

Syllabus outline: Introduction to Financial Accounting

NQF Level 5

Prescribed textbook: A Dempsey et al., *Introduction to Financial Accounting*, (10th ed.): LexisNexis

The overall aim of this module is to understand and apply the basic principles of bookkeeping and accounting to the preparation of a simple set of accounting records.

Syllabus topics	Syllabus detailed content	Textbook
Learning Outcome 1: Outline the framework for the preparation and presentation of financial statement;		
Framework for financial statements	<ul style="list-style-type: none"> • The framework for the preparation and presentation of financial statements • Underlying assumptions <ul style="list-style-type: none"> • Qualitative characteristics of financial statements • Definitions of assets, liabilities, equity, income, expenses • Recognition of the elements of financial statements • Overall considerations 	Chapter 1: Basic concepts in accounting
Learning Outcome 2: Use the double-entry system of bookkeeping		
The double entry system	<ul style="list-style-type: none"> • The double-entry system of bookkeeping • Accounting equation • Accounting for assets, liabilities, equity, income, expenses • Books of original entry • Writing up and construction of journals suitable for various types of business enterprises, (including general journal), <ul style="list-style-type: none"> • sales [debtors], • purchases [creditors], • cash receipts, cash payments, sales returns {returns inwards}, • purchases returns [returns outwards] 	Chapter 2: Transactions Chapter 3: Ledger accounts Chapter 4: The accounting cycle Chapter 5: Trial balance Chapter 6: The adjusting and closing process Chapter 8: Applications of accounting systems Chapter 9: Receivables and payables
Learning Outcome 3: Explain basic concepts in the valuation of assets and liabilities.		
Valuation of assets	<ul style="list-style-type: none"> • Basic concepts in the valuation of assets • Accounting for inventory – perpetual, periodic basis of inventory valuation – IAS 2 • FIFO, average, specific, cost, market value, net realisable value • Procedures for purchasing, stores (stock, inventory) control • Sales at reduced mark-up • Determination of closing inventory value • Insurance claims (excluding the use of the average clause) • Inventory counting procedures • Accounting for depreciation – use of fixed instalment, reducing 	Chapter 10: Inventories Chapter 11: Cash and cash equivalents Chapter 12: Non-current assets

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	<p>(diminishing) balance, revaluation, units of use and sum of the digits methods</p> <ul style="list-style-type: none"> • Asset registers • Disposal of non-current assets • Irrecoverable (bad) debts • Provisions – doubtful debts, discount • Writing up cash book (including petty cash) • Concept of petty cash • Treatment of unpaid cheques, post-dated cheques, service charges, direct debits and credits, contra entries • Reconciliation of bank accounts • Adjustments to bank account in ledger/cash book • Year-end adjustments 	
Learning Outcome 4: Prepare the financial statements in an acceptable form for different kinds of entities		
Sole proprietors	<ul style="list-style-type: none"> • Financial statements of a sole trader – IAS 1 • Preparation of the following statements in acceptable form: <ul style="list-style-type: none"> ○ Statement of financial position. ○ Statement of comprehensive income • Statement of changes in equity 	Chapter 7: Presentation and disclosure of financial statements
Partnerships	<ul style="list-style-type: none"> • Accounting treatment of a partnership – Statement of changes in equity • Accounting for the appropriation of profits or losses in terms of the partnership agreement 	Chapter 14: Partnerships
Learning Outcome 5: Prepare cash flow statements		
Cash flow statements	<ul style="list-style-type: none"> • Cash flow statements • Preparation of elementary cash flow statements for a company 	Chapter 18: Statement of cash-flows
Learning Outcome 6: Prepare budgets		
Budgets	<p>Preparation of:</p> <ul style="list-style-type: none"> • Sales Budget • Cash Budget • Operational Expense Budget 	Chapter 20: Budgets
Learning Outcome 7: Analyse financial statements		
Analyse Financial Statements	<p>Calculate the following ratios</p> <ul style="list-style-type: none"> • Gross Profit Percentage (Gross Margin) • Mark Up Percentage • Net Profit Margin • Current Ratio 	Chapter 21: Analysis and interpretation of financial statements

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	<ul style="list-style-type: none">• Acid Test Ratio• Receivables Collection Period• Payables Payment Period• Solvency Ratio	
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Practical and work competencies

- Recognise assets, liabilities and equity in the accounting equation.
- Journalise simple transactions in the various journals.
- Prepare the general ledger for simple transactions.
- Prepare a trial balance.
- Calculate the value of assets and liabilities in the financial statements.
- Calculate the gross profit of a service entity and a trading entity.
- Reconcile the bank account per the general ledger with the balance per the bank statement (bank reconciliation).
- Prepare the financial statements for a sole trader
- Prepare the financial statements for a partnership.
- Prepare the financial statements for a close corporation
- Prepare a cash flow statement for a company
- Prepare a sales budget, an operating expense budget, and a cash budget
- Calculate ratios from figures provided

Additional readings and resources: for downloading or reading/viewing:

- Introduction to Financial Statements: <https://youtu.be/0ouQKi6Nb94>
- Financial Statements: <https://youtu.be/4nPJtzNDQng>
- Introduction to debits and credits: <https://youtu.be/NsJMwtazP-4>
- Debits and credits: <https://youtu.be/G4Ew3lja9Zl>
- Journal entries and the trial balance: <https://youtu.be/aln7rnu1xTw>
- Analysing and recording transactions: <https://youtu.be/JX2cCNY9ceE>
- Adjusting journal entries: <https://youtu.be/eYBUHw70LrU>; <https://youtu.be/UgvAIs8LQUw>; <https://youtu.be/oPgudehRK1w>;
- Accounting basics for merchandisers (traders): <https://youtu.be/JCVHynWsAKI>
- Purchase cycle journal entries: <https://youtu.be/uPGKTmjZHoc>
- Bank reconciliations: <https://youtu.be/ui3UgAR3pF0>; https://youtu.be/_ob4J36lz5A; <https://youtu.be/mQwJtOA8gkg>
- Receivables and bad debt: <https://youtu.be/nxaSXdq2wao>; <https://youtu.be/2a0xXhoT-zY>; <https://youtu.be/c0tR8DBURv8>;
https://youtu.be/W4ZiaQHEX_o Fixed assets: <https://youtu.be/IX6brQgxiMI>; <https://youtu.be/yZeM6oLU4S8>; <https://youtu.be/QEg9uThGf5w>;
<https://youtu.be/JyWQgFrVNic>
- Current liabilities: <https://youtu.be/GFPcj5tuakQ>; <https://youtu.be/VFxB-f1WdeQ>