

## Level 4 Financial Accounting (IAS)



International  
Qualifications from EDI

## Syllabus

Effective for examinations to be held after 1 January 2008



## **INTRODUCTION**

Education Development International (EDI) is a leading international awarding body that was formed through the merger of the London Chamber of Commerce and Industry Examinations Board (LCCIEB) and a leading online assessment provider GOAL. EDI now delivers LCCI International Qualifications (LCCI IQ) through a network of over 4000 registered centres in more than 100 countries worldwide. Our range of business-related qualifications are trusted and valued by employers worldwide and recognised by universities and professional bodies.

### **Level 4 Financial Accounting (IAS)**

#### **Aims**

The aims of this qualification are to enable candidates to develop:

- an understanding of the basic principles underlying the recording of business transactions
- the ability to prepare and interpret accounts for sole traders, partnerships, non-trading organisations, companies and groups of companies in accordance with basic accounting conventions and current accounting practice
- the ability to prepare accounting statements in accordance with accounting standards and the accounting framework
- the ability to apply the principles of decision making
- the ability to analyse businesses and their performance
- an understanding of the conceptual aspects of financial accounts
- an understanding of basic auditing

#### **Target Audience and Candidate Progression**

This qualification is suitable for candidates who have successfully completed LCCI IQ Level 3 Certificate in Accounting (IAS) or equivalent.

#### **Level of English Required**

Candidates should have a standard of English equivalent to LCCI IQ Level 3 English for Business.

#### **Structure of the Qualification**

The Level 4 Certificate in Financial Accounting (IAS) is a single unit qualification that consists of the range of topics detailed below.

## **Syllabus Topics**

1. Levels 1, 2 and 3 revisited
2. Valuations of inventories and long term contracts
3. Companies
4. Accounting for groups of companies and complex issues in company accounting
5. Cash flow statements (IAS 7 revisited)
6. Budgetary control
7. Concepts and accounting frameworks
8. Analysis of business and opportunities, involving non-numerical techniques
9. Users of accounts
10. Investment accounts
11. Auditing

## **Guided Learning Hours**

EDI recommends that 140 - 160 Guided Learning Hours (GLHs) provide a suitable course duration for an 'average' candidate at this level. This figure includes direct contact hours as well as other time when candidates' work is being supervised by teachers. Ultimately, however, it is the responsibility of training centres to determine the appropriate course duration based on their candidates' ability and level of existing knowledge. EDI experience indicates that the number of GLHs can vary significantly from one training centre to another.

## **ASSESSMENT**

### **Assessment Objectives**

The examination will assess the candidate's ability to:

- demonstrate an understanding of the more advanced aspects of the LCCI IQ Level 1 Certificate in Book-keeping, Level 2 Certificate in Book-keeping and Accounts and Level 3 Certificate in Accounting (IAS)
- demonstrate an understanding of long term contracts
- prepare the statutory accounts of companies
- demonstrate an understanding of basic accounting standards (IAS 1, IAS 2, IAS 7, IAS 8, IAS 10, IAS 16, IAS 20, IAS 27, IAS 37 and IFRS 3)
- demonstrate an understanding of company amalgamations and reconstructions
- demonstrate an understanding of practical and behavioural aspects of budgetary control

- account for changing prices
- analyse businesses by means of techniques such as SWOT and PEST
- demonstrate an understanding of users of accounts and their interests
- demonstrate an understanding of investment accounts
- demonstrate an understanding of general principles and simple procedures of auditing

### **Notes**

- 1 Full knowledge is expected of all topics included in the syllabi for the LCCI IQ Level 1 Certificate in Book-keeping, Level 2 Certificate in Book-keeping and Accounts and Level 3 Certificate in Accounting (IAS) examinations.
- 2 If questions are set covering topics from these earlier syllabi they will be set at a level of difficulty appropriate to a Level 4 examination (see Candidate Answer Guidance).

### **Examination Format**

- The time allowance for the examination is 3 hours.
- The examination paper will comprise 5 questions.
- Candidates are required to answer 4 questions i.e. no questions will be compulsory
- Any question can relate to more than one topic area from the syllabus
- All syllabus topics are considered to be of equal importance

### **Answer format**

Questions will be both computational and narrative, some being primarily computational and some entirely narrative.

The examiner is well aware that English is not the first language of a majority of candidates, and this is taken into account when marking.

### **Mark Allocation**

A positive marking approach is adopted; candidates will not be penalised for the use of 'own figures' as long as they have demonstrated the correct use of accounting methods.

## Certification

Successful candidates will be awarded the Level 4 Certificate in Financial Accounting (IAS) based on the achievement of the percentages and grades below.

Pass	50%
Merit	60%
Distinction	75%

## Recommended Reading List and Support Material

### Reading List

Title	Authors(s)	Publisher	ISBN Code
International Financial Reporting: a practical guide	Alan Melville	Financial Times Prentice Hall	9780273758150
Frank Wood's Business Accounting Volume 2 (12 Edition)	Alan Sangster, Frank Wood	Financial Times Press	9780273767794

### Support Material

Models answers and past question papers are available from the LCCI website, [www.lcci.org.uk](http://www.lcci.org.uk).

Syllabus Topic	Items Covered
1 Levels 1, 2 and 3 revisited	<p>Candidates must be able to:</p> <p>1.1 Undertake more advanced examples of any syllabus topic contained in the syllabi at Levels 1, 2 and 3</p>
2 Valuation of inventories and long term contracts (IAS 2)	<p>Candidates must be able to:</p> <p>2.1 Undertake more advanced examples of the Level 2 and 3 syllabi for this topic</p> <p>2.2 Long term contracts</p> <p>2.2.1 Define contract revenue and contract cost</p> <p>2.2.2 Calculate attributable profits and foreseeable losses on long term contracts</p> <p>2.2.3 Understand how profit is taken on long-term contracts</p> <p>2.2.4 Understand how to allocate overheads between accounting periods</p> <p>2.2.5 Understand how to allocate overheads between contracts</p> <p>2.2.6 Understand the relationship between accounting for long term contracts and the fundamental accounting concepts</p> <p><b>Exclusions:</b> <i>No knowledge of the legal requirements under any particular country will be required.</i></p>
3 Companies	<p>Candidates must be able to:</p> <p>3.1 Undertake more advanced examples of the Level 2 and 3 syllabi for this topic area.</p> <p>3.2 Statutory accounts of companies</p> <p>3.2.1 Prepare accounts which comply with IAS 1 in relation to presenting:</p> <ul style="list-style-type: none"> <li>▪ the balance sheet in vertical format</li> <li>▪ the income statement classifying expenses by function and/or by nature</li> </ul>

**Exclusions:**

*No knowledge will be required of detailed disclosure requirements of any particular country unless specifically mentioned in this, or earlier syllabi.*

**3.3 Issue of shares**

3.3.1 Record the forfeiture of shares and their reissue.

**3.4 Accounting Policies (IAS 1, IAS 8)**

3.4.1 Distinguish accounting policies, accounting estimates and measurement bases

3.4.2 Discuss the adoption of accounting policies within financial statements

3.4.3 Explain the going concern assumption

3.4.4 Explain the accruals concept

3.4.5 Explain the objectives and constraints in selecting accounting policies

3.4.6 Discuss reviewing, and changing accounting policies and accounting estimates

**3.5 Accounting for government grants (IAS 20)**

3.5.1 Understand the relationship between the accounting treatment of government grants and the accounting policies considered in IAS 1

3.5.2 Account for government grants in the income statement

3.5.3 Account for government grants in the balance sheet

3.5.4 Explain and be able to demonstrate an understanding of the disclosure requirements of IAS 20

**Exclusions:**

*No knowledge will be required of the legal requirements of any particular country, and no knowledge will be expected of the system and rules relating to Government grants in the United Kingdom or elsewhere*

**3.6 Accounting for Research and Development (IAS 38)**

- 3.6.1 Differentiate between research and development
- 3.6.2 Determine research and development activities
- 3.6.3 Account for research and development expenditure
- 3.6.4 Understand the relationship between accounting for research and development expenditure and the fundamental accounting concepts
- 3.6.5 Explain and demonstrate an understanding of the disclosure requirements of IAS 38

**Exclusions:**

*No knowledge of the legal requirements of any particular country is required*

**3.7 Events after the balance sheet date (IAS 10)**

- 3.7.1 Distinguish adjusting and non adjusting events after the balance sheet date
- 3.7.2 Explain the significance of the date financial statements are authorized for issue by the board of directors
- 3.7.3 Account for adjusting and non adjusting events in financial statements

**3.8 Provisions, Contingent Liabilities and Contingent Assets (IAS 37)**

- 3.8.1 Define provisions, contingent liabilities and contingent assets
- 3.8.2 Explain the relationship between provisions and contingent liabilities
- 3.8.3 Account for provisions and non recognition of contingent liabilities and contingent assets
- 3.8.5 Measure provisions
- 3.8.6 Discuss the issues regarding recognising an asset when recognising a provision

**Exclusions:**

*No knowledge of onerous contracts will be required*

**4 Accounting for groups of companies and complex issues in company accounting**

Candidates must be able to:

4.1.1 Undertake more advanced examples of the level 3 syllabus for this topic area

4.1.2 Adjust for unrealized profits on fixed assets.

4.1.3 Account for the acquisition of subsidiaries with preferred shares

4.1.4 Discuss the general purpose of consolidation

4.1.5 Discuss the establishment of Parent/Subsidiary relationships

4.1.6 Analyse and interpret consolidated financial statements

**4.2 Company amalgamations**

4.2.1 Explain the objectives of amalgamating companies

4.2.2 Detail the forms of company amalgamations

4.2.3 Account for an amalgamation by acquisition of net assets and subsequent liquidation of one or more companies

**4.3 Capital reconstructions, including capital reductions**

4.3.1 Prepare a reconstruction account

4.3.2 Prepare journal entries for a scheme of reconstruction

4.3.3 Prepare a balance sheet after a scheme of reconstruction

4.3.4 Discuss the position of stakeholders in a scheme of reconstruction

**5 Cash flow statements (IAS 7)**

Candidates must be able to:

- 5.1 Undertake more advanced examples of the level 3 syllabus for this topic area
- 5.2 Analyse and interpret cash flow statements

**6 Budgetary control**

Candidates must be able to:

- 6.1 Undertake more advanced examples of the level 3 syllabus for this topic area
- 6.2 Explain the concept of responsibility accounting
- 6.3 Analyse and interpret budgetary control reports
- 6.4 Discuss the reactions of individuals to the budgetary control system (the behavioural aspects of budgeting)

**Exclusions:**

*No knowledge of the work of and results of academic research will be required*

**7 Concepts and accounting frameworks**

Candidates must be able to:

- 7.1.1 Undertake more advanced examples of the level 3 syllabus for this topic area
  - 7.1.2 Explain the true and fair view
  - 7.1.3 Understand how accounting regulatory frameworks develop
  - 7.1.4 Explain the case for and against having accounting standards
- 7.2 Accounting for changing prices**
- 7.2.1 Understand the difference between the financial capital maintenance concept and the physical capital maintenance concept

- 7.2.2 Explain the strengths and weaknesses of historical cost accounting
- 7.2.3 Explain several alternatives to historical cost accounting, including:
  - current purchasing power accounting
  - replacement cost accounting
  - current cost accounting

**Exclusions:**

*No detailed calculation questions will be set on this area.*

**8 Analysis of businesses and business opportunities involving non numerical techniques**

Candidates must be able to:

- 8.1 Analyse using SWOT (strengths, weaknesses, opportunities and threats)
- 8.2 Analyse using PEST (political, economic, social and technological)
- 8.3 Analyse using risk analysis

**Note:**

*Questions will be based on simple case studies.*

**9 Users of accounts**

Candidates must be able to:

- 9.1 Identify the different stakeholders in a company
- 9.2 Distinguish between shareholders and directors
- 9.3 Discuss the possible conflicts of interest between shareholders, employees and the government
- 9.4 Account for social and environmental factors
- 9.5 Interpret, and discuss the use of the balance sheet, income statement and cash flow statements to the various user groups

## **10 Investment accounts**

Candidates must be able to:

- 10.1 Prepare investment accounts
- 10.2 Make use of a layout comprising 3 columns: nominal, income and capital
- 10.3 Distinguish fixed interest investments from investments bearing variable income
- 10.4 Distinguish between *cum div* and *ex div* transactions
- 10.5 Calculate profit/loss on transactions
- 10.6 Calculate interest accrued at end of accounting period
- 10.7 Value investment at end of accounting period
- 10.8 Show the treatment of bonus (capitalisation) and rights issues

## **11 Auditing**

Candidates must be able to:

### **11.1 General principles**

- 11.1.1 Understand the objectives of an audit
- 11.1.2 Explain the differences between auditing and accounting
- 11.1.3 Explain the differences between internal and external auditing
- 11.1.4 Detail the reporting responsibilities of the external auditor
- 11.1.5 Discuss the need for independence by the external auditor
- 11.1.6 Discuss fraud and the external auditor
- 11.1.7 Discuss the impact of risk on the audit

## 11.2 Practical auditing

11.2.1 Discuss the principles and practicalities of auditing for:

- sales
- receivables and prepayments
- purchases
- payables and accruals
- payroll
- fixed assets
- inventory
- bank and cash

**Note:**

*Questions will be based on simple case studies.*

**Exclusions:**

- *No knowledge of auditing standards will be required*
- *Candidates will not be expected to produce audit programs or lists of audit tests*

**EDI**

International House  
Siskin Parkway East  
Middlemarch Business Park  
Coventry CV3 4PE  
UK

Tel. +44 (0) 8707 202909

Fax. +44 (0) 2476 516505

Email. [enquiries@ediplc.com](mailto:enquiries@ediplc.com)

[www.ediplc.com](http://www.ediplc.com)

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