



IAB LEVEL 3 DIPLOMA IN ACCOUNTING AND ADVANCED BOOK-KEEPING (Qualification Accreditation Number 500/3022/x)

INTRODUCTION

The overall aim of this qualification is to accredit candidates' knowledge and understanding of the fundamental principles concerned in the valuation of the assets of the business, the elimination of errors and the preparing of complex Financial Statements following the calculation of the necessary accounting adjustments. Within the qualification, candidates have the opportunity to gain knowledge of the processes necessary to prepare a Fixed Asset Register and complete the necessary calculations associated with Fixed Assets. Candidates will also be able to develop the skills necessary to prepare for the correction of errors using a Suspense Account, and calculations relating to Stock, prepayments, accruals and bad debts. Finally the candidate will be able to prepare financial statements for a variety of business organisations, including a sole trader and a partnership.

The qualification requires candidates to understand the use of the Journal and the preparation of the Trading Account, Profit and Loss Account and Balance Sheet, which form the Financial Statements. Various scenarios are covered including the preparation of financial statements for non profit making organisations and from a set of incomplete records. Accuracy, integrity and security of data should always be uppermost in the candidates mind.

Candidates may use this qualification as the basis of further study of manual systems at Level 4 of the National Occupational Standards, and use it as underpinning knowledge for the study of the IAB Level 3 Diploma in Computerised Accounting.

To be awarded the qualification, candidates are required to successfully demonstrate their competence by means of two external examinations. It will also provide progression to the NVQs in Accounting at Levels 3 and 4. Candidates will receive acknowledgement of successful completion of the qualification.

Examination Specification:

The Examination of this qualification will take the form of two formal, externally marked, examinations of 2 hours duration. The examinations may take place during set examination periods throughout the year or by an 'on-demand' sitting with eight weeks notice being given to the IAB.

An Answer Book will be provided for candidates to prepare hand written answers to all tasks. Some of the transactions within the examination paper will be presented in a narrative and list format giving a various piece of relevant information as well as a 'diary' of transactions undertaken.

CERTIFICATION

All candidates who achieve a Pass grade will receive a formal Results Letter and on successful completion of both examinations at the same sitting, the candidate may apply for the IAB Level 3 Diploma in Accounting and Advanced Book-keeping.

**UNIT SPECIFICATION
IAB LEVEL 3 DIPLOMA IN ACCOUNTING AND ADVANCED BOOK-KEEPING**

**SINGLE UNIT TITLE: (IAB Code B3)
Record Adjustments and prepare financial statements**

Aim

Upon the completion of study for this qualification, it is intended that the candidate will be able to:

- Use a Suspense Account and eliminate book-keeping errors
- Understand the form and function of the Trading Account, Profit and Loss Account and Balance Sheet
- Understand and apply accounting concepts and accounting policies
- Categorise items of income and expenditure
- Maintain records and make accounting adjustments relating to stock
- Maintain records and make accounting adjustments for prepayments and accruals
- Maintain records and account for the depreciation and disposal of tangible fixed assets
- Maintain records and account for bad and doubtful debts
- Prepare financial statements for a sole trader
- Prepare and extended Trial Balance for a sole trader
- Prepare financial statements for a sole trader from incomplete records
- Prepare financial statements for a 'Not for Profit' organisation
- Maintain records and prepare financial statements for a partnership
- Account for changes in the composition of a partnership

Prior Knowledge and Skills Requirements

Before starting a course of study or training leading to the assessment for this qualification, it is assumed and is advisable that the candidate has already acquired the knowledge and skills as specified in the IAB Level 2 Certificate in Book-keeping or any other compatible qualification.

| Learning Outcome | Assessment Criteria |
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| <p>1 Use a suspense account and eliminate book-keeping errors</p> | <p>Understand the purpose of a Suspense Account and how it is used as a holding account or as a temporary measure to correct an imbalance within a double entry book-keeping system.</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Prepare a Trial Balance from a list of balances entering any imbalance as a Suspense Account balance • Post a balance introduced to 'correct' an imbalance in the books to a Suspense Account. • Prepare the Journal entries necessary to correct book-keeping errors • Eliminate a Suspense Account balance following the correction of errors. |
| <p>2 Understand the form and function of the Trading Account, Profit and Loss Account and Balance Sheet</p> | <p>Understand the form and function of the Trading Account, Profit and Loss Account and the Balance Sheet</p> <p>Be able to:</p> <p>Recognise the Trading Account as being an account used to calculate the Gross Profit of a trading organisation.</p> |
| Learning Outcomes | Assessment Criteria |

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| <p>2 Understand the form and function of the Trading Account, Profit and Loss Account and Balance Sheet (continued)</p> | <ul style="list-style-type: none"> • Recognise the Profit and Loss Account as being an account used to calculate the Net Profit of a trading organisation or service provider. • Recognise the Balance Sheet as being a statement of the assets, capital and liabilities of a business entity. |
| <p>3 Understand and apply the accounting concepts and accounting policies</p> | <p>Understand the need for a business entity to adopt and apply appropriate accounting policies</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Explain the meaning of the term 'true and fair' in the context of preparing financial statements. <p>Understand how accounting concepts have been developed as a set of rules and guidelines.</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Recognise and apply the accounting concepts that form the bedrock of accounting policies. <ul style="list-style-type: none"> • Going Concern • Accruals (Matching) • Recognise and apply the accounting concepts regarded as being desirable in formulating accounting policies. <ul style="list-style-type: none"> • Prudence • Consistency • Recognise and apply other accounting concepts: <ul style="list-style-type: none"> • Materiality • Objectivity • Realisation |
| <p>4 Categorise items of income and expenditure</p> | <p>Understand the terms 'Capital Income', 'Revenue Income', 'Capital Expenditure', 'Revenue Expenditure'</p> <p>Be able to define the terms 'Capital Income', 'Revenue Income', 'Capital Expenditure', 'Revenue Expenditure'</p> <p>Understand the need to categorise items of income expenditure as the basis of recording transactions and preparing financial statements.</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Identify items of capital and revenue income and expenditure • Apply the concept of materiality in categorising capital expenditure • Categorise items of income and expenditure for the purpose of preparing financial statements • Appreciate the effects of confusing capital and revenue expenditure |
| <p>Learning Outcomes</p> | <p>Assessment Criteria</p> |

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| <p>5 Maintain records and make accounting adjustments relating to Stock.</p> | <p>Understand the need to maintain records and make adjustments to account for stock</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Apply the accruals (matching) concept and use a closing stock valuation in the preparation of financial statements • Apply the prudence concept and value stock at the lower of cost or net realisable value • Prepare the Journal entry to account for closing stock • Amend a stock valuation given practical problems commonly associated with stock valuation |
| <p>6 Maintain Records and Make Accounting Adjustments for Prepayments and Accruals</p> | <p>Understand the principle of accounting for prepayments and accruals, maintain relevant records and make prepayment and accruals adjustments</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Explain the relevance of the accruals (matching) concept in the context of adjustments for prepayments and accruals • Calculate prepayment and accruals adjustments • Prepare the Journal entries to account for prepayment and accruals adjustments • Record prepayment and accruals adjustments in the relevant income or expense account in the ledger • Maintain dedicated Prepayment and Accruals Accounts in the ledger • Prepare the Journal entry to transfer items of income earned and expense incurred in an accounting period to the Profit and Loss Account • Record income earned and expenses incurred on the Profit and Loss Account • Record prepayments and accruals on the Balance Sheet • Prepare the Journal entries to reverse Prepayment and Accruals Account balances following the preparation of year end financial statements and post the reversed balances to appropriate income and expense accounts in the ledger |
| <p>7 Maintain Records and Account for the Depreciation and Disposal of Tangible Fixed Assets</p> | <p>Understand the principle of depreciating tangible fixed assets, maintain appropriate records and account for the depreciation and disposal of fixed assets</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Explain the term 'tangible fixed assets' and give examples of fixed assets falling within this category |
| <p>Learning Outcomes</p> | <p>Assessment Criteria</p> |
| <p>7 Maintain Records and Account</p> | <ul style="list-style-type: none"> • Record the capitalised cost of a tangible fixed asset in the ledger |

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| <p>for the Depreciation and Disposal of Tangible Fixed Assets (continued)</p> | <p>and fixed asset register</p> <ul style="list-style-type: none"> • Explain how the principle of making a provision for depreciation is affected by the concepts of going concern, accruals (matching), prudence and consistency • Calculate depreciation using the straight line or diminishing balance methods, applied on full year or month-for-month basis • Prepare the Journal entry to account for depreciation • Record depreciation in the ledger (using a dedicated Depreciation Expense Account), and the fixed asset register • Prepare the Journal entry to transfer the balance on the Depreciation Expense Account to the Profit and Loss Account • Record the depreciation expense on the Profit and Loss Account • Prepare the Journal entries to account for the disposal of a tangible fixed asset • Record the disposal of a tangible fixed asset in appropriate ledger accounts, and in the fixed asset register • Calculate the profit or loss on disposal of a tangible fixed asset • Prepare the Journal entry to account for profit or loss on a tangible fixed asset, enter this in the Disposals Account and on the Profit and Loss Account • Record the Cost, accumulated depreciation and net book value of a tangible fixed asset on the Balance Sheet • Reconcile fixed asset details per the fixed asset register to ledger account details • Reconcile book fixed assets per the fixed asset register to physical fixed assets |
| <p>8 Maintain Records and Account for Bad and Doubtful Debts</p> | <p>Understand the principle of writing off bad debts and making a provision for doubtful debts adjustment, maintain appropriate records and account for bad and doubtful debts.</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Account for bad debts: <ul style="list-style-type: none"> • Prepare a Journal entry to account for a bad debt write off • Process a bad debt write off using a Bad Debts Account in the main books • Explain the purpose of a provision for doubtful debts adjustment • Explain how the provision for doubtful debts adjustment is affected by the concepts of accruals (matching) and prudence. |
| <p>Learning Outcomes</p> | <p>Assessment Criteria</p> |
| <p>8 Maintain Records and Account for Bad and Doubtful Debts</p> | <ul style="list-style-type: none"> • Make a general provision for doubtful debts calculation |

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| (continued) | <ul style="list-style-type: none"> • Make a specific provision for doubtful debts calculation using an Aged Debtor schedule • Calculate an increase or decrease in a provision for doubtful debts • Prepare the Journal entry to account for the introduction of a provision for doubtful debts or a provision for doubtful debts adjustment • Record the provision for doubtful debts adjustment in the ledger using a dedicated Provision for Doubtful Debts account. • Record the provision for doubtful debts adjustment on the Profit and Loss Account • Use the accumulated provision for doubtful debts balance in the preparation of the Balance Sheet. • |
| 9 Prepare financial statement for a sole trader | <p>Understand the legal requirement to prepare year end accounts and recognise the value of financial statements to the 'trader'.</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Apply accounting adjustments in the preparation of financial statements. • Prepare the following financial statements, in vertical format, for a sole trader from either a Trial Balance or list of balances extracted from the Books: <ul style="list-style-type: none"> • Trading Account • Profit and Loss Account • Balance Sheet |
| 10 Prepare an Extended Trial Balance for a sole trader | <p>Understand the form and function of an Extended Trial Balance.</p> <p>Understand the need to prepare an Extended Trial Balance</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Enter a list of ledger account balances, extracted from the Books of a sole trader, on to an Extended Trial Balance • Use an adjustments column to account for: <ul style="list-style-type: none"> • Closing Stocks • Prepayments and accruals • Depreciation • Bad and doubtful debts • Extend balances to Profit and Loss and Balance Sheet columns • Calculate Net Profit or Loss and total the Extended Trial Balance |
| Learning Outcomes | Assessment Criteria |
| 11 Prepare financial statements for a sole trader from incomplete records | <p>Understand the principles of single entry book-keeping.</p> <p>Be able to prepare financial statements from incomplete record</p> |

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| | <p>provided by a sole trader:</p> <ul style="list-style-type: none"> • Calculate the capital contributions of the proprietor given incomplete data • Recognise items of capital and revenue income and expenditure from given receipts and payments information. • Calculate sales, purchase, expenses and proprietor drawings from incomplete date • Apply accounting adjustments <p>Be able to recognise the importance of supplementary worksheets to support accounts and financial statements prepared from incomplete records.</p> |
| <p>12 Prepare financial statements for a 'Not for Profit' organisation</p> | <p>Understand the accounting structure, records and terminology developed to account for the activities of a 'Not for profit' organisation.</p> <p>Be able to demonstrate a knowledge of the accounting terms specific to accounting for a 'Not for Profit' organisation</p> <p>Be able to prepare the financial records on behalf of a 'Not for Profit' organisation:</p> <ul style="list-style-type: none"> • Calculate the Accumulated Fund of members of the organisations given incomplete data • Recognise items of capital and revenue income and expenditure given receipts and payments records. • Prepare a Subscriptions Receivable Account • Prepare the following financial statements for a 'Not for Profit' organisations applying appropriate accounting adjustments: <ul style="list-style-type: none"> • Trading Account • Income and Expenditure Account • Balance Sheet <p>Be able to recognise the importance of supplementary worksheets to support accounts and financial statements prepared from incomplete records in relation to a 'Not for Profit' organisation.</p> |
| <p>13 Maintain records and prepare financial statements for a partnership</p> | <p>Understand the principles of partnership accounts</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Define the term 'partnership' and demonstrate an awareness of limited partnerships • Explain the advantages a partnership may have over a sole trader type organisation |
| <p>Learning Outcomes</p> | <p>Assessment Criteria</p> |
| | <ul style="list-style-type: none"> • Demonstrate knowledge of the main requirements of the Partnership Act 1890 in respect of partners' entitlements and profit share |

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| | <ul style="list-style-type: none"> • Explain the characteristics relating to a limited partnership in terms of the liability of a limited partner for debts of the partnership, and their exclusion from management activities. • Appreciate that a Partnership Agreement may be recommended as a suitable alternative to the Partnership Act 1890 <p>Understand the at least one partner within a limited partnership must have unlimited liability.</p> <p>Understand the need to maintain records for a partnership</p> <p>Be able to</p> <ul style="list-style-type: none"> • Demonstrate knowledge of the main financial aspects of a typical Partnership Agreement, including ways in which partners can be rewarded for their efforts when sharing profits. • Demonstrate a knowledge of the specific accounts kept on behalf of a partnership, i.e. <ul style="list-style-type: none"> • Fixed Capital Accounts • Current Accounts • The Profit and Loss Appropriation Account • Prepare the Current Accounts and Profit and Loss Appropriation Account of a partnership applying either the requirements of the Partnership Act 1890 or a Partnership Agreement • Prepare financial statements on behalf of a partnership making appropriate accounting adjustments |
| <p>14 Account for changes in the composition of a partnership</p> | <p>Understand the process of accounting for the revision of a Partnership Agreement or a change in the composition of a partnership.</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Define the term 'Goodwill' and explain the principle of account for Goodwill • Account for Goodwill where: <ul style="list-style-type: none"> • There is a change in the profit sharing ratios of the partners. • A new partner is admitted to the partnership • A partner leaves the partnership • Account for the revaluation of assets where: <ul style="list-style-type: none"> • There is a change in the profit sharing ratios of the partners. • A new partner is admitted to the partnership • A partner leaves the partnership • Maintain the financial records and prepare financial statements to account for a change in the profit sharing ratio or where a partner joins or leaves a partnership. |

UNIT ASSESSMENT

Candidates may sit the Examination of this Unit on either the specific dates set and published by the IAB or on dates set by Centres on an 'On-demand' basis.