

# CERTIFICATE IN FINANCIAL ACCOUNTING SYLLABUSES





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## **Introduction**

The Certificate in Financial Accounting is a very good beginner's course that prepares one for clerical accounting work usually carried out by Accounts Assistants. This is also a stepping stone to the Accounting Technician Programme. The course comprises four (4) papers and candidates are required to sit all the 4 papers at first sitting.

Candidates are also required to complete the course within four consecutive sittings.

## **Entry Requirements**

Minimum entry qualification is the Malawi School Certificate of Education (MSCE) or its equivalent.

Students who complete the Certificate in Financial Accounting (CIFA) are eligible for registration into the ICAM Technician Diploma where they get exemptions in, Accounting/1 and Communication.

## LIST OF IMPORTANT DATES

Listed below are the important dates in ICAM's examination cycle. You are **advised** to take note of these dates and to pay particular attention to the **closing dates** for registration and receipt of examination entries. Entries received **after** the closing dates will not be considered.

### **1 January Annual subscription**

Registered students will have already been sent invoices for annual subscription.

### **31 January Closing date for receipt of annual subscription**

Those who **fail** to pay the annual subscription are deleted from the register

### **February Release of results for December examinations**

Results for the December examination are released and examination entry forms (EEF) for June examinations are sent together with results.

### **31 March Closing date for receipt of examination fees for June examinations**

Closing date for receipt of registration fees from students who wish to sit examinations in the June diet.

### **May Notices for June examinations issued**

Notice to candidates or examination docket for June examination are sent to students

### **Early June June examinations are administered**

### **August Release of results for June examinations**

Results for June examinations are released and Examination Entry Forms (EEFs) for December examinations are sent together with results.

### **31 August Closing date for receipt of registration fees for December examinations.**

Closing date for receiving registration fees from students who wish to sit for December examinations.

### **30 September Closing date for receipt of examination fees for December examinations**

Closing date for receiving examination fees for December examinations.

### **November Notices for December examinations issued**

- i. Notice to candidates or examination docket for December examinations are sent to students.
- ii. Annual subscription invoices are sent to registered students.

### **Early December December examinations are administered**

### **Exemptions**

#### **31 March**

Closing date for receipt of exemption fees for those who want to sit for the June examinations.

#### **30 September**

Closing date for receipt of exemption fees for those who want to sit for the December examinations.

## FA 1: BUSINESS COMMUNICATION

### AIM OF THE COURSE

To equip students with skills necessary for effective communication in business.

### Objectives

By the end of the course the student should be able to:-

- i. Demonstrate an understanding of the communication process in business settings.
- ii. Write business documents effectively.
- iii. Demonstrate an understanding of the flow of communication in an organization.
- iv. Communicate effectively in different oral settings.
- v. Use information technology for communication in business settings.

### FORMAT AND STANDARD OF THE EXAMINATION PAPER

The examination will aim at enabling candidates to write effective memos, business letters, notices and reports. Candidates should also be able to express themselves clearly, coherently and logically. The tone and style used in each piece of writing should be appropriate to the given situation.

The paper will consist of 6 questions each carrying 25 marks. Candidates will be required to answer 4 questions. In addition to the content, the Business Communication module emphasizes on the correct use of language in terms of sentence construction, correct spellings, choice of words and punctuation. Therefore, **5 marks** will be allocated to **correct language use in each question**. However, in those questions which require extended writing, like memos, letters and reports there will be additional marks for correct use of language.

## SPECIFICATION GRID

This grid shows the relative weightings of topics within this subject and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

| Syllabus area                | Weighting (%) |
|------------------------------|---------------|
| Communication Theory         | 10            |
| Language Skills              | 8             |
| Business Communication       | 25            |
| Oral Communication           | 17            |
| Organizational Communication | 15            |
| Small Group Communication    | 7             |
| Interpersonal Communication  | 10            |
| ICT                          | 8             |
| TOTAL                        | 100           |

### Learning Outcomes

#### 1. Communication theory

In the exam candidates may be required to

- 1.1. Explain the aims of communication
- 1.2. Describe the communication process
- 1.3. Identify the eight elements of communication
- 1.4 Describe the three media of communication
- 1.5 Define non-verbal communication
- 1.6 Explain the functions of non-verbal communication
- 1.7 Discuss types of non-verbal communication.
- 1.8 Outline the barriers to the communication and suggest how they can be overcome

#### 2. Language skills

In the exam candidates may be required to

- 2.1 Identify the parts of a sentence
- 2.2 Construct effective Sentences

#### 3. Business communication

In the exam candidates may be required to

- 3.1 Describe the characteristics of good business writing
- 3.2 Explain the 7 principles of effective business writing (7C's)
- 3.3 Write coherent paragraphs

- 3.4 Describe the four aspects to consider when planning business messages
- 3.5 Explain the uses of a memorandum
- 3.6 Outline the parts of a memorandum
- 3.7 Write memos in response to different situations in the organization
- 3.8 Demonstrate understanding of effective notices
- 3.9 Outline the features of a notice
- 3.10 Design effective notices
- 3.11 Describe the purposes of business letters
- 3.12 Describe the importance of each of the parts of a business letter
- 3.13 Write different types of business letters.
- 3.14 Define a report
- 3.15 Describe the parts of a short formal report
- 3.16 Write effective reports

#### **4. Oral communication**

In the exam candidates may be required to

- 4.1 Describe the basic principles of oral communication
- 4.2 Outline the measures to be taken when preparing for oral presentations
- 4.3 Discuss types of speeches
- 4.4 Explain the different oral presentation styles
- 4.5 Describe the methods of delivering a presentation
- 4.6 Use audio-visual aids in a presentation
- 4.4 Describe the listening process.
- 4.5 Discuss the reasons for listening
- 4.6 Describe the approaches to effective listening
- 4.7 Describe the effective use of the telephone in the organisation
- 4.8 Identify different types of interviews
- 4.9 Explain the communication skills related to interviews
- 4. 10 Outline the roles of the interviewer and the interviewee
- 4.11 Describe the phases of the interview process
- 4.12 Mention the purposes of meetings
- 4.13 Describe the types of meetings
- 4.14 Outline the roles of officers and participants in a meeting
- 4.15 Convene a meeting

#### **5. Organizational communication**

In the exam candidates may be required to

- 5.1. Examine the importance of communication in an organization
- 5.2. Describe the functions of communication in an organization
- 5.4 Differentiate the various communication network patterns

- 5.5 Discuss the flow of communication in the organisation
- 5.6. Analyze the advantages and disadvantages of informal communication

## **6. Electronic communication**

In the exam candidates may be required to

## REFERENCES

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## **FA 2: PRACTICAL MATHEMATICS & COMPUTING**

### **COURSE AIM**

To enable the candidate to understand basic mathematical principles and techniques, and use them in business operations including space, volume, sales, interest rates, investments, data summarization and uncertainty.

### **OBJECTIVES**

On completion of this module, the candidate will be able to:

- a) apply arithmetic and algebraic principles in business operations
- b) apply graphical techniques to solve business problems
- c) compute basic summary statistics
- d) interpret basic summary statistics
- e) formulate equations and inequalities from word problems
- f) solve equations and inequalities
- g) demonstrate the use of techniques for presenting data including charts and graphs
- h) calculate simple probabilities
- i) apply basic computing skills in business

### **METHOD OF ASSESSMENT**

The Practical Mathematics and Computing module will be assessed using a traditional 3 hour paper-based examination. The examination paper will consist of two sections; section A and section B. Section A will be compulsory and it will carry 60 marks. Section B will have 3 questions each carrying 20 marks. Candidates will be required to answer any 2 questions.

## SPECIFICATION GRID

This grid shows the relative weightings of topics within this subject and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

| Syllabus Area         | Weighting % |
|-----------------------|-------------|
| Basic Mathematics     | 15          |
| Financial Mathematics | 20          |
| Basic Statistics      | 15          |
| Probability           | 10          |
| Computing             | 40          |
| Total                 | 100         |

### Learning outcomes

#### A. Basic Mathematics

The candidate will be able to demonstrate the use of basic mathematics in business, and solve equations.

In the assessment, the candidate may be required to:

##### 1. Sets and numbers

- a. define key terms: set, element, subset, complement and disjoint sets
- b. find intersections and unions of sets
- c. describe a set using either list notation or set-builder notation
- d. demonstrate the relationships between sets using Venn Diagrams
- e. apply sets in real life problems
- f. differentiate between natural numbers, integers, rational numbers, irrational numbers and real numbers.

##### 2. Fractions, decimals and reciprocals

- a. differentiate between proper and improper fractions
- b. carry out operations involving fractions
- c. solve problems requiring the use of fractions

##### 3. Percentage

- a. solve problems involving percentages
- b. convert fractions to percentages, and vice versa
- c. solve word problems involving fractions and percentages

**4. Approximation, error and tolerance**

- a. round off a number to a given number of decimal places and significant figures
- b. find the absolute error and maximum error of a given measurement
- c. explain sources of error
- d. explain how rounding can affect the results of a calculation

**5. Perimeter, area and volume**

- a. find the perimeters and areas of regular plane shapes
- b. calculate surface areas of regular objects
- c. calculate volumes of regular objects
- d. calculate perimeters and areas of regular plane shapes

**B. Financial mathematics**

The candidate will be able to solve problems and apply financial mathematical techniques involving interest, profit, basic taxes and premiums.

In the assessment, the candidate may be required to:

- a. define interest
- b. calculate simple and compound interest
- c. explain the difference between simple and compound interest
- d. calculate profit or loss
- e. calculate profit mark up and margin
- f. distinguish trade discount from cash discount
- g. calculate discount
- h. convert money in other currencies to Malawi Kwacha and vice versa
- i. calculate PAYE given a person's taxable income
- j. calculate VAT on various goods and services
- k. prepare electricity and water bills

- l. calculate insurance premiums
- m. calculate instalments when buying in instalments/hire purchase

### **C. Basic statistics**

The candidate will be able to demonstrate the use of various techniques for summarising data including tabulation, graphing and basic summary measures.

In the assessment, the candidate may be required to:

- a. explain the need for statistics in business environment
- b. explain the difference between data and information
- c. identify the properties of good information
- d. tabulate data including frequency distributions
- e. prepare graphs, charts and diagrams
- f. calculate summary measures for ungrouped data including arithmetic mean, mode, median, range, variance and standard deviation

### **D. Introduction to probability**

The candidate will be able to calculate basic probabilities and demonstrate the use of probability where uncertainty exists in business

In the assessment, the candidate may be required to:

- a. describe the role of probability in decision making
- b. define probability, experiment, sample space, experiment, outcome and event
- c. describe the different types of events including complementary, mutually exclusive and independent events
- d. calculate simple probabilities
- e. use the addition and multiplication rules of probability

## **COMPUTING**

### **E. Introduction to Information Systems**

Candidates should be able to explain the role of information systems in an organization.

In the exam candidates may be required to:

- a. Describe essential components and role of an information systems in a business
- b. Describe various components of office automation
- c. Explain uses of Computer Networks, Emails and Internet

### **F. Data Processing**

Candidates should be able to explain the following: data processing operations, data correction techniques, organizational levels and their information needs, role of computers in data processing and qualities of good information.

In the exam candidates may be required to:

- a. Define data processing
- b. Describe Data processing operations
- c. Describe the role of computers in data processing
- d. Describe factors that make information valuable
- e. Describe qualities of good information

### **G. Computer Hardware**

Candidates should be able to explain the various parts of computer hardware.

In the exam candidates may be required to:

- a. Define computer hardware
- b. Describe basic components of a computer hardware
- c. Describe functions and parts of computer system unit
- d. Explain internal data representation
- e. Describe different types of computers
- f. Explain embedded systems
- g. Explain computer generations
- h. Describe computer classification

## **H. Computer Software**

Candidates should be able to explain the uses and classifications of various software products on the market

In the exam candidates may be required to:

- a. Define computer software
- b. Describe classification of software
- c. Explain uses of computer software packages
- d. Describe generations of computer languages

## **I. Data Communication**

Candidates should be able to explain how organizations can benefit by using the following technologies :- Internet, intranet and extranets.

In the exam candidates may be required to:

- a. Describe components and use of internets, extranets and intranets
- b. Define E - Business
- c. Explain uses of Computer Networks

## **J. Data Security and Controls**

Candidates should be able to explain risks to information systems and various safeguards.

In the exam candidates may be required to:

- a. Describe data security
- b. Explain the need for security and controls
- c. Explain logical and physical controls
- d. Explain the spread of and safeguards against computer viruses.
- e. Explain systematic development of a Disaster Recovery Plan

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Bocij P.: *Business information Systems*

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### Internet Resources

[http://www.answers.com/Analog\\_computers](http://www.answers.com/Analog_computers)

[http://en.wikipedia.org/wiki/Embedded\\_system](http://en.wikipedia.org/wiki/Embedded_system)

<http://www.wordiq.com>

<http://www.computermuseum.li>

<http://www.columbia.edu/acis/history/generations.html>

## FA 3: BUSINESS KNOWLEDGE

### AIM OF THE COURSE

To provide candidates with an understanding of the operation of various business entities on the global market and how various business laws are applied to level the playing field of the participants in the global market.

### OBJECTIVES

On completion of the course, candidates will be able to:

- a. understand the various forms of trade and commerce;
- b. Differentiate the types of businesses units that operate in Malawi;
- c. Understand the law as it affects business operations;
- d. Understand the role of governance in the management of the business
- e. Express themselves about the topics discussed in the syllabus.

### FORMAT AND STANDARD OF THE EXAMINATION PAPER

The examination will be divided into two sections. Section A, will have three questions. Candidates will be required to answer any two questions from this section. Section B will have four questions; candidates will be required to answer any three. All questions will carry equal marks. Candidates will lose marks for failing to communicate clearly including grammatical errors.

### SPECIFICATION GRID

Areas of study in this syllabus have been given weightings which should guide the relative study time spent on each. Generally the marks available in the assessment are guided by the weighting below, notwithstanding that variations may occur in individual assessments to enable suitably rigorous questions to be set.

| <b>Syllabus Area</b>                                    | <b>Weighting (%)</b> |
|---|----------------------|
| Production and Trade                                    | 30                   |
| Business Organizations and Financial Services           | 25                   |
| Law   | 20                   |
| Hire Purchase, Law of Agency and Negotiable Instruments | 20                   |
| Corporate governance                                    | 5                    |
| Total   | 100                  |

## Learning Outcomes

### 1. Production

Candidates will be able to identify the various industries that play a role in the production of goods and services.

In the assessment, candidates may be required to:-define production

- a. explain the various factors of production
- b. describe the nature of industries and commerce
- c. explain how outsourcing is affecting industries and commerce
- d. state types of specialization, and its impact on countries.

### 2. Trade

Candidates will be able to identify the various types of traders who are involved for products to be consumed after production.

In the assessment, candidates may be required to:-

- a. explain the functions of a retailer
- b. identify various types of retail businesses, including mail order
- c. identify factors that affect retail trade
- d. explain the functions of a wholesaler
- e. state types of wholesalers
- f. identify alternative methods of distribution
- g. have an insight on the future of wholesalers.
- h. explain the reasons of having international trade, its advantages and disadvantages.
- i. understand imports and exports, and documents used to facilitate imports and exports
- j. identify the effect of globalization on trade

### 3. Aids to trade

Candidates will be able to discuss the importance, forms and characteristics of aids to trade.

In the assessment, candidates may be required to:-

- a. identify types of transport, their advantages and disadvantages
- b. state types of warehouses and why they are important in business
- c. identify types of advertising, and the role it plays in commerce
- d. identify terms in insurance, and the role it plays in business
- e. state what e-commerce is, and explain its advantages and disadvantages

### 4. Business organizations

Candidates will be able to explain the nature and structure, advantages and disadvantages of the various types of business organizations.

In the assessment, candidates may be required to:-

- a. identify the types of sole traders/proprietorships and partnerships, and to explain the advantages and disadvantages of these businesses
- b. state how the various types of companies are formed, regulated, dissolved and their legal personality.
- c. identify types of parastatals, cooperatives, and multinational companies, and show the respective advantages and disadvantages

## **5. Financial services sector**

Candidates will be able to identify the nature of the financial services sector in Malawi as an aid to trade,

In the assessment, candidates may be required to:-

- a. identify money and barter systems of exchange, nature and functions of money, and how inflation affects money
- b. identify types of banks and other financial institutions that have come into play because of money system
- c. discuss how electronic and internet banking is affecting the money system

## **6. Introduction to Malawi legal system**

Candidates will be able to explain the various sources of law in Malawi and the organisation of the courts in Malawi.

In the assessment, candidates may be required to:-

- a. state the sources of law, the establishment structure of the Judiciary, and powers of courts.

## **7. Outline of the law of contract**

Candidates will be able to explain the basic principles of the law of contract.

In the assessment, candidates may be required to:-

- a. recognize a legally binding contract and how it can be enforced
- b. identify issues leading to termination of contract, and possible remedies for breach of contract

## **8. The contract for sale of goods**

Candidates will be able to explain the law relating to sale of goods.

In the assessment, candidates may be required to:-

- a. state the meaning of goods, recognize a legally binding contract of sale, and the terms of such contracts

- b. identify when property passes and associated risks, and possible remedies for breach of contract

### **9. Hire purchase**

Candidates will be able to explain law relating to hire purchase.

In the assessment, candidates may be required to:-

- a. identify hire purchase agreement and differentiate it with a sale agreement

### **10. Outline of the law of agency**

Candidates will be able to explain the basic principles of the law of agency.

In the assessment, candidates may be required to:-

- a. identify the nature, types, and termination of agency, including the duties and rights of principal and agent

### **11. Negotiable instruments**

Candidates will be able to explain the law relating to negotiable instruments.

In the assessment, candidates may be required to:-

- a. identify negotiable instruments
- b. explain the Bill of Exchange as a negotiable instrument, and identify the parties involved
- c. state the rights of holders of, and liability of parties to, a bill of exchange, and how a bill of exchange is discharged

### **12. Corporate governance**

Candidates will be able to identify corporate governance issues.

In the assessment, candidates may be required to:-

- a. identify the importance of governance in the management of any business
- b. identify main players for an effective governance structure, and how ethics cement such a culture
- c. state meaning of money laundering, corruption, and fraud.

## REFERENCES

ICAM Business Knowledge Manual

## **FA 4: BUSINESS ACCOUNTING**

### **AIMS OF THE COURSE**

- i. To develop the student's understanding of the accounting process and the practical uses of accounting.
- ii. To develop the student's awareness of the role of computers in accounting.
- iii. To enable the student prepare final accounts up to statement of financial position.
- iv. To introduce the student to principles of costing.

### **OBJECTIVES**

By the end of the course the student should be able to:-

- i. Identify the principles on which accounting is based.
- ii. Identify, collect, record and summarize accounting information for various forms of businesses.
- iii. Recognize and make periodic adjustments to accounting records.
- iv. Identify, classify, and allocate various business costs.

### **FORMAT AND STANDARD OF THE EXAMINATION PAPER**

The paper will consist of two sections; section A and section B. **Section A** will be compulsory with one question. The question will be on **preparation of final accounts for various forms of businesses with some adjustments**. This section will carry 40 marks. **Section B** will have **4 questions**, each carrying 20 marks. Candidates will be required to answer **any three** questions from section B.

### **SPECIFICATION GRID**

| <b>Syllabus Area</b>                             | <b>Weighting</b> |
|--|------------------|
| Accounting information, principles and concepts. | 35               |
| Maintaining, adjustment of financial records.    | 30               |
| Preparing financial statements.                  | 25               |
| Cost accounting                                  | 10               |
| Total  | 100              |

## Learning Outcomes

In the assessment, candidates may be required to:-

### 1.1 Accounting and the accounting process

- 1 Define accounting and its purpose
- 2 Describe the main financial statements namely:
  - i) Statement of profit or loss
  - ii) Statement of financial position

### 1.2 Financial Accounting vs. Management Accounting

- 1 Describe financial and management accounting
- 2 Understand the relationship between financial and management accounting
- 3 Compare and contrast financial and management accounting

### 1.3 Qualitative characteristics of accounting information

- 1 Identify the attributes of accounting information to include, but not limited to:
  - i) Relevance
  - ii) Timeliness
  - iii) Accuracy
  - iv) Completeness
  - v) Reliability
  - vi) Targeted audience
  - vii) Comparability
  - viii) Understandability

### 1.4 Accounting principles and concepts

- 1 Understand the role of the accounting regulatory system, including the roles of the IFRS Foundation, the International Accounting Standards Board, and other international bodies
- 2 Understand the role of International Financial Reporting Standards
- 3 Distinguish accounting principles from accounting concepts
- 4 Learn the important underlying accounting concepts, such as:
  - i) Historical cost
  - ii) Money measurement
  - iii) Business entity
  - iv) Dual aspect
  - v) Time interval
- 5 Identify the fundamental accounting concepts that include:

- i) Going concern
- ii) Consistency
- iii) Prudence
- iv) Accruals
- v) Separate Determination
- vi) Substance over form
- vii) Materiality

### 1.5 Users of accounting information and their needs

- 1 Identify the main users of accounting information and their needs to include:
  - i) Management
  - ii) Shareholders(current and potential)
  - iii) Employees
  - iv) Trade Union groups
  - v) Banks and lenders
  - vi) Tax collectors and government agencies
  - vii) Business contact groups
  - viii) The general public
  - ix) Suppliers

### 1.6 The role of computers in accounting

- 1 Describe the accounting documents and management reports produced by computerised accounting systems, and understand the link between the accounting system and other systems in the business
- 2 Compare and contrast manual and computerised accounting systems
- 3 Consider the risks to data security, data protection procedures, and the storage of data under computerised accounting systems

### 1.7 Regulation of accounting in Malawi

- 1 Understand the evolution of the legal and regulatory environment affecting accounting in Malawi
- 2 Understand the current regulatory environment of accounting in Malawi, including the main agencies and instruments such as:
  - i) The Malawi Stock Exchange
  - ii) The Institute of Chartered Accountants of Malawi
  - iii) The Malawi Accountants Board
  - iv) The Companies and Taxation Acts

### 2.1 Elements of accounting information

In the assessment, candidates may be required to:-

- 1 Identify the elements of accounting information that include:
  - i) Assets, including both current and non current
  - ii) Liabilities, including both current and non current
  - iii) Owners equity
  - iv) Revenue and expenses
- 2 Learn the distinction between capital and revenue expenditure, including the implication of wrong accounting treatment of expenditure on the financial statements
- 3 Understand the accounting treatment of capital receipts, joint expenditure, and loan interest

## 2.2 Types of business transactions

- 1 Understand a range of business transactions including
  - i) Sales
  - ii) Purchases
  - iii) Receipts
  - iv) Payments
  - v) Petty cash
  - vi) Payroll
- 2 Understand the implications of cash and credit transactions, including where applicable, the effect of cash and trade discounts

## 2.2 Source documents

- 1 Outline the purpose and content of a range of business documents to include but not limited to
  - i) Invoice
  - ii) Credit note
  - iii) Remittance advice
  - iv) Statement of account
- 2 Prepare a petty cash voucher
- 3 Prepare the financial documents to be sent to credit customers
- 4 Prepare remittance advice to accompany payment to suppliers

## 2.3 Books of original entry

- 1 Identify the types of books of original entry and outline the purpose and content of each book of original entry including its format

- 2 Outline how the books of original entry integrate with the double entry book-keeping system

### 3.1 Recording day books

In the assessment, candidates may be required to:-

- 1 Record sales and purchase transactions taking into account discounts, VAT, and the impact on the value added tax account where applicable, as follows:
  - i) Enter supplier invoices and credit notes in the appropriate day books
  - ii) Record sales and purchase returns in the appropriate day books
  - iii) Prepare the financial documents to be sent to credit customers
  - iv) Understand the purpose of an aged receivable analysis
  - v) Produce statements to be sent to credit customers
  - vi) Explain the need to deal with discrepancies in customer and supplier records quickly and professionally
  - vii) Understand how data entry in day books differs when computerised systems are in use
- 2 Record transactions in the cashbook including any value added tax and discounts effects where applicable, paying particular attention to:
  - i) Totaling, balancing, and cross casting the cashbook columns
  - ii) Identifying and dealing with discrepancies
- 3 Enter and analyse petty cash transactions in the petty cashbook including any value added tax effects where applicable, paying attention to:
  - i) Balancing off the petty cashbook using imprest and non imprest systems
  - ii) Reconciling the petty cashbook with cash in hand
  - iii) Preparing and accounting for petty cash reimbursement
- 4 Prepare and enter the journal entries to process payroll transactions including:
  - i) Calculation of wages for employees paid by the hour, paid by output, and salaried employees
  - ii) Accounting for payroll costs and deductions
  - iii) The employer's responsibilities for taxes, pension contributions, and other deductions

- v) Why authorisation of payroll transactions and security of payroll information is important in an organization

### 3.2 The concept of double entry

- 1 Define the accounting equation
- 2 Understand by applying the accounting equation in situations such as:
  - i) Introduction of capital
  - ii) Purchase of an asset by cheque
  - iv) Purchase or sale of an asset on credit
  - v) Payment of a liability
  - vi) Effect of profit and loss on capital
  - vii) Treatment of drawings
- 3 Understand how the accounting equation relates to the double entry book keeping system
- 4 Process financial transactions from the books of original entry into the double entry book keeping system

### 3.3 Charts and coding of accounts

- 1 Importance of charting and coding of accounts in processing of financial transactions
- 2 Define an accounting code and identify different types of codes including:
  - i) Sequence
  - ii) Block
  - iii) Significant digit
  - iv) Hierachial
  - vi) Faceted
- 3 Code supplier and customer accounts
- 4 Coding general ledger accounts consistent with a predetermined chart of accounts

### 4.1 Balancing ledger accounts

In the assessment, candidates may be required to:-

- 1 Understand the five steps towards the balancing of ledger accounts
- 2 Justify the frequency of balancing of ledger accounts
- 2 Understand the meaning of such terms as: c/d, b/d and closed off
- 3 Explain the importance of balancing of receivables and payables ledger accounts

#### 4.2 The trial balance

- 1 Prepare ledger balances, clearly showing the balances carried down and brought down as appropriate
- 2 Define and understand the nature of a trial balance
- 3 Understand the nature and impact of errors and closing inventory on the trial balance, and how these are dealt with.

#### 4.3 Periodic adjustments

- 1 Understand how the matching concept applies to accruals and prepayments
- 2 The nature and purpose of accruals
- 3 The accounting treatment of prepayments, with and without an opening balance
- 4 The accounting treatment of expenses with prepaid and accrued elements
- 5 Prepayments and accruals in the financial statements
- 6 The nature of bad debts and ways in which they may arise
- 7 Understand the nature and purpose of the allowance for doubtful debts including:
  - i) How the allowance may be estimated
  - ii) The accounting entries necessary to recognize the allowance
  - iii) How the allowance may be increased or decreased
  - iv) The impact of cash discounts on accounts receivable
- 8 Understand the nature of non-current assets and purpose of depreciation, including terms such as:
  - i) Depreciable amount

- ii) Useful life
  - iii) Residual value
- 9 Explain the purpose and function of an asset register
- 10 Understand the four most common causes of depreciation
- 11 Identify and calculate depreciation using the commonly used methods that include:
- i) Straight line method
  - ii) Reducing balance method
- 12 Understand the case for using other depreciation methods that include:
- i) Revaluation method
  - ii) Depletion unit method
  - iii) Machine hour method
  - iv) Sum of the year's digit method
  - v) Units of output method
- 13 Understand how the appreciation in the value of non current assets is treated
- 4.4 Statement of profit or loss
- 1 Identify the information from the trial balance needed for the preparation of the statement of profit or loss
- 2 Understand the nature and purpose of the statement of profit or loss and how the following are arrived:
- i) Gross profit
  - ii) Cost of goods sold
  - iii) Net profit or loss
- 3 Understand the accounting treatment of returns, carriage, and the adjustment for inventory when preparing the statement of profit or loss
- 4.5 Statement of financial position

- 1 Identify the information from the trial balance needed for the preparation of the statement of financial position
- 2 Understand the purpose and nature of the statement of financial position, and identify the items and layout of:
  - i) Non current and current assets
  - ii) Non current and current liabilities
  - iii) Capital
- 3 Recognise how the accounting equation underlines the statement of financial position

#### 5.1 Errors and correction of errors

In the assessment, candidates may be required to:-

- 1 Identify types of errors in a book keeping system that are disclosed by extracting a trial balance
- 2 Identify types of errors in a book keeping system that are not disclosed by extracting a trial balance
- 3 Use the journal to correct identified errors
- 4 Redraft a trial balance following the correction of errors
- 5 Identify when a suspense account is required and show how to clear the suspense account using the journal
- 6 Understand situations when errors may or may not affect the statement of profit or loss

#### 5.2 Bank reconciliation statement

- 1 Explain the purpose of reconciliation between the bank ledger and the corresponding bank statement
- 2 Identify errors and omissions in the bank ledger account and in the bank statement
- 3 Identify timing differences
- 4 Make the correcting entries in the bank ledger account

- 5 Prepare the reconciliation between the bank statement balance and the corrected bank ledger account
  - 6 Identify the bank balance to be reported in the financial statements
  - 7 Understand the arguments for the timing and frequency of the bank reconciliation statements
  - 8 Understand the process of conducting bank reconciliation under a computerized environment
- 5.3 Disposal of non current assets
- 1 Identify the ledger accounts needed for recording the disposal of a non current asset
  - 2 Prepare journal and ledger entries to record the acquisition and disposal of a non current asset
  - 3 Calculate and record profits or losses on disposal of a non current asset for reporting in the statement of profit or loss
  - 4 Calculate the profit or loss of a revalued non current asset
- 5.4 Receivables and payables control accounts
- 1 Describe the purpose of control accounts as a checking device to aid management and help identify book keeping errors
  - 2 Explain why it is important to reconcile control accounts regularly and to deal with discrepancies quickly and professionally
  - 3 Prepare the receivable control account or receivable ledgers by accounting for:
    - i) Sales
    - ii) Sales returns
    - iii) Payments from customers including checking the accuracy and validity of receipts against relevant supporting information
    - iv) Settlement discounts
    - v) Irrecoverable debt and allowance for irrecoverable debts including any effect of value added tax where applicable

- i) Purchases
- ii) Purchase returns
- iii) Payments to suppliers including checking the accuracy and validity of the payments against relevant supporting information
- iv) Settlement discounts

## 5.5 Accounting for inventory

- 1 Recognise the need for adjustments for inventory in preparing financial statements
- 2 Record opening and closing inventory
- 3 Identify the various methods for valuing inventory and calculate the value of closing inventory using the following methods:
  - i) First in, first out (FIFO)
  - ii) Last in, first out (LIFO)
  - iii) Average cost
  - iv) Periodic weighted average cost
- 4 Recognise which cost should be included in valuing inventory
- 5 Understand the impact of accounting concepts on the valuation of inventory
- 6 Identify the impact of inventory valuation methods on profit and on assets

## 6.1 The role of costing in business

In the assessment, candidates may be required to:-

- 1 Understand the linkage between and importance of costs, pricing, and profitability in different types of businesses and organizations

## 6.2 Cost elements

- 1 Identify the different elements of cost and concepts on costs as defined by the Chartered Institute of Management Accountants to include, but not limited to the following:
  - i) Direct materials

- ii) Direct labour
- iii) Direct other expenses
- iv) Indirect materials
- v) Indirect labour
- vi) Indirect expenses
- vii) Prime cost
- viii) Conversion cost
- ix) Value added
- x) Overhead cost

2 Identify cost units appropriate to different manufacturing situations

### 6.3 The nature and behavior of costs

1 Understand the nature and behavior of the following costs under various process and time conditions:

- i) Fixed costs
- ii) Variable costs
- iii) Semi-variable costs
- iv) Stepped-fixed costs

2 Identify and use different methods for estimating costs

### 6.4 Cost allocation and cost centres

1 Understand that the nature of internal reporting systems and how they will influence the way in which costs are reported in an organization

2 Identify and explain the rationale for reporting costs on the following basis:

- i) Cost centre
- ii) Revenue centre
- iii) Profit centre
- iv) Investment centre

### 6.5 Product costing and pricing

- 1 Describe the job costing and batch costing methods and why they are associated with absorption costing methodologies
- 2 Understand the methodology for building up to the product price, including overhead and margin considerations, under the job costing and batch costing methods
- 3 Understand the impact of costing on profit and assets as reported in the financial statements

## **REFERENCES**

ICAM Manual *Business Accounting*

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Glautier & Underdown *Accounting Theory & Practice*







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