

Level 4 Certificate in Financial Accounting



International
Qualifications from EDI

Syllabus

Effective for examinations to be held after 1 January 2008

INTRODUCTION

EDI is a leading international awarding body that was formed through the merger of the London Chamber of Commerce and Industry Examinations Board (LCCI) and GOAL a leading online assessment provider. EDI now delivers LCCI International Qualifications (LCCI IQ) through a network of over 5000 registered centres in more than 120 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

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, limited 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 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

Syllabus Topics

1. Levels 1, 2 and 3 revisited
2. Valuations of stocks and long term contracts
3. Companies
4. Accounting for groups of companies and complex issues in company accounting
5. Cash flow statements (FRS 1 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
- demonstrate an understanding of long term contracts
- prepare the statutory accounts of limited companies
- demonstrate an understanding of basic accounting standards (FRS 18, SSAP 4, FRS 21,FRS 12)
- 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 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 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 |
|--------------------------------------------------------|---------------------------|-----------------------|---------------|
| Frank Wood's Business Accounting Volume 2 (12 Edition) | Alan Sangster, Frank Wood | Financial Times Press | 9780273767794 |

Support Material

Model Answers and past question papers are available from the LCCI website, www.lcci.org.uk. A Solutions Booklet to support the Passport to Success book is also available from the website.

A specimen paper with answers is available from the LCCI IQ website.

How to offer this qualification

To offer this qualification you must be an LCCI IQ registered examination centre. To gain centre approval please contact Customer Support on 08700 818008 between the hours of 830 and 1700 (GMT) Monday to Friday or by email on centresupport@ediplc.com.

Alternatively you may contact your Regional LCCI Office or Co-ordinating Authority.

| 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 stocks and long term contracts | <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 a long term contract</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> |
| 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 limited companies</p> <p>3.2.1 Prepare accounts which comply with the Companies Act 1985 in relation to presenting:</p> <ul style="list-style-type: none"> ▪ the balance sheet in vertical format |

Exclusions:
No knowledge of the legal requirements under the Companies Act 1985 will be required.

- the profit and loss account using format 1
- the profit and loss account using format 2

Exclusions:

No knowledge will be required of detailed disclosure requirements of the Companies Act 1985 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 (FRS 18)

3.4.1 Distinguish accounting policies, estimation techniques 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 estimation techniques

3.5 Accounting for government grants

3.5.1 Understand the relationship between the accounting treatment of government grants and the fundamental accounting concepts

3.5.2 Account for government grants in the profit and loss account

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 SSAP 4

Exclusions:

No knowledge will be required of the legal requirements under the Companies Act 1985, 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 (SSAP 13)

- 3.6.1 Differentiate between pure (basic) research, applied research and development expenditure
- 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 SSAP 13

Exclusions:

No knowledge of the legal requirements under the Companies Act 1985 is required

3.7 Events after the balance sheet date (FRS 21)

- 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 (FRS 12)

- 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
- 3.8.4 Measure provisions
- 3.8.5 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 (FRS 1 revised)

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 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 results of academic

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 calculational 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, profit and loss account 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
- debtors and prepayments
- purchases
- creditors and accruals
- payroll
- fixed assets
- stock
- 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

www.ediplc.com

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