

EXAMINATION INFORMATION GUIDE

FINANCIAL ACCOUNTING

Structure of examination paper

The syllabus will be assessed in a 3 hours paper plus a 15 minutes reading time. The questions will be in two sections as follows:

The examination shall consist of two sections namely:

Section A:

Section A will be a 20 compulsory multiple - choice questions of one mark each. These questions will be taken from all the sections of the syllabus.

Section B

Section B will be 6 questions of 20 marks each out of which candidates are expected to attempt 4 questions. The 6 questions will be from all the six sections of the syllabus based on the weight attached to each section.

Detailed contents of the syllabus

A. Accounting framework

1. Scope and purpose of accounting
 - (a) Define accounting and state the objectives of accounting.
 - (b) Differentiate between accounting and book-keeping.
 - (c) Discuss the different types of accounting.
2. Identify the users of accounting information and their information needs.
3. Explain the qualitative characteristics of useful financial information.
4. List and explain the elements of financial statements.
5. Explain the following accounting concepts:
 - (a) Going concern;
 - (b) Accruals;
 - (c) Materiality and aggregation;
 - (d) Substance over form;
 - (e) Business entity concept;
 - (f) Fair presentation;
 - (g) Offsetting;
 - (h) Consistency of presentation; and (i) Prudence.
6. Bases of accounting
Discuss accrual, cash and break-up bases of accounting.

7. The regulatory environment of accounting
 - (a) Explain the need for regulation of accounting practice.
 - (b) Identify the sources of regulation of accounting practice.
8. State the roles of accountants in business and the economy.

B. Recording financial transactions

1. Identify source documents of accounting data and information such as invoices, receipts, credit notes, debit notes, purchase orders, goods received notes, cheque counterfoils, deposit slips, bank statements and payment vouchers.
2. Record and account for transactions and events relating to revenue/incomes, expenses, assets, liabilities and equity in accordance with Generally Accepted Accounting Principles (GAAP) using:
 - (a) Books of prime entry; and
 - (b) Cash books including internal control over cash.
3. Apply double entry principles to:
 - (a) Accounting equation;
 - (b) Basic rules of double entry book-keeping;
 - (c) Ledger accounts entry principle; and
 - (d) Balancing ledger accounts and extracting trial balance.
4. State the usefulness and limitations of trial balance.

C. Reconciliation in financial accounting

1. Errors and omissions

- (a) Identify errors in the double entry system.
- (b) Identify errors not highlighted by the extraction of the trial balance.
- (c) Correct book keeping errors for given transactions.
- (d) Determine the effect of errors on profit or loss/surplus or deficit.
- (e) Explain the use of suspense account.

2. Control accounts and reconciliations

- (a) Explain the use of receivables control account.
- (b) Explain receivables control account.
- (c) Explain the use of payables control account.
- (d) Explain payables control account.
- (e) Explain the purpose of suppliers' statements and their reconciliation with the ledgers.

3. Bank reconciliation

- (a) State the purpose of bank reconciliation statement.
- (b) Identify the causes of difference between cash book and bank statement balances.
- (c) Prepare bank reconciliation statement.
- (d) Identify and correct cash book errors.
- (e) Explain the use of adjusted cash book to determine the cash position in the financial statements.

4. Accounting treatment for bad and doubtful debts

- (a) Account for the write off of bad debts.
- (b) Account for the recovery of bad debts.
- (c) Determine the balance on the allowance for doubtful debts accounts.
- (d) Account for the movement on the allowance for doubtful debts accounts.
- (e) Account for movements in receivables.

5. Accounting treatment for accruals and prepayments

- (a) Explain the meaning of an accrual.
- (b) Account for accruals.
- (c) Explain the meaning of a prepayment.
- (d) Account for prepayments.
- (e) Explain the meaning of accrued and unearned incomes.
- (f) Account for accrued and unearned incomes.

D. Accounting for transactions in the financial statements

Accounting for Property, Plant and Equipment (PPE) in accordance with IAS 16

- (a) Identify the elements of PPE cost.
- (b) State how PPE cost are initially recorded and measured.
- (c) Compute, explain and record depreciation using the straight line and reducing balance methods.
- (d) Account for depreciation in the statement of profit or loss and other comprehensive income.
- (e) Account for disposal of PPE.
- (f) Prepare simple notes to account for movements in PPE.

E. Accounting for partnership, not-for-profit entities and incomplete records

1. Partnership accounts

- (a) Discuss partnership business.
- (b) Prepare partners' current and capital accounts.

- (c) Determine partners' share of profits.
- (d) Account for changes in partnership (excluding amalgamation and piecemeal realization).

2. Not-for-profit entities' accounts

- (a) Prepare receipts and payments account.
- (b) Prepare income and expenditure account.
- (c) Prepare statement of assets and liabilities.

3. Incomplete records

- (a) State the need for preparation of accounts from incomplete records.
- (b) Determine profit from the opening and closing capital balances.
- (c) Explain the use of accounting equation, gross profit percentage, cash book summaries, memoranda and control accounts to determine missing figures for financial statements.

F. Financial statements

1. State and explain the purpose, nature and relationships among the main components of financial statements.
2. **Accounting policies, change in accounting estimates and errors (IAS 8)**
 - (a) Define accounting policies.
 - (b) Explain the guidance on the selection of accounting policies.
 - (c) Account for changes in accounting policies.
 - (d) Differentiate between accounting policies and accounting estimates.
 - (e) Explain how to account for changes in estimates.
 - (f) Identify and correct prior year errors.
3. **Accounting for inventories (IAS 2)**
 - (a) Explain the nature of inventories.
 - (b) Explain IAS 2 requirements for valuation of inventories.
 - (c) Explain the elements of cost of inventories.
 - (d) Explain the valuation and recognition of inventories on the basis of lower of cost and net realisable value.
 - (e) Explain and measure the value of inventory using first-in-first-out (FIFO) and weighted average cost (WAC).
 - (f) Explain the impact of various valuation methods on the

- profit or loss for a period.
- (g) Explain the adjustment of opening and closing values of inventory in the financial statements.
 - (h) Explain the use of periodic and perpetual inventory methods.

4. Preparation of simple financial statements and Supporting notes

- (a) Prepare statement of profit or loss and other comprehensive income in accordance with IAS 1.
- (b) Prepare statement of financial position in accordance with IAS 1.
- (c) Prepare simple statement of cash flows in accordance with IAS 7.
- (d) Prepare simple statement of change in equity.

Applicable standards

Candidates should master the following standards examinable in this paper:

IAS/IFRS	Title of international accounting standard/ international financial reporting standard	
IAS 1	Presentation of Financial Statements	
IAS 2	Inventories	
IAS 7	Statement of Cash Flow	
IAS 16	Property, Plant and Equipment	
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	

Notes:

Candidates should understand that all new applicable standards may be examined after six months from the date of issue.

Also, all applicable laws may be examined after six months from date of amendment or enactment.