IFA DIRECT.

Financial Accounting 2

Unit level 4

Unit code F/617/6916

GLH 60

Credit value 15

Unit grading structure

Pass-Merit-Distinction

Unit aims

Learners will develop the ability to prepare financial statements according to the International Accounting Standards for Small and Medium-Sized entities (IFRS for SMEs).

Learners will gain knowledge and skills required to enable them to measure performance and assess the financial position of small and medium-sized enterprises (SMEs) and small and medium-sized practices (SMPs).

Learning outcomes The learner will:	Assessment criteria The learner can: Pass	Merit	Distinction
1. Understand the relationship between organisational ownership and the nature of financial reporting statements.	1. Compare the capital structures of different organisation. 2. Explain how and why a particular capital structure is selected. 3. Analyse the effect the capital structure of organisation has on the preparation of the financial reporting statements.	1. Assess how a change of capital structure within an organisation will impact on the preparation of the financial reporting statements.	
2. Understand the role of accounting and accounting records within an organisation.	1. Explain the role of accounting and record keeping within an organisation. 2. Explain the double entry accounting technique. 3. Use double entry accounting techniques to record financial transactions. 4. Prepare a trial balance from double entry accounting records.		
3. Be able to prepare financial reporting statements for different types of organisation.	1. Describe the treatment of non-current assets in financial reporting statements. 2. Calculate and record period-end adjustments. 3. Prepare financial reporting statements from trial balance data for different types of organisation.	1. Analyse the components of financial statements.	
4. Be able to use techniques to measure performance and assess the financial position of organisations.	1. Calculate performance indicators to assess and monitor the financial position, performance and efficiency of a specific organisation. 2. Develop key performance indicators relevant to a specific business organisation. 3. Interpret and report on the results of performance indicators.	1. Analyse the rationale for using quantitative and qualitative measures to assess organisational performance and position.	1. Compare and contrast the financial performance of an SME using financial indicators.

Indicative content

1. Understand the relationship between organisational ownership and the nature of financial reporting statements

Capital Structures of different business organisations to include:

- Sole traders
- Partnerships
- Limited liability partnerships
- Limited companies
- Manufacturing companies
- Not for profit organisation
- Combinations of companies.

Financial Reporting Statements for different business organisations, for example:

- Income statements
- Statements of financial position
- Manufacturing accounts
- Income and expenditure accounts for not for profit organisations

- 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
  - Auditor's report.

2. Understand the role of accounting within an organisation

- Double entry bookkeeping, i.e.
  - Preparing ledger accounts (e.g. assets, liabilities, capital)
  - Posting transactions to the ledger accounts
  - Balancing ledger accounts and making transfers to final accounts
  - Interpretation of ledger accounts and their balances

- Division of the ledger, i.e. sales ledger, purchases ledger and nominal (general) ledger
- Classification of different types of income and expenditure – capital and revenue
- Prepare a trial balance from ledger account balances.

3. Be able to prepare financial reporting statements for different types of organisation

The application of accounting concepts and principles to financial reporting statements:

- Valuation of non-current assets
- Depreciation of non-current assets, i.e.
  - Straight line method
  - Reducing (diminishing) balance method
- Calculation of net book value.

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.

Application of relevant accounting standards, for example, IASs and IFRSs.
Preparation of financial reporting statements for sole traders, partnerships, limited companies, or parts thereof, suitable for external users such as shareholders, owner managers, creditors, employees and public:

- Main elements of private limited companies' annual accounts, i.e. income statement and statement of financial position
- The 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.

4. Be able to prepare financial reporting statements for different types of organisation

Calculation and interpretation of:

- Liquidity ratios
- Profitability ratios
- Working capital ratios
- Efficiency ratios
- Resource utilisation ratios.

Develop and calculate relevant performance indicators for a business measuring profitability and performance and apply benchmarking and balance scorecard as a method of appraisal. (Comparing different companies and to industry averages.)

Distinguishing between qualitative and quantitative measures and application to case study material.

Explanation of why quality and continuous improvement is important with knowledge of the different testing and sampling methods/total quality management and internal and external quality costs.

4. Be able to prepare financial reporting statements for different types of organisation (continued)

The use of publicly available reports and financial analysis by different stakeholder groups. For example:

- Shareholders
- Employees
- Potential investors
- Directors
- Managers
- Suppliers
- Customers
- Lenders
- Government
- Analysts.

The usefulness of ratio analysis when assessing the performance of a business.

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.