

Financial Reporting

Unit level 5

Unit code K/617/6876

GLH 60

Credit value 30

Unit grading structure

Pass-Merit-Distinction

Unit aims

The aims of this unit are to ensure that students have a sound understanding of the techniques of double entry accounting and can apply its principles in recording transactions, adjusting financial records and preparing non-complex financial statements.

On completion of the unit, students will also be proficient in the use of double entry accounting techniques and the maintenance of accounting records. They will also develop the ability to identify and correct omissions and errors in accounting records and financial statements.

Students will be able to specify the components of financial statements and prepare and review non-complex accounts for a range of different business structures including sole traders, partnerships and limited companies.

Learning outcomes The learner will:

Assessment criteria The learner can:

Pass

Merit

Distinction

1. Be able to prepare financial statements for sole traders and partnerships.

1. Prepare financial statements, incorporating relevant adjustments, for a specific sole trader.
2. Prepare financial statements, incorporating relevant adjustments, for a specific partnership.

2M1
Evaluate the purpose of preparing financial statements for sole traders and partnerships.

2D1
Evaluate the usefulness of sole trader and partnership financial statements to organisational stakeholders.

2. Be able to prepare company financial statements.

1. Prepare financial statements, incorporating relevant adjustments, for a specific limited company.
2. Prepare a statement of cash flows for a specific limited company.

2M1
Evaluate the need to identify and correct omissions and errors prior to preparing company financial statements.

3. Be able to interpret financial statements and make justified recommendation.

1. Evaluate the accounting records of a specific organisation.
2. Make justified recommendations for process improvements to a specific organisation.

3M1
Analyse the usefulness of accounting ratios when evaluating accounting records.

3D1
Evaluate international differences in financial reporting.



Indicative content

1. Be able to prepare financial statements for sole traders and partnerships

- Preparation of Financial Reporting Statements for sole traders and partnerships, for example:
 - Income Statements
 - Statements of Financial Position
 - Capital and Current Accounts
 - Appropriation Accounts.
- Period end adjustments:
 - Valuation of inventory
 - Depreciation of non-current assets, i.e.
 - straight line method
 - reducing (diminishing) balance method
 - Irrecoverable debts
 - Provision for doubtful debts
 - Accruals
 - Prepayments.
- Accounting process: identification, recording, classification, measurement, reporting and communication.
- The use of sole trader and partnership financial statements to:
 - Shareholders
 - Employees
 - Potential investors
 - Directors
 - Managers
 - Suppliers
 - Customers
 - Lenders
 - Government
 - Analysts.

2. Be able to prepare company financial statements

- Preparation of Financial Reporting Statements for limited companies:
 - Main elements of private limited companies' annual accounts, i.e. income statement and statement of financial position
 - Main elements of public limited companies' annual reports, i.e. general corporate information, accounting policies, income statement, statement of financial position, statement of cash flows, notes to the financial statements, chairperson's and directors' reports and auditor's report.

2. Be able to prepare company financial statements (continued)

- Period end adjustments:
 - Valuation of inventory
 - Depreciation of non-current assets, i.e.
 - straight line method
 - reducing (diminishing) balance method
 - Irrecoverable debts
 - Provision for doubtful debts
 - Accruals
 - Prepayments.
- Identification and explanation of errors which do not affect the trial balance: omission, commission, principle, compensating, original entry and reversal.
- Understanding of how to correct errors that do not affect the trial balance.
- Correction of errors including the suspense account.
- Journal entries supporting the correction of errors.
- Statements of revised profit; revised statement of financial position extracts.
- Explanation of the effect of errors on financial statements.
- Application and explanation of relevant accounting concepts.

3. Be able to interpret financial statements and make justified recommendations

- Calculation and interpretation of:
 - Liquidity ratios
 - Profitability ratios
 - Working capital ratios
 - Efficiency ratios
 - Resource utilisation ratios.
- Interpretation of accounting ratios and comparison of them to similar companies and industry average ratios.
- Justified recommendations and conclusions to meet the needs of relevant parties.
- The usefulness of ratio analysis when assessing the performance of a business.
- Application of relevant accounting standards, for example, IASs, International Financial Reporting Standards (IFRSs) and UK GAAP for FRS102 and FRS 105.

Unit assessment

The assessment for each unit is based on the achievement of the learning outcomes at the standards set by the assessment criteria for that unit. The learner can achieve a Pass, Merit, Distinction or Fail for each unit based on the quality of the work submitted and the assessor's judgements made against the criteria provided.


The assessment is completed through the submission of internally assessed learner work which is subject to external moderation or verification.

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