

### Level 3 Accounting Principles Indicative content

*NOTE : Whilst not exhaustive this document provides an illustration of topics and themes in this unit.*

1.	<ul style="list-style-type: none"> <li>• Principal reasons for maintaining financial records and accounts.</li> <li>• Accounting records for sole traders and companies.</li> <li>• Users of financial and accounting information.</li> <li>• Requirements of different users.</li> <li>• Assets, expenses, capital, liabilities.</li> <li>• Accounting equations.</li> <li>• Capital and revenue expenditure.</li> <li>• Continuous (running account) balance format.</li> <li>• Double entry and the dual aspect concept.</li> <li>• Purchase, sales, nominal and cash book as ledgers.</li> <li>• Cash transactions and treatment and recording of VAT.</li> <li>• Recording trade and cash/settlement discounts (no VAT re-calculation expected).</li> <li>• Posting payments and receipts.</li> <li>• Use of sales ledger control account to ensure ledger accuracy (no preparation of control account expected).</li> <li>• Creditors and debtors [trade payables and trade receivables].</li> <li>• Credit transactions.</li> <li>• CICM use of financial reporting terminology (Financial Reporting Standards (FRS) and International Financial Reporting Standards (IFRS))</li> </ul>
2.	<ul style="list-style-type: none"> <li>• Trial balance.</li> <li>• Trial balance errors.</li> <li>• Use of suspense account to correct trial balance errors. (Journals not required)</li> <li>• Calculation of profit.</li> <li>• Income statement.</li> <li>• Statement of Financial Position.</li> <li>• Retained Earnings Reconciliation Statement (companies only).</li> <li>• Principal methods of depreciating non-current assets and reasons for depreciation.</li> <li>• Accounting concepts: duality/dual aspect (as in 1 above), business entity, going concern, accruals, consistency and materiality.</li> <li>• Different accounting treatments on monetary values contained in the financial statements.</li> <li>• Accrued payables and prepaid receivables.</li> <li>• Current and non-current asset and liability sections of a Statement of Financial Position.</li> <li>• Bad debts and possible reasons including necessary entries in the ledger accounts to write off a bad debt.</li> <li>• Impairment of trade receivables as allowance for doubtful debt.</li> </ul>

3.	<ul style="list-style-type: none"> <li>• Internal and external auditors.</li> <li>• How auditors' reports can benefit a credit manager.</li> <li>• Differences in financial reporting for unincorporated sole traders and companies.</li> <li>• Corporate Annual Reports.</li> <li>• Sections of the Annual Report that must be included under the Companies Act.</li> <li>• Directors' Report and Chairman's Report.</li> <li>• Requirements of the Companies Act 2006, Financial Reporting Standards (2015) and International Financial Reporting Standards relating to the publication of financial information by UK micro-entity, small entity, medium and large private limited companies, and listed/quoted UK public limited companies.</li> <li>• Terminology and format used in published accounts.</li> </ul>
4.	<ul style="list-style-type: none"> <li>• Purpose of budgetary control and the budget process.</li> <li>• Relationship between the principal types of budget.</li> <li>• Monitoring and analysing budgets.</li> <li>• Cash budgets – preparation, contents, amending and interpreting.</li> </ul>
5	<ul style="list-style-type: none"> <li>• Working capital and the availability of cash to a business organisation.</li> <li>• Reasons for the main shortages of working capital.</li> <li>• Consequences to a firm of a shortage of working capital.</li> <li>• Cash operating cycle.</li> <li>• Significance to credit management of working capital.</li> <li>• Ratio calculations and comparison.</li> <li>• Financial analysis.</li> </ul>