

FINANCIAL ACCOUNTING N5

1. AIMS

1.1 GENERAL AIMS

- * To develop the logical thought processes and analytical abilities of students to enable them to apply the fundamental principles of accounting to new and unfamiliar situations
- * To encourage a sound and systematic approach to the solution of problems
- * To contribute to the formative education of students by developing characteristic demands associated with accounting, such as neatness, orderliness, thoroughness, accuracy, sound judgement and a sense of responsibility.
- * To develop the understanding students have of and their integration with their social environment through the meaningful interpretation of accounting information which they will come across in future
- * To enable students to deal with the basic demands of an accounting occupation confidently.

1.2 SPECIFIC AIMS

- * To develop the accounting and numeracy skills of students who enter an accounting occupation directly, to enable them to deal with all procedures followed in the field of accounting
- * To increase students' understanding of accounting and management principles
- * To enable students to acquire knowledge and skills of accounting systems generally used by business enterprises
- * To give students the opportunity to apply in practice the theoretical knowledge of accounting principles and procedures acquired during the learning process by giving them the necessary exposure to practice-related applications such as the completion of documents, completion of exercises directly from source and supporting documents, and by simulating feasible situations related to the accounting practice
- * To enable students to acquire knowledge and skills of all administrative accounting tasks and related matters; for example completion of and handling business documents, filing, cost accounting, prospects of investment and financing
- * To equip students with knowledge of the required principles, concepts and procedures of accounting that are in line with generally accepted accounting practice.

INDEX

1. Aims
2. Entrance requirement
3. Duration of instruction
4. Evaluation
5. Semester mark
6. Examination
7. Pass requirements
8. General information
9. Summary of modules and weighted values
10. Detailed syllabus

2. ENTRANCE REQUIREMENT

Financial Accounting at N4 level.

3. DURATION OF INSTRUCTION

Full-time: A minimum of six hours per week for one semester

Part-time: A minimum of three hours per week for one semester

Owing to the practical work and exercises prescribed in the syllabus, 1 hour of the prescribed six hours per week (full-time) can be regarded as a practical hour that could be supervised by a mentor, and without direct contact with the lecturer.

4. EVALUATION

Evaluation is conducted on a continual basis by means of short class and revision tests, formal tests and practice-orientated assignments, exercises as well as an external examination.

4.1 Internal evaluation

4.1.1 Class and revision tests

Short class and revision tests are given on a regular basis and are aimed at rectifying problems before proceeding with new modules. Class and revision tests can be short daily tests that take up a short time of each period, and are compiled and marked in accordance with the amount of work done in the module. Exercises done by students, as well as short assignments can also be marked and can form part of the semester mark for class and revision tests.

4.1.2 Formal tests

In addition to the class and revision tests, a formal test is conducted on completion of a module or work unit. These tests are compiled in the form of period or hour tests and are aimed at evaluating students' knowledge on completion of modules or work units.

4.1.3 Practice-orientated assignments

Students are given practice-orientated assignments and projects on completion of modules or units of work to evaluate whether they have mastered the practical component of Accounting. Student performance with regard to zeal, punctuality in completing tasks or assignments, conscientiousness, interest, dedication, adaptability, etc. which should be gradually developed to facilitate entrance to the world of work, is also included. These marks, in relation to the weighted value of the indicated modules, form part of the final semester mark.

5. SEMESTER MARK

- 5.1 A semester mark is determined out of 100 and is compiled from class and revision tests, formal tests and marks allocated to assignments and practical projects. The semester mark is compiled as follows:

| | |
|---------------------------|-------------|
| Class and revision tests: | 10 % |
| Formal tests : | 60 % |
| Practical assignments : | <u>30 %</u> |
| Semester mark : | 100 |

- 5.2 To gain entrance to the external examination, a candidate must obtain a sub-minimum of 40 % in the semester mark. If entrance to the examination is achieved, a semester mark, on a 40:60 basis, in combination with the external examination mark, will form part of the final mark (promotion mark).
- 5.3 Semester marks obtained are valid for the two years following directly on the examination in which the original semester mark was initially used. After that time this mark will no longer be valid. The student must thus register again for the same subject and obtain a new semester mark.

6. EXAMINATION

- 6.1 The examination paper will be compiled, moderated and marked externally.
- 6.2 The examination paper consists of practice-orientated questions and aspects such as application, analysis and synthesis will feature in the compilation of accounts, statements and accounting-related calculations. Although comprehension questions could also be used, these will be limited as far as possible as the examination papers are directly aimed at accounting-related tasks as carried out in practice.
- 6.3 A three-hour paper totalling 200 marks will be set at the end of the semester.

7. PASS REQUIREMENTS

- 7.1 To pass Financial Accounting N5, a candidate must obtain a final mark of 40% by addition of the semester mark and the examination mark in a 40:60-ratio, provided that a sub-minimum of 40% is obtained as a semester mark as well as an examination mark.

8. GENERAL INFORMATION

- 8.1 The practical components (assignments and projects) are aimed at preparing the student for the world of work in general and at the execution of accounting functions in particular.
- 8.2 The practical components are also aimed at increasing the student's competence level in such a way that he/she can be productive in a job for which an accounting background is required.

- 8.3 It is thus necessary that the student acquires practical experience in the field of accounting by doing assignments which are directly related to source documents and the execution of accounting functions as dealt with in organisations to establish direct contact between the student and the accounting practice. Visits by experts in accounting can guide the students and train them.
- 8.4 The practical components are further directed at learning an accounting package on a microcomputer in order to keep pace with modern computer-directed trends in accounting areas as applied in practice. It is therefore recommended that students enrol simultaneously for Computerised Financial Systems N5 and Financial Accounting N5.

9. LEARNING CONTENT

| | MODULE | WEIGHTED VALUE |
|-----------|---|----------------|
| MODULE 1: | PARTNERSHIPS (4 weeks) | 25 |
| MODULE 2: | BRANCH ACCOUNTS (3 weeks) | 20 |
| MODULE 3: | INSURANCE CLAIMS, STOCK ESTIMATES AND PROFIT MARK-UP (3 Weeks) | 20 |
| MODULE 4: | INCOMPLETE RECORDS, SINGLE ENTRY AND CORRECTION OF ERRORS (3 weeks) | 20 |
| MODULE 5: | ANALYSIS AND INTERPRETATION OF FINANCIAL INFORMATION (2 weeks) | 15 |
| | Total: | 100 |

FINANCIAL ACCOUNTING N5

MODULE 1: Partnerships

| Contents | Learning objectives |
|----------|---------------------|
|----------|---------------------|

| | Students must be able to |
|--|---|
| 1.1 Legal aspects | 1.1 distinguish between the different types of partnerships as well as the advantages and disadvantages of each one and also be able to state the importance of the partnership agreement |
| 1.2 Ownership accounts of the partnership | 1.2 understand the separate capital, private and drawings accounts of each partner |
| 1.3 Loans by partners | 1.3 deal with loans by the partners as a creditor of the partnership and the interest paid as an operating expenditure |
| 1.4 Appropriation of profits | 1.4 appropriate the net profit or loss according to the partnership agreement. |
| 1.4.1 Partner's salary | |
| 1.4.2 Bonus of the managing partner | |
| 1.4.3 Interest on capital, current and drawings accounts | |
| 1.4.4 Reserves and funds | |
| 1.4.5 Profit and loss appropriation | 1.4.5 divide the remainder of the profit or loss among partners according to the methods mentioned |
| * According to a fixed ratio | |
| * According to a capital ratio | |
| 1.5 Financial statements | 1.5 draw up the financial statements of a partnership in the narrative form |
| 1.5.1 Income statement | 1.5.1 draw up the income statement which includes the section for the appropriation of the profit or loss among the partners according to the partnership agreement |

| Contents | Learning objectives |
|----------|---------------------|
|----------|---------------------|

1.5.2 Balance sheet

Students must be able to

1.5.2 draw up the balance sheet so that the item "owners' equity" makes provision for the capital and current accounts of each partner to represent the details of the current accounts in the notes to the balance sheet.

Didactic guidelines

With reference to learning objectives 1.1 to 1.5:

1. Subjects of this section must be illustrated with examples from practice.
2. Students should be able to handle double entry transactions on the basis of the following structure:
 - * Source documents (internal or external) for the transactions
 - * Ledger account to be debited and ledger account to be credited
 - * The effect of the double entry on the accounting equation.

Evaluation

Theory questions can be set for class tests. For examination purposes attention should be concentrated on practical application questions as students should already have mastered the theoretical concepts.

FINANCIAL ACCOUNTING N5

MODULE 2: Branch accounts

| Contents | Learning objectives |
|---|---|
| | Students must be able to |
| 2.1 Purpose of branches | 2.1 briefly describe the opening of branches |
| 2.2 System of internal control | 2.2 list internal control procedures over stock and cash at branches |
| * sales | |
| * purchases | |
| * bank account | |
| 2.3 Accounting records of a branch kept by head office (centralised system) | 2.3 journalise the transactions by branches where the records were kept by head office and post to the general ledger |
| * Goods issued to branches at cost | |
| * Goods issued to branches at sales price | |
| 2.4 The branch keeps its own accounting records (decentralised system) | 2.4 journalise transactions of branches which keep their own independent records and post to the general ledger |
| 2.5 Items in transit | 2.5 journalise items such as stock in transit and cash in transit, for example, and to post to the general ledger |
| 2.6 Transactions between branches | 2.6 journalise transactions between branches and post to the general ledger. |

Didactic guidelines

With reference to learning objectives 2.1 and 2.6:

Entries must, where applicable, be done directly from the source documents.

Evaluation

Short theory questions can be set for class tests. For examination purposes, practical application questions should be set.

FINANCIAL ACCOUNTING N5

MODULE 3: Stock valuation, insurance claims and profit mark-up

3.1 Stock valuation

| Contents | Learning objectives |
|---|---|
| | Students must be able to |
| 3.1.1 Introduction <ul style="list-style-type: none"> * Defining stock * The physical stock-taking <ul style="list-style-type: none"> - Aim - Physical counting - Stock lists | 3.1 calculate the possible acceptable values against which stock can be valued to satisfy the general accepted accounting practice. |
| 3.1.2 The valuation of stock within the framework of the system of historical cost <ul style="list-style-type: none"> * The importance of the valuation of stock * Valuation against cost or market price | 3.1.2 calculate stock according to the methods mentioned. |
| 3.1.3 Methods of stock valuation <ul style="list-style-type: none"> * F.I.F.O. * L.I.F.O. * Average cost * Specific identification | |

Didactic guidelines

With reference to learning objectives 3.1.1 to 3.1.3:

1. Students should be in a position to gain knowledge of stock-keeping, stock-taking and the different methods of stock valuation by means of visits to enterprises.
2. Students must be made aware of the influence that faulty stock-keeping and stock-taking can have on the calculation of the cost of stock.
3. Students must be given exercises on the calculation of stock values.

FINANCIAL ACCOUNTING N5

MODULE 3: Stock valuation, insurance claims and profit mark-up

3.2 Insurance claims

| Contents | Learning objectives |
|---|--|
| 3.2.1 Different types of insurance * Employers accountability * Public accountability insurance * Production accountability insurance * Motor car insurance * Fidelity guarantee insurance * Insurance of goods in transit * Insurance of cash and negotiable documents * Fire insurance * Loss of stock insurance | Students must be able to 3.2.1 give a brief outline of the different types of insurance which could be applicable to an enterprise. |
| 3.2.2 Calculation of the value of stock | 3.2.2 calculate the value of the stock of an enterprise at a specific time. |
| 3.2.3 Calculation of stock after sales prices variance | 3.2.3 calculate the closing stock when there has been a variance in the sales prices. |
| 3.2.4 Claims as a result of fire damage to stock | 3.2.4 calculate the value of goods damaged in a fire and of which the records are destroyed. |
| 3.2.5 The average clause in a short-term insurance policy | 3.2.5 calculate the claim against an insurance company if the loss of stock is subject to the average clause. |

Didactic guidelines

With reference to learning objective 3.2.1:

1. This aspect need only be dealt with briefly.
2. An insurance broker can give students further background in the class-room.

Evaluation

1. Theory questions can be set for class tests.
2. Application questions should be set in the examination.

FINANCIAL ACCOUNTING N5

MODULE 3: Stock valuation, insurance claims and profit mark-up

3.3 Profit mark-up

| Contents | | Learning objectives | |
|----------|--|--------------------------|--|
| | | Students must be able to | |
| 3.3.1 | The concept profit mark-up | 3.3.1 | explain the concept profit mark-up. |
| 3.3.2 | Profit mark-up on cost | 3.3.2 | do profit mark-up on the cost of stock and calculate the sales price after profit mark-up and also calculate profit and loss with profit mark-up on cost as basis. |
| 3.3.3 | Profit calculation on the sales price as basis | 3.3.3 | calculate the profit mark-up amount after giving the sales price and profit increase on cost. |
| 3.3.4 | Calculation of the discount on the market price of stock | 3.3.4 | calculate the discount after a percentage discount on the marked price was given. |

Didactic guidelines

With reference to learning objectives 3.3.1 tot 3.3.3:

1. Students must also, where necessary, be able to calculate loss amounts.
2. This module must be illustrated by practical examples. In this connection reference can be made to methods of marking stock so that the cost price can be in code form on the stock in order to make stock-taking and discount calculation possible.
3. Case studies can also be used to instruct this module practically.

Evaluation

1. Application questions and case studies in respect of the calculation of cost, profit increase and discount, could be asked.

FINANCIAL ACCOUNTING N5

MODULE 4: Incomplete records, single entry and the correction of errors

| Contents | Learning objectives |
|--|--|
| | Students must be able to |
| 4.1 Incomplete records | 4.1 briefly describe what is understood by incomplete records and why they occur. |
| 4.2 Single-entry system | 4.2 give a brief description of the single-entry system and indicate, by means of examples, the difference between the single and double-entry system. |
| 4.2.1 Procedure for the conversion of the single-entry system | 4.2.1 briefly mention the procedure for the conversion of the single-entry system. |
| 4.2.2 Calculation of the net profit by means of the owner's equity. | 4.2.2 determine the net profit of an enterprise and describe the operation by means of owner's equity and complete a practical exercise in this connection. |
| 4.2.3 Conversion of incomplete records to a system of double entry | 4.2.3 do the conversion of incomplete records to a system of double entry with special reference to |
| <ul style="list-style-type: none"> * determine the income and expenditure figures * the reconstruction of the sales figure * the reconstruction of the purchases figure * the cash receipts and payments | <ul style="list-style-type: none"> * determine the income and expenditure figures * the reconstruction of the sales figure * the reconstruction of the purchases figure * the cash receipts and payments |
| 4.2.4 Incomplete keeping of records in respect of the periodic stock system | 4.2.4 calculate cost of sales from the incomplete records of an enterprise which handles the stock system on the periodic basis. |

Didactic guidelines

With reference to learning objectives 4.2.1 tot 4.2.2

1. Students should also, where necessary, be able to calculate loss

amounts.

2. This module must also be explained by means of practical examples. In this connection reference can be made to methods of marking stock so that the cost price in code form can be on stock in order to make stock-taking and discount calculation possible.
3. Case studies can be used to instruct this module practically.

Evaluation

Application questions and case studies can be set.

FINANCIAL ACCOUNTING N5

MODULE 5: Analysis and interpretation of financial information

| Contents | Learning objectives |
|----------|---------------------|
|----------|---------------------|

| | Students must be able to |
|--|---|
| 5.1 Aim of financial statements | 5.1 briefly describe the aim of financial statements. |
| 5.2 Users of information contained in financial statements | 5.2 list the users who are interested in the information contained in the financial statements and give reasons for their interest. |
| 5.3 The use of ratios and percentages with analysis and interpretation | 5.3 calculate and interpret the ratios and percentages as given in the contents column so that meaningful conclusions can be reached. |
| 5.3.1 Solvability ratio (degree of solvency) | |
| 5.3.2 Return ratio on own capital | |
| 5.3.3 Gross profit percentage (gross profit on turnover) | |
| 5.3.4 Net profit percentage (net profit on turnover) | |
| 5.3.5 Stock turnover rate | |
| 5.3.6 Net profit percentage (net profit on turnover) | |
| 5.3.7 Turnover rate of debtors | |
| 5.3.8 Current ratio | |
| 5.3.9 Acid test ratio | |
| 5.3.10 Average settlement period to creditors | |

Didactic guidelines

With reference to learning objectives 5.3.1 to 5.3.10:

Students should be able to

- * compare the financial results of two consecutive years
- * give reasons for possible deviations in results

- * make suggestions that can lead to corrective action and improved financial management of the enterprise.

Evaluation

1. Theory questions on the representation of conclusions can be set.
2. Typical questions on this module should include the following:
 - * Calculation of ratios or percentages directly from a given set of financial statements with comparative figures of the previous year.
 - * Comparing the results between two consecutive years.
 - * Conclusions and deductions from available information.
 - * Meaningful recommendations to financial management.