



**Level 5 Diploma in Accounting & Finance (519)**  
**167 Credits**



<b>Unit:</b> Financial Accounting	<b>Guided Learning Hours:</b> 200
<b>Exam Paper No.:</b> 1	<b>Number of Credits:</b> 20
<b>Prerequisites:</b> Basic knowledge of Accounting Principles.	<b>Corequisites:</b> A Pass or better in BA & Computer Systems or equivalence.
<p><b>Aim:</b> The Accounting unit put emphasis how general purpose financial statements communicate information about the business corporation's performance and position for external users. How the accountant processes and presents information, including exposure to recording transactions, adjusting balances and preparing financial statements for service and trading firms, according to established rules and procedures. The unit also examines major elements of the statements such as cash, receivables, inventory, assets, depreciation and payroll.</p>	
<b>Required Materials:</b> Recommended Learning Resources.	<b>Supplementary Materials:</b> Lecture notes and tutor extra reading recommendations.
<b>Special Requirements:</b> Requires intensive practice outside of class time.	
<p><b>Intended Learning Outcomes:</b></p> <p>1 An organisation's property, plant, equipment, and intangible assets; including calculating the cost of an asset.</p> <p>2 Manufacturing accounts terminology (i) Prime cost (ii) Cost of raw materials consumed (iii) Royalties (iv) Overhead cost (v) Allocation of expenses (vi) Work-in-progress (vii) Stocks in manufacturing organisations (viii) Factory profits and unrealised profit.</p> <p>3 Partnership Accounts, accounting practices and the differences between corporations and partnerships form of business</p>	<p><b>Assessment Criteria:</b></p> <p>1.1 Describe and calculate depreciation using straight line, reducing balance, sums of digits and usage basis methods.</p> <p>1.2 Explain the difference between capital expenditures and revenue expenditures.</p> <p>1.3 Demonstrate recording entries for discarding, selling, or exchanging plant assets.</p> <p>1.4 Describe going concern, accrual/matching, prudence, consistency, money measurement, materiality and realisation, business entity and accounting concepts</p> <p>2.1 Prepare a statement of cost of goods manufactured.</p> <p>2.2 Explain the basic components of manufacturing cost.</p> <p>2.3 Prepare an income statement for a manufacturing business.</p> <p>2.4 Prepare a balance sheet for a manufacturing business.</p> <p>2.5 Record the end-of-period adjusting entries for a manufacturing business.</p> <p>2.6 Record closing entries for a manufacturing business.</p> <p>2.7 Record reversing entries for a manufacturing business.</p> <p>2.8 Prepare a cost of goods manufacturing schedule.</p> <p>2.9 Journalise transactions recording the manufacturing process.</p> <p>2.10 Prepare a trial balance, trading account and balance sheet</p> <p>3.1 Explain the major advantages and disadvantages of a partnership.</p> <p>3.2 Define the important provisions that</p>

<p>organisation.</p>	<p>should be included in every partnership agreement.</p> <p>Record the partners profits and losses and their drawings in the ledger accounts</p> <p>3.3 Record introductions/inducements and withdrawals of Capital in the Ledger Accounts.</p> <p>3.4 Draft the trading and profit and loss and appropriation accounts and the balance sheet for a partnership from a Trial Balance and period end adjustments.</p> <p>3.5 Explain why a revaluation is required after an admission, a change in the profit sharing ratio or a retirement.</p> <p>3.6 Describe Goodwill</p> <p>3.7 Demonstrate how to make appropriate entries in the ledger accounts</p> <p>3.8 Draft the Partnership Balance sheet after change in the partnership</p> <p>3.9 Describe the appropriation account for a partnership</p> <p>3.10 Draft a Partnership Balance Sheet after a merger of two sole trader businesses.</p> <p>3.11 Describe dissolution accounting</p> <p>3.12 Outline the advantages and disadvantages of operating as a partnership, compared to operating as a sole trader or a limited company.</p> <p>3.13 Distinguish between partners Capital and Convent Accounts</p>
<p>4 Limited Companies; formation, incorporation, registration, tax issues, accountants, expenses and different types of limited company.</p>	<p>4.1 Describe the different types of stock.</p> <p>4.2 Compute the number of shares of common stock to be issued on the conversion of convertible preferred stock.</p> <p>4.3 Compute dividends payable on stock.</p> <p>4.4 Record the issuance of capital stock at par value.</p> <p>4.5 Define Limited Company and outline the advantages of limited companies over sole proprietorship and partnership</p> <p>4.6 Distinguish between Private and Public Limited Company</p> <p>4.7 Identify the accounting records which a limited company is required to keep by law</p> <p>4.8 Describe the nature and purpose of share capital and reserves</p> <p>4.9 Explain the nature and purpose of a dividend</p> <p>4.10 Define debenture and outline the advantages and disadvantages of raising finance by issuing debentures rather than ordinary or preference shares</p> <p>4.11 Prepare a balance sheet for a corporation.</p> <p>4.12 Describe how to record stock issued at a premium and stock with no par value.</p> <p>4.13 Record transactions for stock subscriptions.</p>

	<p>4.14 Describe the capital stock records for a corporation.</p> <p>4.15 Explain the characteristics of a limited company.</p> <p>4.16 Describe special “hybrid” organisations that have some characteristics of partnerships and some characteristics of limited companies</p>
<p>5 Financial Statements as a process of understanding the risk and profitability of a company; ratio measurements that users of the financial statements perform to gauge the effectiveness and efficiency of a company's management.</p>	<p>5.1 Define Financial statement analysis</p> <p>5.2 Explain the Financial Statement Analysis techniques</p> <p>5.3 Describe the purpose of analysing financial statements</p> <p>5.4 Compute and interpret financial ratios that measure financial strength.</p> <p>5.5 Compute and interpret financial ratios that measure liquidity.</p> <p>5.6 Identify shortcomings in financial statement analysis.</p> <p>5.7 Compute and interpret financial ratios that measure profitability, operating results, and efficiency</p>
<p>6 Preparing the Statement of Cash Flows; complementing the balance sheet and income statement, the cash flow statement (CFS) as an integral and mandatory part of a company's financial reports primary financial statements.</p>	<p>6.1 Compute cash flows from operating activities.</p> <p>6.2 Compute cash flows from investing activities.</p> <p>6.3 Compute cash flows from financing activities.</p> <p>6.4 Describe how to prepare a statement of cash flows.</p> <p>6.5 Distinguish between operating, investing, and financing activities</p> <p>6.6 Describe the purpose of the Statement of Cash Flows</p> <p>6.7 Describe Operating Activities</p> <p>6.8 Describe Investing Activities</p> <p>6.9 Describe Financing Activities</p> <p>6.10 Describe Direct Method for preparing the Cash Flows from Operating Activities</p> <p>6.11 Describe Cash Flow Indirect Method</p>
<p>7 Cost-Revenue Analysis for Decision Making; financial decisions involving costs, revenues; managers control over the contribution margin and fixed costs.</p>	<p>7.1 Prepare income statements using the absorption costing and direct costing methods.</p> <p>7.2 Explain the contribution approach to analyse the profits of segments of a business.</p> <p>7.3 Explain how to determine relevant cost and revenue data for decision-making purposes.</p> <p>7.4 Explain the basic steps in the decision-making process</p>
<p>8 Branches of Accounting, uses of Accounting and Limitations of Financial Accounting.</p>	<p>8.1 Describe the internal and external users of accounting information produced by a commercial undertaking.</p> <p>8.2 Outline what information may be</p>

<p>9 The corporate forms of organisations; Business forms structure comparison; legal forms of business types of organisation business.</p> <p>10. The different analytical tools used to analyze the financial statements of a company.</p>	<p>8.3 particularly relevant to each user group. Explain why understand liability is an important characteristic of financial statements</p> <p>8.4 Identify the major techniques of interpretation</p> <p>8.5 Describe the shortcomings of interpretation</p> <p>9.1 Define a bonus issue and outline its advantages and disadvantages</p> <p>9.2 Demonstrate how to record a bonus share issue in Ledger accounts</p> <p>9.3 Define a rights issue and outline the advantages and disadvantages of raising finance by this method</p> <p>9.4 Distinguish between the market value and nominal value of a share</p> <p>9.5 Describe the classes of Shares</p> <p>10.1 Describe financial statement analysis</p> <p>10.2 Demonstrate horizontal analysis</p> <p>10.3 Demonstrate vertical analysis</p> <p>10.4 Demonstrate ratio Analysis</p> <p>10.5 Demonstrate trend Analysis</p>
<p><b>Methods of Evaluation:</b> A 2½-hour essay written examination paper with 5 questions, each carrying 20 marks. Candidates are required to answer all questions. Candidates also undertake project/coursework in Financial Accounting with a weighting of 100%.</p>	

### Recommended Learning Resources: Financial Accounting

<p><b>Text Books</b></p>	<ul style="list-style-type: none"> <li>• Business Accounting &amp; Finance by Tony Davies and Tony Boczko. ISBN-10: 0077108094</li> <li>• Financial Accounting and Reporting by Barry Elliott and Jamie Elliott. ISBN-10: 0273712314</li> <li>• Accounting: Theory and Practice by Michel Glautier and Brian Underdown. ISBN-10: 0273651617</li> <li>• Accounting, 2nd Edition by Michael Jones. ISBN-10: 0470017791</li> <li>• An Introduction to Financial Accounting by Andrew Thomas. ISBN-10: 0077108086</li> </ul>
<p><b>Study Manuals</b></p> 	<p>BCE produced study packs</p>
<p><b>CD ROM</b></p> 	<p>Power-point slides</p>
<p><b>Software</b></p> 	<p>Excel</p>