals

- 5.1. Record opening prepayments and accruals in the general ledger expense accounts
- 5.2. Record expenditure payments made in the general ledger expense accounts
- 5.3. Calculate amounts prepaid and accrued at the end of an accounting period
- 5.4. Record the closing prepayments and accruals in the general ledger expense accounts assuming that a separate ledger account is maintained for prepayments and a separate ledger account is maintained for accruals
- 5.5. Balance off the general ledger expense accounts showing the expense transferred to the Profit and Loss Account
- 5.6. Balance off the ledger accounts for accruals and prepayments and show the balance carried down on the Balance Sheet

6. Understand the need to distinguish between revenue and capital expenditure and make adjustments relating to the depreciation of fixed assets

- 6.1. Identify the factors that cause fixed assets to depreciate
- 6.2. Record opening balances for cost and accumulated depreciation in the general ledger accounts
- 6.3. Calculate depreciation in accordance with the accounting policy of the business – using the straight line or reducing balance methods applied on a full year or month-by-month basis, for assets bought forward and for additions
- 6.4. Record opening balances for cost and accumulated depreciation in the general ledger accounts
- 6.5. Record additions to fixed assets in the relevant cost account in the general ledger; (Disposals of assets will not be examined)
- 6.6. Record depreciation charges in the general ledger accounts assuming that the business maintains a separate depreciation charge account

7. Understand the form of the Trading, Profit and Loss Account and Balance Sheet of a sole trader

- 7.1. Deal with opening and closing stock and calculate Cost of Sales for inclusion in the Trading Account
- 7.2. Calculate the gross profit of a business by drawing up a Trading Account
- 7.3. Calculate the net profit of a business by drawing up a Profit and Loss Account
- 7.4. Draw up a Balance Sheet to show the correct categorisation of assets, liabilities and capital;
- 7.5. Draw up a Trading, Profit and Loss Account and Balance Sheet from a trial balance or a list of balances, adjusting for depreciation, accruals, prepayments and closing stock

8. Understand and interpret accounting ratios

- 8.1. State the purpose of ratio analysis
- 8.2. Calculate and interpret profitability ratios (gross profit, net profit)
- 8.3. Calculate and interpret liquidity ratios (current ratio, acid test ratio, debtor days, creditor days)
- 8.4. Identify the limitations of ratio analysis

Assessment Criteria:

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

Recommended Reading

Farndon, M and Cox, D – *An Introduction to the Principles of Accounting* (1998) Osborne

Cox, D, *Business Accounts* (2004) Osborne
ISBN: 1872962637

Wood, F, Sangster, A, *Business Accounting* (2005) Pearson Higher Education
ISBN: 0273681494

Unit Title: Introduction to Cost and Management Accounting

**Unit Code:
ICMA**

Level: Certificate in Financial Management

Learning Outcome and Indicative Content:

Candidates will be able to:

1. Understand the principles of costing for materials

- 1.1 Explain the nature and difference between direct and indirect materials
- 1.2 Explain the importance of accurate stock valuation
- 1.3 Draw and explain the ordering cycle for materials
- 1.4 Calculate the maximum and minimum stock levels and the re-order level for stock using the EOQ model
- 1.5 Draw and describe the relevant paperwork necessary to order materials
- 1.6 Draw and describe the paperwork necessary to record stock held and issues to production
- 1.7 Explain the causes of differences between physical and book stock
- 1.8 Calculate material stock and issue values using FIFO, LIFO, AVCO and Standard Cost
- 1.9 Calculate the impact on recorded profit of different stock valuation methods
- 1.10 Resolve queries in respect of stock issues and valuation
- 1.11 Prepare the relevant ledger accounts to record the purchase, storage and usage of materials

2. Understand the principles of costing for labour

- 2.1 Explain the nature and difference between direct and indirect labour
- 2.2 Explain the need to accurately calculate and record labour costs
- 2.3 Draw and describe the relevant paperwork necessary to record labour hours and cost
- 2.4 Calculate the build-up of labour costs in respect of hourly paid, piecework, annual salary, overtime and bonuses
- 2.5 Resolve queries in respect of labour remuneration calculations
- 2.6 Prepare relevant ledger accounts to record labour costs