

IKAF CAT-F3 Financial Accounting

Syllabus and Study Guide

*CAT Certified Accounting Technician Qualification Level
(Based on ACCA Certifications)*

This syllabus and study guide is designed to assist in teaching and learning, also is intended to provide detailed information on the qualification, module and study guide.

Qualification Structure

It explains the content of Certified Accounting Technician Qualification Level, which also includes the Financial Accounting Module. Explains the connection of this module to other levels and modules of qualification; modules included at the specified level as well as membership criteria; as well as the characteristics of lectures that are held during the certification period. Modules and Qualifications are also presented through diagrams.

Module

It explains briefly the reasoning of the module's importance, the general and detailed objectives of the module and, also shows in the widest sense the skills that will be developed during the study of the module. The relation of the module to the other modules is presented through a diagram representing the links between them; in order to be as clear as possible for the reader. Also, topics that belong to the module are described; also, how the module's topics and subthemes are planned. Moreover, the form of examination and evaluation is explained in detail, what the exam will consider and why. In the end, the module's content is attached.

Syllabus Structure

It explains the syllabus content of the module Financial Accounting, part of the Certified Accounting Technician Qualification Level. This module contains the main reasoning, aim, and capabilities expected to get learned during the course of the study. In addition, the syllabus includes the topics of the modules, the structure of the examination after the successful completion of the module as well as reading and scheduling the time.

Study Guide

This is the main document that students, education and content providers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations

QUALIFICATION STRUCTURE

*CAT Certified Accounting Technician Qualification Level
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The Qualification Program for Accounting Technician particularly relies on management and communication skills, practical business development and planning skills, as well as new knowledge on the tax environment and financial reporting.

To get Accounting Technician training you need to become an IKAF student member. Membership is open to professionals who work in accounting and those who are interested in accounting as well.

Accounting Technician Candidates should demonstrate knowledge of Financial Accounting Module.

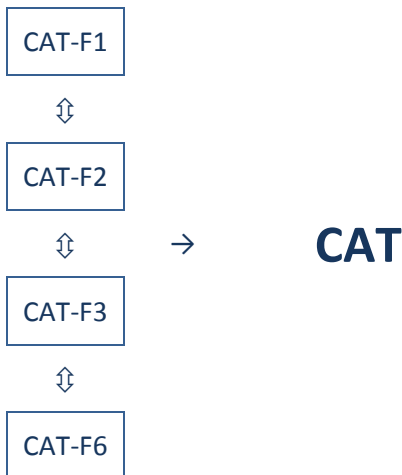


Diagram.1: *CAT Certified Accounting Technician Qualification Level*

Modules

CAT Certified Accounting Technician Qualification Level consists of four modules and is mandatory to pass all four in order to obtain the title:

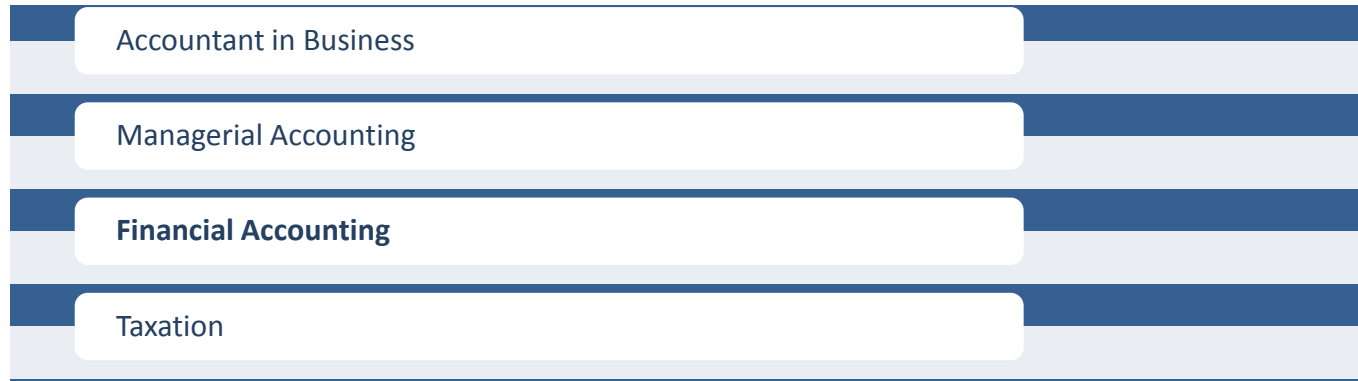


Diagram.2: CAT Certified Accounting Technician Qualification Level Modules

QUALIFICATION AND MEMBERSHIP CRITERIA: Certified Accounting Technician

- To enroll as an IKAF student in the Accounting Technician program, you must have at least a High School Diploma or University Degree;
- One (1) year experience in accounting/finance - that can be acquired during or after the training;
- Have attended and passed four (4) certification exams for this purpose (Exam is passed if 50% of test points are reached) ;
- A person who has been certified in this qualification by IKAF and continues to have a regular membership status of the IKAF has the right to use the title "Accounting Technician" by fulfilling all of the above criteria;
- Regular members of the IKAF to use the title "Accounting Technician" are required to attend Continuing Professional Development (CPD) as defined in the IKAF Regulation.

Training Features:

- A Comprehensive review of modules and during the training, participants will be provided with case studies, exercises similar to those given in the ACCA exams, and mock exam.
- Trainers are holding professional qualifications, and well experience in their field
- ACCA's materials shall be used in the training
- Upon completion of this course, participants will be able to take the exams of modules at IKAF center.

SYLLABUS STRUCTURE

Rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Relational diagram linking modules

This diagram shows direct and indirect links between this exam and other exams preceding or following it. It indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall Aim

This explains briefly the overall objective of the syllabus and indicates in the broadest sense the capabilities to be developed within the exam.

Main Capabilities

The aim of the syllabus is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Topics

Certain topics that module contains and that will be treated during tuitions.

Examining Structure

This section briefly explains the structure of the examination and how it is assessed.

Annex: Detailed Syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

MODULE

This syllabus and study guide is designed to help with study planning and to provide detailed information on what could be assessed in any examination session.

Rationale

The syllabus Financial Accounting introduces students who may not have a business background, to the business, which as an entity is made up of people and systems which interact with the environment and with each other.



Diagrami.1: Module relations

The syllabus for Financial Accounting introduces the candidate to the fundamentals of the regulatory framework relating to accounts preparation and to the qualitative characteristics of useful information. The syllabus then covers drafting financial statements and the principles of accounts preparation. The syllabus then concentrates in depth on recording, processing, and reporting business transactions and events. The syllabus then covers the use of the trial balance and how to identify and correct errors, and then the preparation of financial statements for incorporated and unincorporated entities. The syllabus then moves in two directions, firstly requiring candidates to be able to conduct a basic interpretation of financial statements; and secondly requiring the preparation of simple consolidated financial statements from the individual financial statements of group incorporated entities.

Aim

To develop knowledge and understanding of the underlying principles and concepts relating to financial accounting and technical proficiency in the use of double-entry accounting techniques including the preparation of basic financial statements.

Main capabilities

- Explain the context and purpose of financial reporting
- Define the qualitative characteristics of financial information
- Demonstrate the use of double-entry and accounting systems
- Record transactions and events
- Prepare a trial balance (including identifying and correcting errors)
- Prepare basic financial statements for incorporated and unincorporated entities.
- Prepare simple consolidated financial statements
- Interpretation of financial statements

Topics

Major topics of Financial Accounting Module which will be covered over the training:

The context and purpose of financial reporting
The qualitative characteristics of financial information
The use of double-entry and accounting systems
Recording transactions and events
Preparing a trial balance
Preparing basic financial statements
Preparing simple consolidated financial statements
Interpretation of financial statements

Diagram.2: Topics of Financial Accounting Module which will be covered over the training

Examination Structure

The syllabus is assessed by a two-hour examination available in paper-based format. * All questions are compulsory. Some questions will adopt a scenario/case study approach. Candidates are provided with a formulae sheet.

Reading and Time Planning

For paper-based exams 15 minutes are added to the two hours to reflect the manual effort required. The total exam time is therefore two hours and 15 minutes. Prior to the start of the exam candidates are given an extra 10 minutes to read the exam instructions.

The pass mark for all IKAF Qualification examinations is 50%.

Annex: Detailed Syllabus

DETAILED SYLLABUS

1 The context and purpose of financial reporting

- 1.1 The scope and purpose of financial statements for external reporting
- 1.2 Users' and stakeholders' needs
- 1.3 The main elements of financial reports
- 1.4 The regulatory framework (legislation and regulation, reasons and limitations, relevance of accounting standards)
- 1.5 Duties and responsibilities of those charged with governance.

2 The qualitative characteristics of financial information

- 2.1 The qualitative characteristics of financial information

3 The use of double-entry and accounting systems

- 3.1 Double-entry book-keeping principles including the maintenance of accounting records and sources of accounting information
- 3.2 Ledger accounts, books of prime entry, and journals

4 Recording transactions and events

- 4.1 Sales and purchases
- 4.2 Cash
- 4.3 Inventory
- 4.4 Tangible non-current assets
- 4.5 Depreciation

4.6 Intangible non-current assets and amortization

4.7 Accruals and prepayments

4.8 Receivables and payables

4.9 Provisions and contingencies

4.10 Capital structure and finance costs

5 Preparing a trial balance

5.1 Trial balance

5.2 Correction of errors

5.3 Control accounts and reconciliations

5.4 Bank reconciliations

5.5 Suspense accounts

6 Preparing basic financial statements

6.1 Statements of financial position

6.2 Statements of profit or loss and other comprehensive income

6.3 Disclosure notes

6.4 Events after the reporting period

6.5 Statements of cash flows

6.6 Incomplete records

7 Preparing simple consolidated financial statements

7.1 Subsidiaries

7.2 Associates

8 Interpretation of financial statements

8.1 Importance and purpose of analysis of financial statements

8.2 Ratios

Study Guide

A The context and purpose of financial reporting

1 The scope and purpose of financial statements for external reporting

- Define financial reporting – recording, analyzing and summarizing financial data.[K]
- Identify and define types of business entity – sole trader, partnership, limited liability company.[K]
- Recognize the legal differences between a sole trader, partnership and a limited liability company.[K]
- Identify the advantages and disadvantages of operating as a limited liability company, sole trader or partnership.[K]
- Understand the nature, principles and scope of financial reporting.[K]

2 Users' and stakeholders' needs

- Identify the users of financial statements and state and differentiate between their information needs.[K]

3 The main elements of financial reports

- Understand and identify the purpose of each of the main financial statements.[K]
- Define and identify assets, liabilities, equity, revenue and expenses.[K]

4 The regulatory framework (legislation and regulation, reasons and limitations, relevance of accounting standards)

- Understand the role of the regulatory system including the roles of the IFRS Foundation (IFRSF), the International Accounting Standards Board (IASB), the IFRS Advisory Council (IFRS AC) and the IFRS Interpretations Committee (IFRS IC).[K]
- Understand the role of International Financial Reporting Standards.[K]

5 Duties and responsibilities of those charged with governance.

- Explain what is meant by governance specifically in the context of the preparation of financial statements[K]
- Describe the duties and responsibilities of directors and other parties covering the preparation of the financial statements. [K]

B The qualitative characteristics of financial information

1 The qualitative characteristics of financial information

- Define, understand and apply qualitative characteristics:[K] i) Relevance ii) Faithful representation iii) Comparability iv) Verifiability v) Timeliness vi) Understandability
- Define, understand and apply accounting concepts:[K] i) Materiality ii) Substance over form iii) Going concern iv) Business entity concept v) Accruals vi) Fair presentation vii) Consistency

C The use of double-entry and accounting systems

1 Double-entry book-keeping principles including the maintenance of accounting records and sources of accounting information

- Identify and explain the function of the main data sources in an accounting system.[K]
- Outline the contents and purpose of different types of business documentation, including: quotation, sales order, purchase order, goods received note, goods dispatched note,

invoice, statement, credit note, debit note, remittance advice, receipt.[K]

- Understand and apply the concept of double entry accounting and the duality concept.[K]
- Understand and apply the accounting equation.[S]
- Understand how the accounting system contributes to providing useful accounting information and complies with organizational policies and deadlines.[K]
- Identify the main types of business transactions e.g. sales, purchases, payments, receipts.

2 Ledger accounts, books of prime entry, and journals

- Identify the main types of ledger accounts and books of prime entry, and understand their nature and function.[K]
- Understand and illustrate the uses of journals and the posting of journal entries into ledger accounts.[S]
- Identify correct journals from given narrative.[S]
- Illustrate how to balance and close a ledger account.[S]

D Recording transactions and events

1 Sales and purchases

- Record sale and purchase transactions in ledger accounts.[S]
- Understand and record sales and purchase returns.[S]
- Understand the general principles of the operation of a sales tax.[K]
- Calculate sales tax on transactions and record the consequent accounting entries.[S]
- Account for discounts allowed and discounts received.[S]

2 Cash

- Record cash transactions in ledger accounts.[S]
- Understand the need for a record of petty cash transactions.[K]

3 Inventory

- Recognize the need for adjustments for inventory in preparing financial statements.[K]
- Record opening and closing inventory.[S]
- Identify the alternative methods of valuing inventory.[K]
- Understand and apply the IASB requirements for valuing inventories.[S]
- Recognize which costs should be included in valuing inventories.[S]
- Understand the use of continuous and period end inventory records.[K]
- Calculate the value of closing inventory using FIFO (first in, first out) and AVCO (average cost) – both periodic weighted average and continuous weighted average.[S]
- Understand the impact of accounting concepts on the valuation of inventory.[K]
- Identify the impact of inventory valuation methods on profit and on assets.[S]

4 Tangible non-current assets

- Define non-current assets.[K]
- Recognize the difference between current and non-current assets.[K]
- Explain the difference between capital and revenue items. [K]
- Classify expenditure as capital or revenue expenditure.[S]
- Prepare ledger entries to record the acquisition and disposal of non-current assets.[S]
- Calculate and record profits or losses on disposal of non-current assets in the statement of profit or loss including part exchange transactions.[S]

- Record the revaluation of a non-current asset in ledger accounts, the statement of profit or loss and other comprehensive income and in the statement of financial position.[S]
- Calculate the profit or loss on disposal of a revalued asset.[S]
- Illustrate how non-current asset balances and movements are disclosed in financial statements.[S]
- Explain the purpose and function of an asset register.[K]

5 Depreciation

- Understand and explain the purpose of depreciation.[K]
- Calculate the charge for depreciation using straight line and reducing balance methods.[S]
- Identify the circumstances where different methods of depreciation would be appropriate.[K]
- Illustrate how depreciation expense and accumulated depreciation are recorded in ledger accounts.[S]
- Calculate depreciation on a revalued noncurrent asset including the transfer of excess depreciation between the revaluation surplus and retained earnings.[S]
- Calculate the adjustments to depreciation necessary if changes are made in the estimated useful life and/or residual value of a noncurrent asset.[S]
- Record depreciation in the statement of profit or loss and statement of financial position.[S]

6 Intangible non-current assets and amortization

- Recognize the difference between tangible and intangible non-current assets.[K]
- Identify types of intangible assets.[K]

- Identify the definition and treatment of “research costs” and “development costs” in accordance with International Financial Reporting Standards.[K]
- Calculate amounts to be capitalized as development expenditure or to be expensed from given information.[S]
- Explain the purpose of amortization.[K]
- Calculate and account for the charge for amortization.[S]

7 Accruals and prepayments

- Understand how the matching concept applies to accruals and prepayments.[K]
- Identify and calculate the adjustments needed for accruals and prepayments in preparing financial statements.[S]
- Illustrate the process of adjusting for accruals and prepayments in preparing financial statements.[S]
- Prepare the journal entries and ledger entries for the creation of an accrual or prepayment.[S]
- Understand and identify the impact on profit and net assets of accruals and prepayments.[S]

8 Receivables and payables

- Explain and identify examples of receivables and payables.[K]
- Identify the benefits and costs of offering credit facilities to customers.[K]
- Understand the purpose of an aged receivables analysis.[K]
- Understand the purpose of credit limits.[K]
- Prepare the bookkeeping entries to write off an irrecoverable debt.[S]
- Record an irrecoverable debt recovered.[S]
- Identify the impact of irrecoverable debts on the statement of profit or loss and on the statement of financial position.[S]

- Prepare the bookkeeping entries to create and adjust an allowance for receivables.[S]
- Illustrate how to include movements in the allowance for receivables in the statement of profit or loss and how the closing balance of the allowance should appear in the statement of financial position.[S]
- Account for contra between trade receivables and payables.[S]
- Prepare, reconcile and understand the purpose of supplier statements.[S]
- Classify items as current or non-current liabilities in the statement of financial position.[S]

9 Provisions and contingencies

- Understand the definition of “provision”, “contingent liability” and “contingent asset”.[K]
- Distinguish between and classify items as provisions, contingent liabilities or contingent assets.[K]
- Identify and illustrate the different methods of accounting for provisions, contingent liabilities and contingent assets.[K]
- Calculate provisions and changes in provisions.[S]
- Account for the movement in provisions.[S]
- Report provisions in the final accounts.[S]

10 Capital structure and finance costs

- Understand the capital structure of a limited liability company including: [K] i) Ordinary shares ii) Preference shares (redeemable and irredeemable) iii) Loan notes.
- Record movements in the share capital and share premium accounts.[S]

- Identify and record the other reserves which may appear in the company statement of financial position.[S]
- Define a bonus (capitalization) issue and its advantages and disadvantages.[K]
- Define a rights issue and its advantages and disadvantages.[K]
- Record and show the effects of a bonus (capitalization) issue in the statement of financial position.[S]
- Record and show the effects of a rights issue in the statement of financial position.[S]
- Record dividends in ledger accounts and the financial statements.[S]
- Calculate and record finance costs in ledger accounts and the financial statements.[S]
- Identify the components of the statement of changes in equity.[K]

E Preparing a trial balance

1 Trial balance

- Identify the purpose of a trial balance.[K]
- Extract ledger balances into a trial balance.[S]
- Prepare extracts of an opening trial balance.[S]
- Identify and understand the limitations of a trial balance.[K]

2 Correction of errors

- Identify the types of error which may occur in bookkeeping systems.[K]
- Identify errors which would be highlighted by the extraction of a trial balance.[K]
- Prepare journal entries to correct errors.[S]
- Calculate and understand the impact of errors on the statement of profit or loss

and other comprehensive income and statement of financial position.[S]

3 Control accounts and reconciliations

- Understand the purpose of control accounts for accounts receivable and accounts payable.[K]
- Understand how control accounts relate to the double-entry system.[K]
- Prepare ledger control accounts from given information.[S]
- Perform control account reconciliations for accounts receivable and accounts payable.[S]
- Identify errors which would be highlighted by performing a control account reconciliation.[K]
- Identify and correct errors in control accounts and ledger accounts.[S]

4 Bank reconciliations

- Understand the purpose of bank reconciliations.[K]
- Identify the main reasons for differences between the cash book and the bank statement.[K]
- Correct cash book errors and/or omissions.[S]
- Prepare bank reconciliation statements.[S]
- Derive bank statement and cash book balances from given information.[S]
- Identify the bank balance to be reported in the final accounts.[S]

5 Suspense accounts

- Understand the purpose of a suspense account.[K]
- Identify errors leading to the creation of a suspense account.[K]
- Record entries in a suspense account.[S]
- Make journal entries to clear a suspense account.[S]

F Preparing basic financial statements

1 Statements of financial position

- Recognize how the accounting equation, accounting treatments (as stipulated within sections D, E and examinable documents) and business entity convention underlie the statement of financial position.[K]
- Understand the nature of reserves.[K]
- Identify and report reserves in a company statement of financial position.[S]
- Prepare a statement of financial position or extracts as applicable from given information using accounting treatments as stipulated within sections D, E and examinable documents.[S]
- Understand why the heading retained earnings appears in a company statement of financial position.[K]

2 Statements of profit or loss and other comprehensive income

- Prepare a statement of profit or loss and other comprehensive income or extracts as applicable from given information using accounting treatments as stipulated within section D, E and examinable documents.[S]
- Understand how accounting concepts apply to revenue and expenses.[K]
- Calculate revenue, cost of sales, gross profit, profit for the year, and total comprehensive income from given information.[S]
- Disclose items of income and expenditure in the statement of profit or loss. [S]
- Record income tax in the statement of profit or loss of a company including the under and overprovision of tax in the prior year.[S]
- Understand the interrelationship between the statement of financial

position and the statement of profit or loss and other comprehensive income. [K]

- Identify items requiring separate disclosure on the face of the statement of profit or loss.[K]

3 Disclosure notes

- Explain the purpose of disclosure notes[K]
- Draft the following disclosure notes[S] i) Noncurrent assets including tangible and intangible assets ii) Provisions iii) Events after the reporting period iv) Inventory

4 Events after the reporting period

- Define an event after the reporting period in accordance with International Financial Reporting Standards.[K]
- Classify events as adjusting or non-adjusting.[S]
- Distinguish between how adjusting and no adjusting events are reported in the financial statements.[K]

5 Statements of cash flows

- Differentiate between profit and cash flow.[K]
- Understand the need for management to control cash flow.[K]
- Recognize the benefits and drawbacks to users of the financial statements of a statement of cash flows. [K]
- Classify the effect of transactions on cash flows.[S]
- Calculate the figures needed for the statement of cash flows including:[S] i) Cash flows from operating activities ii) Cash flows from investing activities iii) Cash flows from financing activities
- Calculate the cash flow from operating activities using the indirect and direct method.[S]

- Prepare statements of cash flows and extracts from statements of cash flows from given information.[S]
- Identify the treatment of given transactions in a company's statement of cash flows.[K]

6 Incomplete records

- Understand and apply techniques used in incomplete record situations: [S] i) Use of accounting equation ii) Use of ledger accounts to calculate missing figures iii) Use of cash and/or bank summaries iv) Use of profit percentages to calculate missing figures.

G Preparing simple consolidated financial statements

1 Subsidiaries

- Define and describe the following terms in the context of group accounting: [K] i) Parent ii) Subsidiary iii) Control iv) Consolidated or group financial statements v) Non-controlling interest vi) Trade / simple investment
- Identify subsidiaries within a group structure. [K]
- Describe the components of and prepare a consolidated statement of financial position or extracts thereof including: [S] i) Fair value adjustments at acquisition on land and buildings (excluding depreciation adjustments) ii) Fair value of consideration transferred from cash and shares (excluding deferred and contingent consideration) iii) Elimination of intra-group trading balances (excluding cash and goods in transit) iv) Removal of unrealized profit arising on intra-group trading v) Acquisition of subsidiaries part way through the financial year d) Calculate goodwill (excluding impairment of

goodwill) using the full goodwill method only as follows: [S]

Fair value of consideration X

Fair value of non-controlling interest X

Less fair value of net assets at acquisition (X)

Goodwill at acquisition X

- Describe the components of and prepare a consolidated statement of profit or loss or extracts thereof including: [S] i) Elimination of intra-group trading balances (excluding cash and goods in transit) ii) Removal of unrealized profit arising on intra-group trading iii) Acquisition of subsidiaries part way through the financial year

2 Associates

- Define and identify an associate and significant influence and identify the situations where significant influence or participating interest exists. [K]
- Describe the key features of a parent-associate relationship and be able to identify an associate within a group structure. [K]
- Describe the principle of equity accounting[K]

H Interpretation of financial statements

1 Importance and purpose of analysis of financial statements

- Describe how the interpretation and analysis of financial statements is used in a business environment. [K]
- Explain the purpose of interpretation of ratios [K].

2 Ratios

- Calculate key accounting ratios [S] i) Profitability ii) Liquidity iii) Efficiency iv) Position b) Explain the interrelationships between ratios[K]

3 Analysis of Financial Statements

- Calculate and interpret the relationship between the elements of the financial statements with regard to profitability, liquidity, efficient use of resources and financial position[S].
- Draw valid conclusions from the information contained within the financial statements and present these to the appropriate user of the financial statements. [S]