



INTRODUCTION TO ACCOUNTING AND FINANCIAL ANALYSIS

INSTITUTE FOR PROFESSIONAL AND EXECUTIVE DEVELOPMENT

United Kingdom

UNIT SPECIFICATION

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Unit Title

Introduction to Accounting and Financial Analysis

Credit value

The credit value for this unit is 30

30 credits equivalent to 300 hours of teaching and learning
(10 hours is equivalent to 1 credit)

Guided learning hours (GLH) = 50 hours

GLH includes lectures, tutorials and supervised study. This may vary to suit the needs and requirements of the learner and/or the approved centre of study.

Directed learning = 50 hours: This includes advance reading and preparation, group study, and undertaking research tasks.

Self-managed learning = 200 hours: This includes completing assignments and working through the core and additional reading texts. It also includes personal research reading via other physical and/or electronic resources.

Learning outcome Learner will:	Assessment criteria Learner can:
1.0 Understand the nature, purpose and role of accounting	1.1 Explain the meaning of accounting 1.1.1 Analyse the 3 key parts to the definition of accounting: - Recording, collating and communicating business data usually in monetary nature 1.2 Examine the branches of accounting 1.2.1 Differentiate between management accounting and financial accounting 1.3 Examine the types of business: - Sole trader - Partnership - Limited company 1.4 Explain the fundamental accounting terms such as assets, liabilities, creditors, inventory/stock, provisions, retained earnings, debtors, etc. 1.5 Examine the users of accounting information such as managers, investors, banks, suppliers, tax authorities etc.
2.0 Understand the nature of book keeping	2.1 Analyse the accounting cycle (i.e. transactions, day books, ledgers, trial balance, period end adjustments, final statements, period close) 2.2 Evaluate the use of books of prime entry (sales day book, purchase day book, cash receipt book, cheque payments book, petty cash book, general journal) 2.3 Analyse the use of ledgers (sales ledger, the purchases ledger and the nominal ledger) 2.4 Evaluate how accounting software can be used in place of manual

<p>3.0 Understand how to prepare financial statements</p>	<p>day books</p> <p>2.5 Discuss the significance of VAT and VAT registration</p> <p>2.6 Discuss the main accounting concepts such as going concern, prudence, matching and consistency.</p> <p>2.6.1 Examine other accounting concepts/conventions such as the concept of realisation, materiality and separate entity</p> <p>3.1 Explain the origins of double entry bookkeeping</p> <p>3.2 Explain the principles of double entry bookkeeping :</p> <ul style="list-style-type: none"> - Layout of a ledger account - Rules for which side of a ledger account to use <p>3.3 Examine how to close off a ledger</p> <p>3.4 Examine nominal and personal ledgers</p> <p>3.5 Examine the nature of control accounts such as debtors control accounts, creditors control accounts etc.</p> <p>3.6 Give an account on how a trial balance is used in the preparation of financial statements</p> <p>3.6.1 Explain the functions of a trial balance</p> <p>3.6.2 Examine how information is presented in a trial balance from various ledger accounts</p> <p>3.6.3 Explain the most common errors which might occur but do not prevent the trial balance from balancing</p> <p>3.6.4 Discuss how errors can be located in a trial balance</p> <p>3.6.5 Demonstrate how the trial balance is used in the preparation of financial statements</p> <p>3.6.6 Examine the use of accounting software in presenting ledger accounts and the trial balance</p>
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<p>4.0 Understand the nature and relevance of income statement</p>	<p>4.1 Explain what an income statement is and discuss its purpose in accounting and financial management</p> <p>4.2 Describe the items in an income statement such as gross profit, operating profit, cost of sales etc.</p> <p>4.3 Calculate and interpret relevant accounting ratios based on information in an income statement</p> <p>4.4 Give an account on the following:</p> <ul style="list-style-type: none"> - Principles of accruals and prepayments - Inventory evaluation - Provisions for bad debt <p>4.5 Examine how an income statement report is presented in an accounting software</p>
<p>5.0 Understand the nature and relevance of balance sheet</p>	<p>5.1 Explain what a balance sheet is and evaluate its purpose</p> <p>5.2 Describe the contents of a balance sheet such as current assets, non-current assets, current liabilities, non-current liabilities, shareholders' equity etc.</p> <p>5.3 Calculate and interpret relevant accounting ratios based on information from a balance sheet</p>
<p>6.0 Understand key issues relating to the financial operations of limited companies</p>	<p>6.1 Examine the characteristics of a private limited company and a public limited company</p> <p>6.2 Examine relevant laws relating to limited companies including the filing of accounts, filing of annual returns, etc.</p> <p>6.3 Examine the accounting standards relevant to limited companies</p> <p>6.3.1 Discuss the two main categories in which accounting standards fall:</p>

<p>7.0 Understand the nature and relevance of cash flow statements</p>	<ul style="list-style-type: none"> - Provision of guidance on how to treat certain items in the financial statement - Specification of additional details to be provided on certain items which are contained in the income statement and balance sheet <p>6.3.2 Examine the role of the International Accounting Standards Board (IASB) and the Accounting Standards Board (or other similar body in learner’s country of residence)</p> <p>6.3.3 Discuss the nature and significance of the International Financial Reporting Standards (IFRS) and the Financial Reporting Standards (FRS)</p> <p>7.1 Discuss the purpose of a cash flow statement</p> <p>7.2 Construct a cash flow statement from given information</p> <p>7.3 Examine the effect of depreciation, inventories, receivables and payables on cash flow</p> <p>7.4 Discuss the accounting standards relevant to the construction of cash flow statements</p> <p>7.5 Examine the three classifications of cash flow as per IAS 7 (International Accounting Standard 7)</p> <ul style="list-style-type: none"> - Cash flow from operating activities - Cash flow from financing activities - Cash flow from investing activities <p>7.6 Discuss the benefits and drawbacks of cash flow statement</p>
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<p>8.0 Understand how to account for depreciation of an asset</p>	<p>8.1 Explain the meaning of depreciation</p> <p>8.1.1 Examine the factors that must be considered when accounting for depreciation (original cost, useful life of the asset, potential disposal value or residual value, depreciation method)</p> <p>8.2 Perform the correct calculations using the following methods of depreciation:</p> <ul style="list-style-type: none"> - Straight line method - Reducing balance - Sums of digits
<p>9.0 Understand the nature of financial statement analysis</p>	<p>9.1 Explain what is meant by financial statement analysis</p> <p>9.2 Calculate and interpret profitability ratios (such as return on capital employed, return on equity, gross profit margin, net profit margin), activity ratios (such as inventory turnover, creditors days, debtors days), liquidity ratios (such as current ratio, acid test ratio), investor ratios (such as earnings per share, price earning, dividend yield etc.), leverage ratios (such as debt to equity, debt to total assets), and coverage ratio (such as interest coverage ratio)</p> <p>9.3 Analyse the performance of an organization from given financial ratios</p>
<p>10.0 Understand the nature of cost accounting</p>	<p>10.1 Explain the meaning of cost accounting</p> <p>10.2 Explain the meaning of cost and describe the three main ways of classifying costs:</p> <ol style="list-style-type: none"> a. By how they behave when output increases or decreases b. By how they relate to the product or service provided c. By how relevant they are to decision making

<p>11.0 Understand the nature of budgeting and budgetary control</p>	<p>10.2.1 Explain the nature of fixed costs and variable costs 10.2.2 Discuss the nature of direct and indirect costs 10.2.3 Examine the nature of relevant and irrelevant costs 10.2.4 Explain what is meant by sunk cost and opportunity cost 10.3 Explain the term "contribution" as used in cost accounting 10.3.1 Calculate "contribution" from relevant given information 10.4 Explain what is meant by break-even point 10.4.1 Calculate the break-even sales level 10.4.2 Calculate the product break-even point 10.5 Explain what is meant by margin of safety 10.5.1 Calculate the margin of safety from relevant given information 10.6 Examine the nature of job costing 10.7 Explore the characteristics of material costs 10.7.1 Examine the following assumptions as used in management accounting</p> <ul style="list-style-type: none"> - First In First Out (FIFO) - Last In First Out (LIFO) - Average Cost (AVCO) <p>10.8 Discuss the nature of absorption costing 10.9 Evaluate the use of standard costing in management accounting</p> <p>11.1 Describe what a budget is 11.1.1 Examine the features of a budget (i.e. policies, data, documentation, period) 11.2 Evaluate the benefits of a budget 11.3 Examine the various types of budgets:</p> <ul style="list-style-type: none"> - Master budget - Functional budgets (such as administration budget, selling and
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<p>12.0 Understand the nature of variance analysis</p>	<p>distribution budget, sales budget, capital expenditure budget, stock budget etc)</p> <p>11.4 Give an account on the budget procedure (with reference to its administration, objectives, period and composition)</p> <p>11.5 Describe the types of budgeting (such as zero based budgeting (ZBB), incremental budgeting, traditional budgeting, activity based budgeting etc.)</p> <p>11.6 Analyse the behavioural elements that affect budgeting and budgetary control (such as consultation, education and training, independence, non-disciplinary)</p> <p>12.1 Explain what is meant by variance and variance analysis</p> <p>12.1.1 Evaluate how variance can be presented</p> <p>12.2 Calculate material usage variance and price variance, and interpret the outcome</p>
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Recommended learning resources

Indicative reading	<p>Martin Quinn 2011; Brilliant Accounting. Pearson Education, UK ISBN: 978-0273735373</p> <ul style="list-style-type: none">• For a full list of textbooks and publications relevant to this unit, please contact IPED - UK.
Learning Aid	<ul style="list-style-type: none">• A comprehensive IPED study material is available to aid in learning and research of this unit.• We supply IPED course materials free of charge. Our study materials, which offer quick learning start, are comprehensive, use simple English, and are easy to read and understand. The contents are so sufficient and self-explanatory; that in majority of cases readers do not require further support; although support is always available when you need it.