

## Financial Reporting

Unit level 5

Unit code R/650/9645

GLH 120

Credit value 30

Unit grading structure

Pass-Merit-Distinction

### Unit aims

The aim of this unit is to enable learners to extract accurate financial data from business accounts in order to prepare financial statements for different types of business organisations. Learners will be able to assess business processes and performance and make justified recommendations for improvements

### Learning outcomes

The learner:

### Assessment criteria

The learner can:

#### Pass

#### Merit

#### Distinction

1. Can prepare financial statements for sole traders and partnerships.

1. Prepare financial statements, incorporating relevant adjustments, for a specific sole trader.

1. Evaluate the purpose of preparing financial statements for sole traders and partnerships.

1. Evaluate the usefulness of sole trader and partnership financial statements to organisational stakeholders.

2. Prepare financial statements, incorporating relevant policy notes and adjustments, for a specific partnership.

2. Can prepare company financial statements.

1. Prepare full set of financial statements, incorporating relevant adjustments, for a specific limited company.

1. Evaluate international different in financial reporting.

1. Assess the importance of government policies towards anti-money laundering and other international transactions

2. Explain the need to identify and correct omissions and errors prior to preparing company financial statements.

3. Can interpret financial statements and make justified recommendation.

1. Evaluate the reliability and accuracy of accounting records of a specific organisation.

1. Analyse the usefulness of accounting ratios when evaluating accounting records.

2. Make justified recommendations for process improvements to a specific organisation.



## Indicative content

### 1. Can prepare financial statements for sole traders and partnerships

- Preparation of Financial Reporting Statements for sole traders and partnerships, for example:
  - Income Statements
  - Statements of Financial Position
  - Capital and Current Accounts
  - Appropriation Accounts.
- Period end adjustments:
  - Valuation of inventory
  - Depreciation of non-current assets, i.e.
    - straight line method
    - reducing (diminishing) balance method
  - Irrecoverable debts
  - Provision for doubtful debts
  - Accruals
  - Prepayments.
- Accounting process: identification, recording, classification, measurement, reporting and communication.
- The use of sole trader and partnership financial statements to:
  - Shareholders
  - Employees
  - Potential investors
  - Directors
  - Managers
  - Suppliers
  - Customers
  - Lenders
  - Government
  - Analysts.

### 2. Can prepare company financial statements

- Preparation of Financial Reporting Statements for limited companies:
  - Main elements of private limited companies' annual accounts, i.e. income statement and statement of financial position
  - Main elements of public limited companies' annual reports, i.e. general corporate information, accounting policies, income statement, statement of financial position, statement of cash flows, notes to the financial statements, chairperson's and directors' reports and auditor's report.

## **2. Can prepare company financial statements (continued)**

- Period end adjustments:
  - Valuation of inventory
  - Depreciation of non-current assets, i.e.
    - straight line method
    - reducing (diminishing) balance method
  - Irrecoverable debts
  - Provision for doubtful debts
  - Accruals
  - Prepayments.
- Identification and explanation of errors which do not affect the trial balance: omission, commission, principle, compensating, original entry and reversal.
- Understanding of how to correct errors that do not affect the trial balance.
- Correction of errors including the suspense account.
- Journal entries supporting the correction of errors.
- Statements of revised profit; revised statement of financial position extracts.
- Explanation of the effect of errors on financial statements.
- Application and explanation of relevant accounting concepts.
- Application of relevant accounting standards for example IASs, International Financial Reporting Standards (IFRSs) and UK GAAP for FRS 102 and FRS 105.
- The importance of government policies towards anti-money laundering and other international transactions/

## **3. Can interpret financial statements and make justified recommendations**

- Calculation and interpretation of:
  - Liquidity ratios
  - Profitability ratios
  - Working capital ratios
  - Efficiency ratios
  - Resource utilisation ratios.
- Interpretation of accounting ratios and comparison of them to similar companies and industry average ratios.
- Justified recommendations and conclusions to meet the needs of relevant parties.
- The usefulness of ratio analysis when assessing the performance of a business.

## Suggested resources

### Textbooks

Weetman, P. (2019) *Financial and Management Accounting* (8<sup>th</sup> edition), Harlow, Pearson

*Financial Accounting and Reporting*, Open University (Kindle Edition)

### Websites

Corporate Finance Institute, <https://corporatefinanceinstitute.com/resources>

### Videos

<https://youtube.com>

*Introduction to ACCA Strategic Business Reporting – Open tuition*

*FA4 Preparing Financial Statements*

## 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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