

Accounting Principles

48 Guided Learning Hours 103 Total Qualification Time

Aim

This unit aims to develop a good understanding of fundamental accounting principles and techniques for those working credit management related areas.

Syllabus topics

1. **Accounting principles and techniques (30%)**
 - Reasons for keeping accounts
 - Account, ledger and transaction types
 - The accounting equation
 - Rules of double entry, cash and credit transactions, VAT, and discounts
 - Use of control accounts to ensure ledger accuracy.
2. **Trial balance and financial statements (20%)**
 - Trial balances as platform for financial statements.
 - Error correction, undetected errors and suspense account.
 - Statements: Income, Financial Position and Retained Earnings Reconciliation.
 - Adjustments to monetary values (incl. accrued/prepaid items, depreciation, bad debts, allowance for doubtful debt)
 - Concepts, conventions and accounting standards.
3. **Differences in financial reporting (10%)**
 - Sole trader and micro, small, medium, and large company reporting.
 - Regulatory/legal requirements (FRS/UK Companies Act)
 - Company report content by management and auditors.
 - Relative usefulness to credit managers.
4. **Budgetary control (20%)**
 - Budgetary control process.
 - Different budget types
 - Cash budgets and relevance
 - Variance analysis
5. **Business performance (20%)**
 - Working capital
 - Cash operating cycle
 - Ratio calculation and meaning
 - Business performance measurement

Assessment

Learners will sit a 3-hour examination and be required to answer all 5 questions set. All questions will carry equal marks and there will be no optional elements. All ledger accounts must be prepared in continuous running account balance format. Financial statements must be prepared in vertical format using recognised Financial Reporting Standards (FRS) terminology.