APPLY FUNDAMENTALS OF ACCOUNTING

UNIT CODE: BUS/OS/AC/CR/01/6

UNIT DESCRIPTION

This unit specifies the competencies required to apply fundamentals of accounting. It involves demonstrating understanding of accounting principles and policies, applying double entry concept, classifying capital and liabilities, correcting accounting errors and suspense account, preparing sole trader statement, preparing partnership statements and prepare company statements.

ELEMENTS AND PERFORMANCE CRITERIA

ELEMENT These describe the **key outcomes** which make up **workplace function**.	PERFORMANCE CRITERIA These are **assessable** statements which specify the required level of performance for each of the elements. *Bold and italicized terms are elaborated in the range.*
1. Demonstrate Understanding of accounting principles and policies	1.1 Nature and purpose of accounting is established. 1.2 Users of accounting information and their information needs is established 1.3 Qualities of accounting information is determined 1.4 Accounting concepts/principles are identified 1.5 Accounting standards are determined 1.6 Accounting equation is prepared
2. Apply double entry concept	2.1 Accounting source documents are prepared 2.2 Books of original entry are determined 2.3 Double entry system is applied to prepare ledger accounts. 2.4 The trial balance and basic financial statements are prepared. 2.5 Computerized accounting systems is applied as per the accounting guidelines
3. Classify capital, liabilities and Assets	3.1 Accrued expenses and prepaid expenses are determined as per the accounting principles. 3.2 Accounting for *revenue* 3.3 Accounting for accounts receivables, bad debts and allowance for doubtful debts are determined. 3.4 Property plant and equipment accounts are managed 3.5 Inventory is recognized, measured and valued based on cost method. 3.6 Accounting for cash and cash equivalents, bank

		reconciliation
		3.7 Accounts payable are accounted for including control account.
4. Correct accounting errors and suspense account		4.1 Errors that can be detected by the trial balance are determined. 4.2 Errors where the effect of the error causes the trial balance not to balance are identified. 4.3 Errors where the effect of the error causes the trial balance still balance are identified. 4.4 Procedures of correcting errors are determined as per the organization objectives. 4.5 Errors that can be corrected by suspense account are identified 4.6 Suspense account is prepared as per the SOPs.
5. Prepare sole trader statement		5.1 Sources of capital for sole trader are established 5.2 Sole trader Income statement is drafted as per accounting period. 5.3 Statement of financial position is prepared as per accounting period.
6. Prepare partnership statements		6.1 Contents of a partnership agreement are determined as per the SOPs. 6.2 Current and capital accounts are prepared as per the SOPs as per accounting standards. 6.3 Income Statement is prepared as per accounting standards. 6.4 Appropriation of profit and loss account is prepared. 6.5 Statement of financial is prepared as per the organizational requirements
7. Prepare company statements		7.1. *Types of share capital* are identified as company's Act 7.2. *Types of reserves* are determined as per the organizational objectives. 7.3. Issue of shares is determined as per the organizational requirements 7.4. Rights issues and bonus are calculated as per the company polices 7.5. Provisions and reserves are identified 7.6. Income tax is calculated as per the SOPs. 7.7. Accounting treatment and presentation is conducted as

	per the accounting standards
	7.8. Income statement is drafted as per the accounting standards.
	7.9. Statement of financial position is prepared as per the accounting standards.

RANGE

This section provides work environments and conditions to which the performance criteria apply. It allows for different work environment and situations that will affect performance.

Variable	Range
Revenue include but not limited to:	• Accrued income • Prepaid income
Types of share capital include but are not limited to	• Ordinary shares • preference shares
Types of reserves include but are not limited to	• Share premium, • Revaluation reserve, • General reserves • Retained profits

REQUIRED SKILLS AND KNOWLEDGE

This section describes the skills and knowledge required for this unit of competency.

Required skills

The individual needs to demonstrate the following skills:

- Negotiation
- Numeracy
- Analyze errors
- Conduct image analysis
- Interpret and analyze statistics
- Perform mental calculations
- Record with accuracy and precision
- Undertake high level computations

Required knowledge

The individual needs to demonstrate knowledge of:

- Principles of accounts
- Emerging trends
- Formation of companies
- Policies and procedures

EVIDENCE GUIDE

This provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge and range.

1. Critical Aspects of Competency	Assessment requires evidence that the candidate: 1.1 Demonstrated understanding of accounting principles and policies 1.2 Demonstrated the ability to apply double entry concept 1.3 Demonstrated the ability to classify capital, assets and liabilities 1.4 Demonstrated the ability to correct accounting errors and suspense account 1.5 Demonstrated the ability to prepare sole trader statement 1.6 Demonstrated the ability to prepare partnership statements 1.7 Demonstrated the ability to prepare company statements
2. Resource Implications	The following resources must be provided: 2.1 Policy documents 2.2 Accounts statements.
3. Methods of Assessment	Competency may be accessed through: 3.1 Observation 3.2 Written tests 3.3 Oral questioning 3.4 Third party report
4. Context of Assessment	Competency may be assessed: 4.1 On-the- job 4.2 Off the job 4.3 Off the job assessment must be undertaken in a closely simulated workplace environment.
5. Guidance	Holistic assessment with other units relevant to the

information for assessment	industry sector, workplace and job roles is recommended.