

## 107 Financial statements, internal controls and systems in a business environment

This module is concerned primarily with competence in drafting and interpreting the financial statements of limited companies. Students will attain competence in the process of identifying and recording financial transactions in accounts and ledgers following the principles of double-entry bookkeeping. They will also be able to draft the financial statements of sole traders, partnerships and limited companies.

Students will understand what information is required to be provided, how it is to be presented to users of the financial statements and how the rules and principles established in international accounting standards (IAS and IFRS) apply to the process of drafting financial statements. The module ensures that students appreciate why financial statements are prepared and communicated and that their significance is understood. Students will understand who the users of financial statements are and why they are interested in this information.

Students will be introduced to internal control and accounting systems within organisations. This learning and assessment area is based on the operations of accounting functions within an organisation and evaluating their effectiveness.

### Intended module learning outcomes

On completion of this module, the student should be able to:

1. Demonstrate an understanding of the role of accounting within an organisation.
2. Explain the importance and use of internal control systems.
3. Outline the accounting system and identify areas for improvement and report to management.
4. Draft limited company financial statements from appropriate information and accounting standards.
5. Prepare and interpret cash flow statements.
6. Calculate and interpret accounting ratios and compare them to similar companies and industry average ratios, and report conclusions to appropriate parties.

## 107 Financial statements, internal controls and systems in a business environment

### Indicative content

1. The application of International Financial Reporting Standards (IFRSs) for the preparation of financial statements.
2. The application of International Accounting Standards (IASs) for the preparation of financial statements.
3. Financial ratios or performance indicators that are to be used to assess the performance of similar organisations.
4. Providing management with information on decision making on resources required to improve accounting systems.
5. Investigating the adequacy of accounting systems/ software packages used in an organisation.
6. Reviewing internal control systems and reporting to management looking at the different types of fraud and their impact and identifying internal controls to mitigate their risk.

### Required reading

Cox, D. (2019) *Financial statements of limited companies*: tutorial.  
Croydon: Osborne Books Limited.

Fardon, M., & Amos, S. (2019) *Accounting systems and controls*.  
Croydon: Osborne Books Limited.

### Recommended reading

Finch, C. (2012) *A student's guide to International Financial Reporting Standards*, 3rd ed., Wokingham: Kaplan Publishing UK.

Kaplan Publishing (2019) *AAT Professional Diploma in Accounting: financial statements of limited companies* (FSLC).  
Berkshire: Kaplan Publishing UK.

### Scheme of work

Once you have registered and paid for a module you will receive the scheme of work detailing the weekly schedule study plan.

### Assessment

The learning outcomes for this module will be assessed as follows:

2<sup>1</sup>/<sub>2</sub> hours' time-constrained open-book test.

#### Institute of Financial Accountants

CS111, Clerkenwell Workshops  
27-31 Clerkenwell Close, Farringdon  
London EC1R 0AT

T: +44 (0)20 3567 5999 E: mail@ifaa.org.uk

[@INSTITUTEFA](#) [INSTITUTE OF FINANCIAL ACCOUNTANTS](#)

[INSTITUTE OF FINANCIAL ACCOUNTANTS](#)

www.ifa.org.uk

© IFA 2018 11/18



**INSTITUTE OF  
FINANCIAL  
ACCOUNTANTS®**  
A MEMBER OF THE IPA GROUP