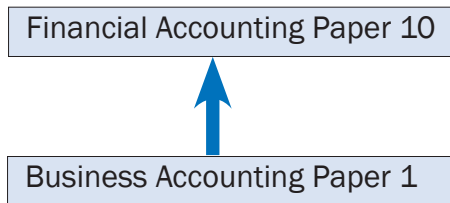




LEVEL 1

BUSINESS ACCOUNTING -PAPER 1

SYLLABUS CHART



OVERALL AIM

To provide the learner with knowledge and skills of basic accounting concepts and how they can be applied to financial statements providing useful information for business evaluation and decision-making

LEARNING OUTCOMES

On completion of this course, the learner should be able to:

1. Define the different terms used in accountancy
2. Describe the purpose and relevance of the main areas of accounting i.e. financial accounting, cost accounting and management accounting
3. Categorise business organisations
4. Record transactions in the books of prime entry using a double entry book-keeping system
5. Extract a trial balance
6. Describe the accounting cycle
7. Make end of year adjustments
8. Prepare simple financial statements for business entities and non-profit making organisations
9. Analyse and interpret the information contained in the financial statements for effective decision making

LEVEL OF ASSESSMENT

The examination will mainly test knowledge, comprehension and application

EXAMINATIONS STRUCTURE

There will be a three hour examination made up sections A and B. Section A will comprise of 20 compulsory multiple-choice questions of 20 marks. Section B will comprise of five questions of 20 marks each, of which the candidate will be required to attempt any four.

DETAILED SYLLABUS

A. INTRODUCTION

1. Meaning and differences between: book-keeping, financial accounting, cost accounting and management accounting
2. Users of financial statements and their information needs
3. The accounting equation and statement of financial position
4. The role of accountants and accounting technicians

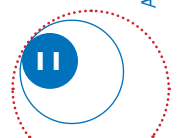
B. FORMS OF BUSINESS ENTITY

1. Meaning of 'business entity'
2. Categories of business entities
 - (a) Sole proprietorships:
 - (i) Characteristics
 - (ii) Benefits and limitations
 - (b) Partnerships:
 - (i) Meaning
 - (ii) Formation
 - (iii) Characteristics
 - (iv) Partnership agreement/ deed
 - (v) Benefits and limitations
 - (c) Limited liability companies:
 - (i) Characteristics
 - (ii) Companies limited by shares and/or by guarantee
 - (iii) Benefits and limitations
 - (iv) Partnerships versus limited liability company
 - (v) Public versus private companies

C. PRINCIPLES OF DOUBLE ENTRY BOOK-KEEPING AND BOOKS OF ORIGINAL ENTRY

1. Meaning of double entry
2. Merits of double entry system
3. Recording of transactions within the double entry framework

- (a) Explanation of the accounting equation and effect of transactions on statement of financial position
 - (i) Double entry system for assets, liabilities and capital
 - (ii) The double entry system for expenses and revenues
 - (iii) The effect of profit and loss on capital
 - (b) Classification of accounts
 - (i) Personal (natural, artificial/ legal and representatives), impersonal (real and nominal)
 - (ii) Golden rules of accounting
 - (c) Elements of financial statements
 - (d) Capital and revenue transactions
4. Source documents and records
- (a) Receipts
 - (b) Vouchers
 - (c) Invoices
 - (d) Credit and debit notes
5. Books of original entry
- (a) Cash book:
 - (i) Two column and three column
 - (ii) Petty cash book and imprest system
 - (iii) Analysed cashbook
 - (b) Journals
 - (i) General journal
 - (ii) Sales journal
 - (iii) Purchases journal
 - (iv) Returns inwards and returns outwards journals
 - (c) Preparation of books of original entry and transfer to the ledger accounts
6. Ledgers and extraction of a trial balance
- (a) Meaning of a ledger and ledger accounts
 - (b) Debit and credit entries
 - (c) Posting and balancing ledger accounts
 - (d) Sales Ledger, Purchases Ledger, General or Nominal Ledger
 - (e) Preparation of principal and subsidiary ledgers
 - (f) Balancing off ledger accounts and extraction of a trial balance



7. Accounting cycle
 - (a) Collecting data using source documents
 - (b) Recording transactions in books of original entry
 - (c) Posting from journals to ledger accounts
 - (d) Preparation of a trial balance
 - (e) End of period adjustments
 - (f) Financial statements

D. ERRORS AND THEIR CORRECTION

1. Types of errors:
 - (a) Errors which cannot be revealed by a trial balance
 - (b) Errors that can be revealed by a trial balance
2. Correction of errors using the journal
3. Errors and the suspense account
4. Preparation of revised statement of profit or loss and other comprehensive income and statement of financial position after correction of errors

E. BANK RECONCILIATION STATEMENTS

1. Nature and purpose
2. Causes of differences between bank statement and cash book balance
3. Cheque system
4. Bank statement format and terms involved
5. Methods of bank reconciliation
6. Preparation of adjusted cash book
7. Merits of bank reconciliation statements

F. FINANCIAL STATEMENTS FOR INTERNAL USE

Preparation of simple statements of profit or loss and other comprehensive income and financial position for sole traders, partnerships and limited companies (excluding manufacturing entities)

G. END OF PERIOD ADJUSTMENTS

1. Need for period end adjustments
2. Accruals and prepayments of incomes and expenses (application of accrual and matching concepts)
3. Provision for bad and doubtful debts

- (a) Need for provisions for bad and doubtful debts
 - (b) Distinction between:
 - (i) Definite and doubtful debts
 - (ii) Specific and general debts
 - (c) Determination of provisions for bad and doubtful debts
 - (d) Movement in the provisions for bad and doubtful debts account
 - (e) Accounting treatment of provision for bad debts, increase in bad debts, decrease in bad debts, bad debts written off and recovered in ledger accounts and financial statements
4. Discounts
- (a) Meaning and different types of discounts (cash discount, trade discount)
 - (b) Accounting treatment of movements in provisions for discounts allowed and discounts received in the ledger accounts and financial statements
5. Depreciation
- (a) Objectives of providing for depreciation
 - (b) Identification of depreciable assets
 - (c) Methods of depreciating and amortising non-current assets
 - (d) Accounting for depreciation
 - (e) Recording of acquisition and disposal of non-current assets

H. PREPARATION OF FINANCIAL STATEMENTS FROM INCOMPLETE RECORDS

1. Meaning of incomplete records
- (a) Reasons/ circumstances which give rise to incomplete records
 - (b) Need for complete records
 - (c) Accounting process
 - (d) Sources of information
2. Transformation of incomplete records into proper books of account
- (a) Preparation of statements of affairs
 - (b) Analysis of cash and bank transactions
 - (c) Control accounts
 - (i) Meaning and need for control accounts
 - (ii) Sources of information for control accounts
 - (iii) Preparation of schedules of accounts receivable and accounts payable
 - (iv) Determination of purchases and sales amounts
 - (v) Determination of expenses and income amounts

- (d) Computation of and relationship between mark-up and margin
- (e) Preparation of trial balance
- (f) End of period adjustments
- (g) Preparation of statements of profit or loss and other comprehensive income and financial position from incomplete records

I. FINANCIAL STATEMENTS FOR NON-PROFIT MAKING ORGANISATIONS

1. Meaning and types of non-profit making organisations
2. Non-profit versus profit making organisations
3. Ordinary and life membership subscriptions
4. Receipts and payments account
5. Income and expenditure account/ statement
6. Accumulated fund
 - (a) Meaning
 - (b) Determination
 - (c) Effects of surplus or deficit on accumulated fund
7. Statement of financial position
8. Income and expenditure account/ statement of non-profit organisation versus statement of profit or loss and other comprehensive income of a profit-making organisation

J. INTRODUCTION TO PARTNERSHIP ACCOUNTS

1. Treatment of partnership profits and losses, partners' salaries and drawings
2. Preparation of partners' capital and current accounts
3. Preparation of statements of profit or loss and other comprehensive income and financial position

K. SIMPLE COMPANY ACCOUNTS

1. The legal and financial framework of a limited company
2. Requirements of the Companies Act
3. Preparation of profit or loss and other comprehensive income and statement of financial position for internal use

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1. Wood Frank & Alan Sangster (2011), Business Accounting, Prentice Hall, Great Britain, 12th Edition.
2. Wood Frank & Sheila Robinson (2009), Book keeping and Accounts, Financial Times Management, Prentice Hall Great Britain, 7th Edition.
3. Wood Frank (2008), Business Accounting 1, Financial Times Management, Prentice Hall Great Britain, 11th Edition.