

FINANCIAL ACCOUNTING

Unit Reference Number	J/617/3290
Unit Title	Financial Accounting
Unit Level	4
Number of Credits	20
Total Qualification Time	200
Mandatory / Optional	Mandatory
SSAs	15.1 Accounting and finance
Unit Grading Structure	Pass

Unit Aims

The aim of this unit is for the learner to develop their skills in financial accounting, including value inventory, year-end adjustments, and final accounts, applying these to real world case studies.

Learning Outcomes and Assessment Criteria

Learning Outcomes- The learner will:	Assessment Criteria- The learner can:
1. Be able to value inventory.	1.1 Calculate closing inventory valuations using FIFO, LIFO and AVCO. 1.2 Evaluate different inventory valuation methods.
2. Be able to account for year-end adjustments.	2.1 Calculate year-end adjustments, from given data, to account for depreciation. 2.2 Calculate year-end adjustments, from given data, to account for irrecoverable debts and provisions for doubtful debts. 2.3 Calculate year-end adjustments, from given data, to account for accruals and prepayments.
3. Be able to prepare final accounts for sole traders and partnerships.	3.1 Explain the purpose of preparing final accounts for sole traders and partnerships. 3.2 Prepare final accounts, including relevant adjustments, for a specific sole trader business. 3.3 Prepare final accounts, including relevant adjustments, for a specific partnership business. 3.4 Analyse the financial statements of a specific business organisation.

Indicative content

Learning Outcome 1

Calculation inventory valuations: calculation of closing balances using first in, first out (FIFO), last in, first out (LIFO), average cost (AVCO) methods; use of the perpetual and periodic methods; calculate the effect of different methods of inventory valuation on the income statement and statement of financial position.

Evaluation of different methods: characteristics and usefulness of FIFO, LIFO and AVCO; legal and tax implications of different methods of valuation. Different modes of communication; verbal; paralinguistics; non-verbal; sign language, Makaton and Braille; assisted communication, written communication, electronic communication.

Learning Outcome 2

For each area: prepare ledger account **and** complete calculations to account for year-end adjustment.

Depreciation: assets to be depreciated; straight line, reducing balance and revaluation methods; percentages applicable to different classes of assets.

Irrecoverable and doubtful debts: writing off irrecoverable debts; provision for doubtful debts based on aged trade receivables (debtors) schedule.

Accruals and prepayments: identifying items giving rise to prepayments and accruals e.g. utility bills, rents, wages, insurance, professional fees.

Learning Outcome 3

Purpose of preparing accounts: tax purposes; to ascertain profit; to secure external finance; to account to investors.

Account preparation (sole traders and partnerships): prepare Trading Account to calculate gross profit / loss to include:

- Revenue / Sales
- Sales returns
- Purchase
- Purchase returns
- Carriage on purchases;
- Opening and closing inventory
- Adjustment for drawings of goods
- Cost of sales
- Gross profit;

Prepare Income Statement to calculate profit / loss for the year.

Prepare Statements of Financial Position

Incorporate year-end adjustments as in Learning Outcome 2.

For partnership accounts, allocation of profits as per partnership agreement.

Assessment

To achieve a 'pass' for this unit, learners must provide evidence to demonstrate that they have fulfilled all the learning outcomes and meet the standards specified by all assessment criteria.

Learning Outcomes to be met	Assessment criteria to be covered	Type of assessment	Summary of quantity/quality
LO1, LO2, LO3	All ACs under LO 1-3	Case study	3000

Indicative Reading List

Wood, F Sangster, A (2004) *Business Accounting*; Volume 2 (10th edition), FT Prentice Hall

Atrill P & McLaney E (2007) *Accounting & Finance for Non-specialists*; 6th edition. Financial Times/ Prentice Hall.

Drury, J. C. (2007) *Management and Cost Accounting*; 7th edition, Chapman and Hall.