

# Unit Description

## SME Financial Accounting (International Standards)

Level 4 – 4FA

Valid from December 2015 exams

<b>Unit title</b>	<b>SME Financial Accounting (International Standards)</b>	
<b>Unit aim</b>	<p>The aim of this unit is to develop the financial accounting knowledge and how to apply it in a way is relevant to small and medium enterprises (SMEs) and small and medium practices (SMPs). SME is the inclusive acronym used to describe both types of organisation.</p> <p>The unit provides an understanding of the nature and purpose of financial accounting, what constitutes the financial reporting and regulatory framework, and requires the ability to prepare and analyse financial statements.</p> <p>The unit will develop the ability to prepare financial statements according to the International Accounting Standard for Small and Medium-Sized entities (IFRS for SMEs).</p>	
<b>Level</b>	4	
<b>Total Qualification Time</b>	150	
<b>Guided Learning Hours</b>	0	
<b>IFA Code</b>	4FA	
<b>In IFA qualifications</b>	IFA Level 4 Award for SME Financial Accounting (International Standards) IFA Level 4 Diploma for SME Financial Accountants	
<b>Learning outcomes The learner will...</b>	<b>Assessment criteria The learner can...</b>	<b>Underpinning knowledge</b>
<b>1. Understand the purpose of financial accounting</b>	1.1 Explain the nature and purpose of financial accounting 1.2 Describe what constitutes financial reporting and its regulatory framework 1.3 Identify stakeholders and their interest in financial statements.	IFRS for SMEs IASB
<b>2. Identify and rectify errors made before and during the preparation of financial statements</b>	2.1 Explain how control accounts and reconciliations may be used to prevent accounting errors before the trial balance stage 2.2 Use the trial balance to detect and correct errors 2.3 Correct accounting records where errors have occurred using journal entries 2.4 Correct accounting records where errors have occurred using a suspense account 2.5 Prepare ledger entries to reflect transactions that require corrections	Double entry bookkeeping system

<p><b>3. Understand the effect that the ownership of an organisation has upon the nature of the financial statements that are produced</b></p>	<p>3.1 Describe the capital structures of sole traders, partnerships, limited liability partnerships, limited companies, , manufacturing companies, not for profit organisations, and combinations of companies 3.2 Explain the reasons a capital structure is selected 3.3 Explain the effect of capital structures on the preparation of their financial statements.</p>	
<p><b>4. Be able to prepare financial statements for different types of organisation</b></p>	<p>4.1 Use the trial balance to produce figures to be incorporated into financial statements 4.2 Identify the treatment of non-current assets 4.3 Calculate and record period-end adjustments involving:</p> <ul style="list-style-type: none"> <li>• current assets</li> <li>• inventories</li> <li>• accruals and prepayments</li> <li>• bad debts</li> <li>• non-current assets</li> </ul> <p>4.4 Prepare financial statements for sole traders, partnerships, limited companies, or parts thereof, suitable for external users such as shareholders, owner managers, creditors, employees and public 4.5 Outline the characteristics and uses of accounting software in the preparation of accounting information.</p>	

**Recommended reading:**

*4FA Financial Accounting International Standards online learning material*, IFA

Augustine Benedict and Barry Elliott; *Financial Accounting: An Introduction*; FT Prentice Hall

Bruce Mackenzie, Allan Lombard, Danie Coetsee, Tapiwa Njikizana, Raymond Chamboko;  
*Applying IFRS for SMEs*; Wiley

David Alexander, Christopher W. Nobes; *Financial Accounting: An International Introduction*; FT  
Prentice Hall

Roger Hussey; *Fundamentals of International Financial Accounting and Reporting*; World Scientific  
Publishing

Frank Wood's Business Accounting: Volume 1; Financial Times/ Prentice Hall

