

## Financial Accounting 1

Unit level 4

Unit code A/650/9636

GLH 60

Credit value 15

Unit grading structure

Pass-Merit-Distinction

### Unit aims

The aim of this unit is to develop the financial reporting skills of those who manage or seek to manage the day-to-day finances and financial needs of small and medium-sized enterprises (SMEs) and small and medium-sized practices (SMPs).

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) and to interpret financial statements prepared according to that standard.

### Learning outcomes

The learner:

### Assessment criteria

The learner can:

#### Pass

#### Merit

#### Distinction

1. Understands the regulatory framework for financial reporting.

1. Explain the role of accounting as a means of analysing, monitoring and controlling business performance.
2. Analyse the conceptual and regulatory framework for financial reporting
3. Analyse the accounting concepts and principles used when preparing financial accounts.

1. Assess the importance of accurately applying accounting concepts and principles when preparing different types of accounting statements.

2. Can prepare and interpret a statement of cash flows.

1. Prepare a statement of cash flows from given data.
2. Interpret the significance of an entity's performance shown in its statement of cash flows.
3. Make justified recommendations based on an organisation's statement of cash flows.

1. Evaluate the significance of information within a statement of cash flows.

1. Evaluate the usefulness of a statement of cash flows to different organisations.

3. Can prepare a credit control policy.

1. Analyse the key components and consequences of a credit control policy.
2. Identify circumstances where changes in credit policy are needed.
3. Develop a credit control policy for a specific organisation which complies with the organisation's objectives.

1. Discuss a credit control policy for a given organisation which complies with the organisation's objectives.

1. Evaluate the importance of maintaining a comprehensive credit control policy.



## Indicative content

### 1. Understand the regulatory framework for financial reporting

- Accounting principles (e.g. relevance, reliability, comparability and understandability).
- Outline, explain and assess the purposes of accounting standards.
- Working knowledge of IFRS for SMEs.
- Working knowledge of IASB.
- Accounting concepts (e.g. prudence, consistency, going concern, materiality, matching, money measurement, realisation, etc.).

### 2. Can prepare and interpret a statement of cash flows

- Explain the purpose of statements of cash flows.
- Prepare a statement of cash flow (indirect method).
- Prepare the note to the statement of cash flow reconciling operating profit to net cash flow from operating activities.
- Analyse and evaluate the significance of information within the statement of cash flows.
- Know how to present a business case for a set of recommendations which aim to improve the future cash flow performance of an organization in a given context.

### 3. Can prepare a credit control policy

- The purpose of a credit control policy.
- Explain the different factors that an organisation will consider before it allows credit to a customer including credit checks and referencing.
- Differentiate between internal information held by the business (past orders) and external sources of information (credit referencing agencies) which can inform decisions related to the availability of credit to customers.
- Factors which may impact upon changes in an organisation's credit control policy including legislation
- Credit control policy sections:
  - Mission, scope, goals and responsibilities
  - Analysis – evaluation, bad debt (irrecoverable accounts) policy
  - Collections.
  - Review schedule
- Analyse and evaluate an organisation's approach to credit policy with reference to its business objectives.

## Suggested Resources

### Textbooks

Sangster, A (2018) *Frank Wood's Business Accounting 2 (14<sup>th</sup> edition)*. Pearson, Harlow

### Websites

Accounting tools, credit policy definition <https://www.accountingtools.com/articles/credit-policy>

Corporate Finance Institute, Credit Policy <https://corporatefinanceinstitute.com/resources/commercial-lending/credit-policy/>

### Videos

<https://youtube.com>

*What is Credit Control?* Marketing Business Met

*What are Credit Policies?* Thea Dudley

*Cash Flow Statements for Beginners*, Accounting Stuff

## Unit assessment

The assessment for each unit is based on the achievement of the learning outcomes at the standards set by the assessment criteria for that unit. The learner can achieve a Pass, Merit, Distinction or Fail for each unit based on the quality of the work submitted and the assessor's judgements made against the criteria provided.


The assessment is completed through the submission of internally assessed learner work which is subject to external moderation or verification.

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