Unit: Accounting Principles	**Guided Learning Hours:** 200
Exam Paper No.: 2	**Number of Credits:** 20
Prerequisites: None	**Corequisites:** A pass or higher in Certificate in Information Systems or equivalence

Aim: The purpose of this unit is to familiarise learners with the basic accounting fundamentals for managing both a personal service-type business and a merchandising business. Learners are introduced to double-entry accounting, the foundation for further accounting studies. Accounting is the language of business. It is the system of recording, summarising, and analyzing an economic entity's financial transactions. Effectively communicating this information is key to the success of every business. Those who rely on accounting information include internal users, such as company managers and employees; external users, such as banks, investors, governmental agencies, financial analysts, and labour unions. These users depend upon data supplied by accountants to answer the following types of questions: Is the company profitable? Is there enough cash to meet payroll needs? How much debt does the company have? How does the company's net income compare to its expenses? What is the balance reflecting? How much income does each division generate? Should the company invest money to expand? This unit enable learners answer these questions and provide knowledge and skills required for Accountants to present an organisation's income and expenses information in clear concise reports called financial statements.

Required Materials: Recommended Learning Resources.	**Supplementary Materials:** Lecture notes and tutor extra reading recommendations.

Special Requirements: Learners need to spend a lot of time outside class practicing and answering practical questions.

Intended Learning Outcomes:	Assessment Criteria:	
1 Private sector in contrast to businesses run by the state (public sector); why the financial structure is based on the provision of capital and the importance of finance in the upkeep of the business.	1.1	Describe the distinction between organisations in private sector and public sector of business
	1.2	Describe the different types of businesses.
	1.3	Explain the meaning of the accounting equation
	1.4	Evaluate the various sources of finance in business
	1.5	Define financial accounting.
	1.6	Examine and explain the role of accounting in business and in society
	1.7	Describe and identify groups making use of accounting information primarily for decision-making purposes.
	1.8	Define accounting terms (assets, liabilities and capital)
	1.9	Describe the fundamentals of accounting.
2 The recording of accounting information; the importance of the ledger; assessing revenue and classifying expenses, capital, assets and liabilities.	2.1	Demonstrate the basic double-entry principle of recording accounts and the use of the debit and credit aspects of recording
	2.2	Define and explain a transaction
	2.3	Identify relevant financial source documents
	2.4	Identify and be able to use the books of prime entry
	2.5	Define how transactions are entered
	2.6	Demonstrate how to post from the books of prime entry
	2.7	Describe the sales day book
	2.8	Describe the returns inwards and return outwards day books
	2.9	Describe how to write a cash book

		2.10	Describe banking terminologies including interest, bank charges, cheques, transfers, direct debits, Bankers Automated Clearing Services (Bacs) payment scheme and Clearing House Automated Payment system (CHAPS)
		2.11	Describe the purpose and how to write up a journal
		2.12	Explain the concept of debit and credit entries
		2.13	Explain why the double entry system is essential
		2.14	Explain why double entry bookkeeping relies upon the convention of duality and the balance sheet equation
		2.15	Describe the procedures for recording financial transactions.
3	Accounting general ledgers; returns inwards (sales returns) and return outwards (purchase returns) and the effect of a return.	3.1	Identify the three ledgers of accounting
		3.2	Describe the purpose and use a ledger
		3.3	Define a nominal/general ledger
		3.4	Define accounting principles
		3.5	Describe accrual.
		3.6	Explain allowances made for goods or services returned
		3.7	Describe the double entry for returns inwards and outwards
4	Using the accounting system to indicate the process involved in recording transactions through to the final stage of preparing financial statements as profit and loss and balance sheet.	4.1	Describe the difference between recording credit and cash transactions
		4.2	Describe the functions of the journals and cash book
		4.3	Define the links in the process of recording accounts and communicating them through the financial statements.
		4.4	Evaluate the meaning of selling terms such as quotations, estimates and tenders.
		4.5	Describe the function of invoices and statements and be able to prepare them from data provided
		4.6	Identify the use of credit control
		4.7	Demonstrate why sales journals are used
		4.8	Evaluate the functions of the sales ledger control account and posting procedures from the sales journal to the ledgers
		4.9	Distinguish between transactions that pass through journals and those that pass through the cashbook.
		4.10	Define sales invoice; sales journal and control account.
5	The purchases journal; returns journals and debit/credit notes, the journal as the prime book of entry and its use.	5.1	Describe why the purchases journal is used
		5.2	Analyse the functions of the purchase ledger control account
		5.3	Explore the posting procedures from the purchases journal to ledgers
		5.4	Analyse why the return inwards and return outward journals are used
		5.5	Examine why credit/debit notes are issued.
		5.6	Describe the use and function of the journal
		5.7	Describe why the suspense account is used
		5.8	Define how errors are corrected and the suspense account cleared
		5.9	Define the suspense account

6 The purpose of a trial balance, the elements of a Trading, Profit and Loss Account (Income Statement).	6.1	Define the functions of profit and loss account and the balance sheet
	6.2	Identify the function of a trial balance
	6.3	Define and explain a Trial Balance
	6.4	Describe why a trial balance is important
	6.5	Demonstrate how to balance off ledger accounts
	6.6	Demonstrate how to extract a trial balance
	6.7	Demonstrate how to ensure the two sides of a Trial balance agree
	6.8	Describe a Trading Account
	6.9	Explain the importance and purpose of Profit and Loss Account
	6.10	Examine the components of a profit and loss account, including revenue, expenses and profit/loss
7 VAT charged on goods and services, imports from countries inside/outside the European Union.	7.1	Identify the VAT calculations and how to draw up the VAT account
	7.2	Describe why indirect tax is charged on goods and services
	7.3	Describe VAT problems, mistakes, adjustments, inspections
	7.4	Explain how to adjust your VAT when returned goods, credit notes, debit notes are issued or received
	7.5	Explaination the difference between VAT and Sales Tax
	7.6	Describe how and when do organisations register for VAT
	7.7	Explain the items not covered by VAT
8 Financial institutions and their functions; the purpose of cash book, the petty cash book as a subsidiary of cash book or bank account.	8.1	Examine the various functions and services of banks
	8.2	Describe why the cash book is used
	8.3	Describe the posting procedure from the cash book to ledgers
	8.4	Demonstrate how to prepare a petty cash book from a given list of payments
	8.5	Describe the posting procedure from a petty cash book to the nominal ledger
	8.6	Describe the need to confirm the bank account records with the bank statement records.
	8.7	Identify why the business bank account must be periodically reconciled with the bank statement
9 Preparing final accounts at the end of the fiscal or calendar year; the effect of adjustments to the final accounts.	9.1	Define financial statements and be able to extract final accounts from the trial balance
	9.2	Describe what is meant by 'accounting period'
	9.3	Describe adjustments for accruals, prepayments and drawings
	9.4	Describe provision for bad debts against debtors
	9.5	Describe Fixed Assets and Non-Current assets
	9.6	Describe current assets
	9.7	Describe liabilities
	9.8	Describe reserves
	9.9	Describe the possible forms of capital/owners equity
	9.10	Describe the differences between capital and revenue expenditure
	9.11	Outline the effect of capital and review

	expenditure in the profit and loss account the balance sheet
	9.12 Distinguish between capital and review expenditure
	9.13 Describe bad debts
10 Other organisations like clubs, charities and not-for-profit and associations, including their financial reporting.	10.1 Describe sole proprietor, partnership and limited companies ownership
	10.2 Describe the legal status of proprietor, partnership and limited companies
	10.3 Describe the size of proprietor, partnership and limited companies
	10.4 Describe the extent of liability for proprietor, partnership and limited companies
	10.5 Describe the different forms of business organisations.

Methods of Evaluation A 2-hour written examination paper with Section A and Section B. Section A has 40 multiple choice questions. Section B has three essay questions, each carrying 20 marks. Candidates are required to answer all questions. Candidates also undertake project/coursework in Accounting Principles with a weighting of 100%.

Recommended Learning Resources: Accounting Principles

Text Books	• Business Accounting: by Frank Wood and Alan Sangster. ISBN-10: 0273681494 • Accounting Principles by Jerry J. Weygandt, Donald E. Kieso, and Paul D. Kimmel ISBN-10: 0471980196 • Mastering Book-Keeping: A Complete Guide to the Principles and Practice of Business Accounting by Dr. Peter Marshall ISBN-10: 1845284461 • Introduction to Accounting by Mrs Pru Marriott, Professor J R Edwards and Professor Howard J Mellett ISBN-10: 076197038X
Study Manuals	BCE produced study packs
CD ROM	Power-point slides
Software	None