

Syllabus and study guide

# Financial Accounting (K1)

**July 2027 to August 2028**

Designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

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## 1. Overall aim of the syllabus

The overall aim of the syllabus is to develop knowledge and understanding of the underlying principles and concepts relating to financial accounting and technical proficiency in the use of double-entry bookkeeping, including the preparation of non-complex financial statements.

## 2. Introduction to the syllabus

The syllabus for K1, Financial Accounting, starts by introducing candidates to the fundamentals of the conceptual and regulatory framework relating to accounts preparation and to the qualitative characteristics of useful financial information.

The syllabus then covers the use of double-entry bookkeeping, including an in-depth look at recording, processing, and reporting a range of business transactions and events. It then focuses on reconciliations, preparation of a trial balance, error correction and suspense accounts, all of which lead to the preparation of financial statements for sole traders and limited companies.

The syllabus then builds on the previous areas by requiring the preparation of basic consolidated financial statements and looking at the specifics of partnerships. Lastly, candidates will be expected to conduct a basic interpretation of financial statements.

## 3. Main capabilities

On successful completion of this course of study, candidates should be able to:

- Understand the conceptual and regulatory frameworks for financial reporting, including key principles and characteristics of financial information
- Prepare, process and report on a range of business transactions and events within a computerised accounting environment
- Prepare financial information, including key reconciliations to ensure the accuracy of financial records
- Prepare a trial balance, correct errors, and prepare financial statements for a sole trader or a limited company and the consolidated financial statements for a group of limited companies
- Prepare partnership accounting records, including partners' capital and current general ledger accounts and accounting for the admission of new partners
- Interpret financial information and demonstrate commercial thinking when undertaking ratio analysis

## 4. Intellectual levels

This course of study assesses both knowledge and skills within an accounting or business context. The assessment of knowledge is denoted by a superscript <sup>K</sup> and the assessment of skills is denoted by the superscript <sup>S</sup> shown at the end of each learning outcome.

## 5. The syllabus

### A The conceptual and regulatory framework

1. The scope and purpose of financial statements for external reporting
2. Stakeholders' needs
3. The main elements of financial statements
4. The regulatory framework
5. Duties and responsibilities of those charged with governance
6. Key principles and concepts of accounting
7. The qualitative characteristics of financial information

### B The use of double-entry bookkeeping and accounting systems

1. Double-entry bookkeeping principles, including the maintenance of accounting records
2. General ledger accounts and journal entries

### C Recording transactions and events

1. Sales and purchases
2. Payroll
3. Cash and cash equivalents
4. Inventories and cost of sales
5. Tangible non-current assets and depreciation
6. Intangible non-current assets and amortisation
7. Receivables and payables

8. Accrued expenses (accruals), prepaid expenses (prepayments), accrued income and deferred income

9. Provisions and contingencies

10. Capital structure and interest expenses

11. Events after the reporting period

### D Reconciliations

1. Bank reconciliations
2. Receivables and payables reconciliations

### E Preparing a trial balance and correcting errors

1. Trial balance
2. Suspense accounts and the correction of errors

### F Preparing individual financial statements

1. Statement of financial position
2. Statement of profit or loss and other comprehensive income
3. Statement of cash flows
4. Notes to the financial statements

### G Preparing consolidated financial statements

1. Subsidiaries
2. Associates

### H Partnerships

1. Partnership agreement
2. Partnership accounting records
3. Financial statements and changes in a partnership

**I Interpretation of financial statements**

1. Importance, purpose and limitations of financial statement analysis
2. Ratios
3. Analysis of financial information

## 6. Detailed study guide

### A The conceptual and regulatory framework

1. The scope and purpose of financial statements for external reporting
  - a) Explain the concept of financial reporting in the context of recording, analysing and summarising financial data.<sup>[K]</sup>
  - b) Summarise the legal differences between types of business entity:
    - (i) Sole trader.<sup>[K]</sup>
    - (ii) Partnership.<sup>[K]</sup>
    - (iii) Limited company.<sup>[K]</sup>
2. Stakeholders' needs
  - a) Explain the financial information needs for different users of financial statements.<sup>[K]</sup>
3. The main elements of financial statements
  - a) Explain the purpose of each of the financial statements:
    - (i) Statement of financial position.<sup>[K]</sup>
    - (ii) Statement of profit or loss and other comprehensive income.<sup>[K]</sup>
    - (iii) Statement of changes in equity.<sup>[K]</sup>
    - (iv) Statement of cash flows.<sup>[K]</sup>
  - b) Describe the elements of the financial statements.<sup>[K]</sup>
4. The regulatory framework
  - a) Explain the purpose and objectives of the regulatory system, including the roles of the:
    - (i) IFRS Foundation.<sup>[K]</sup>
    - (ii) International Accounting Standards Board (IASB).<sup>[K]</sup>
    - (iii) IFRS<sup>®</sup> Advisory Council.<sup>[K]</sup>

- (iv) IFRS Interpretations Committee (IFRIC<sup>®</sup>).<sup>[K]</sup>
- (v) International Sustainability Standards Board (ISSB<sup>TM</sup>).<sup>[K]</sup>
- b) Explain the role of IFRS<sup>®</sup> Accounting Standards in preparing financial statements.<sup>[K]</sup>
5. Duties and responsibilities of those charged with governance
  - a) Explain the responsibilities of those charged with governance.<sup>[K]</sup>
6. Key principles and concepts of accounting
  - a) Explain and apply key principles and concepts of accounting:
    - (i) Going concern.<sup>[S]</sup>
    - (ii) Accrual accounting.<sup>[S]</sup>
    - (iii) Materiality.<sup>[S]</sup>
    - (iv) Offsetting.<sup>[S]</sup>
    - (v) Consistency.<sup>[S]</sup>
    - (vi) Prudence.<sup>[S]</sup>
    - (vii) Duality.<sup>[S]</sup>
    - (viii) Business entity.<sup>[S]</sup>
    - (ix) Historical cost and current value.<sup>[S]</sup>
    - (x) Substance over form.<sup>[S]</sup>
7. The qualitative characteristics of financial information
  - a) Explain the fundamental and enhancing qualitative characteristics of useful financial information.<sup>[K]</sup>

### B The use of double-entry bookkeeping and accounting systems

1. Double-entry bookkeeping principles, including the maintenance of accounting records
  - a) Explain the main data sources in a computerised accounting system.<sup>[K]</sup>

- b) Explain the main types of business transactions, including:
  - (i) Sales and purchases (including sales returns and purchase returns).<sup>[K]</sup>
  - (ii) Receipts and payments.<sup>[K]</sup>
- c) Explain the purpose and contents of different types of business documentation, including:
  - (i) Sales and purchase orders.<sup>[K]</sup>
  - (ii) Goods despatched and goods received notes.<sup>[K]</sup>
  - (iii) Customer (sales) and supplier (purchase) invoices.<sup>[K]</sup>
  - (iv) Statements of account and supplier statements.<sup>[K]</sup>
  - (v) Credit and debit notes.<sup>[K]</sup>
  - (vi) Remittance advice and receipts.<sup>[K]</sup>
- d) Explain and apply the accounting equation.<sup>[S]</sup>
- e) Summarise the key features of a computerised accounting system.<sup>[K]</sup>

**2. General ledger accounts and journal entries**

- a) Explain the nature and function of general ledger accounts.<sup>[K]</sup>
- b) Explain how financial data is initially recorded in the computerised accounting system.<sup>[K]</sup>
- c) Explain the use of automated and manual journal entries and illustrate how these are processed to the general ledger accounts.<sup>[S]</sup>
- d) Illustrate how to finalise general ledger accounts at the period end.<sup>[S]</sup>

**C Recording transactions and events**

**1. Sales and purchases**

- a) Prepare journal entries to account for cash and credit sales and purchases
- (including sales returns and purchase returns).<sup>[S]</sup>
- b) Explain the nature of trade and settlement discounts, calculate discounts, and prepare journal entries to account for these.<sup>[S]</sup>
- c) Summarise the principles of sales tax.<sup>[K]</sup>
- d) Calculate sales tax on transactions and prepare journal entries to account for this.<sup>[S]</sup>

**2. Payroll**

- a) Calculate staff costs and employee deductions.<sup>[S]</sup>
- b) Prepare journal entries to account for payroll transactions.<sup>[S]</sup>

**3. Cash and cash equivalents**

- a) Explain the need for a record of petty cash transactions.<sup>[K]</sup>
- b) Calculate amounts relevant to cash transactions, including petty cash, and prepare journal entries to account for these.<sup>[S]</sup>

**4. Inventories and cost of sales**

- a) Explain which costs should be included in inventories.<sup>[K]</sup>
- b) Explain the need for adjustments to inventories when preparing financial statements.<sup>[K]</sup>
- c) Calculate the value of inventories by comparing cost to net realisable value.<sup>[S]</sup>
- d) Prepare journal entries to account for cost of sales and inventories.<sup>[S]</sup>
- e) Explain the use of continuous and period-end inventories records.<sup>[K]</sup>

f) Calculate the value of closing inventories by applying FIFO (first in, first out) and AVCO (average cost), including both periodic weighted average and continuous weighted average.<sup>[S]</sup>

g) Calculate and explain the impact of inventories valuation methods on both the statement of profit or loss and the statement of financial position.<sup>[S]</sup>

**5. Tangible non-current assets and depreciation**

a) Summarise the differences between current and non-current assets.<sup>[K]</sup>

b) Explain the difference between asset expenditure and expenses charged to profit or loss and classify these appropriately in the financial statements.<sup>[K]</sup>

c) Prepare journal entries to account for the acquisition of tangible non-current assets.<sup>[S]</sup>

d) Calculate gains or losses on the disposal of tangible non-current assets (including part-exchange transactions) and prepare journal entries to account for these.<sup>[S]</sup>

e) Explain the purpose of depreciation.<sup>[K]</sup>

f) Explain the circumstances where different methods of depreciation would be appropriate.<sup>[K]</sup>

g) Calculate depreciation charges using straight-line and diminishing-balance (reducing-balance) methods and prepare journal entries to account for these.<sup>[S]</sup>

h) Calculate the revaluation of a tangible non-current asset and prepare journal entries to account for this.<sup>[S]</sup>

i) Calculate the gain or loss on the disposal of a revalued tangible non-current asset and prepare journal entries to account for this.<sup>[S]</sup>

j) Calculate the transfer of excess depreciation between the revaluation surplus and retained earnings and prepare journal entries to account for this.<sup>[S]</sup>

k) Calculate depreciation charges following a change in the estimated useful life and/or residual value of a tangible non-current asset and prepare journal entries to account for these.<sup>[S]</sup>

l) Calculate the carrying amount of tangible non-current assets to be presented on the statement of financial position.<sup>[S]</sup>

m) Explain the purpose, function and content of a non-current asset register.<sup>[K]</sup>

**6. Intangible non-current assets and amortisation**

a) Summarise the differences between tangible and intangible non-current assets.<sup>[K]</sup>

b) Summarise different types of intangible assets.<sup>[K]</sup>

c) Explain the differences in accounting treatment between ‘research’ and ‘development’ expenditure.<sup>[K]</sup>

d) Calculate amounts to be capitalised as development expenditure or to be recognised as research expenditure and prepare journal entries to account for these.<sup>[S]</sup>

e) Explain the purpose of amortisation.<sup>[K]</sup>

f) Calculate amortisation charges and prepare journal entries to account for these.<sup>[S]</sup>

**7. Receivables and payables**

a) Explain the nature of trade receivables and trade payables.<sup>[K]</sup>

- b) Explain the purpose of aged receivables analysis.<sup>[K]</sup>
- c) Calculate and prepare journal entries to account for the write off of an irrecoverable debt.<sup>[S]</sup>
- d) Calculate and prepare journal entries to account for an irrecoverable debt which has subsequently been recovered.<sup>[S]</sup>
- e) Explain the impact of irrecoverable debts, allowances for irrecoverable debts and the subsequent recovery of debts previously written off on the financial statements.<sup>[S]</sup>
- f) Calculate and prepare journal entries to account for the creation of and movements in an allowance for irrecoverable debts.<sup>[S]</sup>
- g) Explain the purpose of statements of account for trade receivables balances and supplier statements for trade payables balances.<sup>[K]</sup>

**8. Accrued expenses (accruals), prepaid expenses (prepayments), accrued income and deferred income**

- a) Apply the principle of accrual accounting to accruals, prepayments, accrued income and deferred income.<sup>[S]</sup>
- b) Calculate the manual adjustments required for accruals, prepayments, accrued income and deferred income.<sup>[S]</sup>
- c) Prepare journal entries to account for accruals, prepayments, accrued income and deferred income.<sup>[S]</sup>
- d) Calculate and explain the impact of accruals, prepayments, accrued income and deferred income on the financial statements.<sup>[S]</sup>

**9. Provisions and contingencies**

- a) Explain the nature of provisions, contingent liabilities and contingent assets.<sup>[K]</sup>
- b) Summarise the differences in accounting treatment between provisions, contingent liabilities and contingent assets.<sup>[K]</sup>
- c) Calculate provisions and movements in provisions.<sup>[S]</sup>
- d) Prepare journal entries to account for provisions.<sup>[S]</sup>

**10. Capital structure and interest expenses**

- a) Explain the components of capital structure for a limited company, including:
  - (i) Ordinary (equity) shares.<sup>[K]</sup>
  - (ii) Redeemable and irredeemable preference shares.<sup>[K]</sup>
  - (iii) Borrowings.<sup>[K]</sup>
- b) Explain the nature of equity, including retained earnings and other components of equity (share premium and revaluation surplus).<sup>[K]</sup>
- c) Prepare journal entries to account for other components of equity.<sup>[S]</sup>
- d) Explain the advantages or disadvantages of different types of ordinary share issue, including:
  - (i) A fully paid issue for cash.<sup>[K]</sup>
  - (ii) An issue of bonus shares.<sup>[K]</sup>
  - (iii) A rights issue.<sup>[K]</sup>
- e) Calculate the different types of ordinary share issue and prepare journal entries to account for these.<sup>[S]</sup>
- f) Calculate dividends paid (or payable) and received (or receivable) and prepare journal entries to account for these.<sup>[S]</sup>

- g) Prepare journal entries to account for borrowings.<sup>[S]</sup>
- h) Calculate interest expenses and prepare journal entries to account for these.<sup>[S]</sup>
- i) Explain the components of a statement of changes in equity.<sup>[K]</sup>

## 11. Events after the reporting period

- a) Explain the concept of an event after the reporting period.<sup>[K]</sup>
- b) Interpret an event as either an ‘adjusting’ or a ‘non-adjusting’ event.<sup>[S]</sup>
- c) Explain and calculate any differences in accounting treatment between adjusting and non-adjusting events.<sup>[K]</sup>

## D Reconciliations

### 1. Bank reconciliations

- a) Explain the purpose of bank reconciliations.<sup>[K]</sup>
- b) Summarise the reasons for differences between the bank general ledger account and external, third-party records.<sup>[S]</sup>
- c) Prepare journal entries to correct errors and/or omissions in the bank general ledger account.<sup>[S]</sup>
- d) Calculate the reconciled bank balance to be presented on the statement of financial position.<sup>[S]</sup>

### 2. Receivables and payables reconciliations

- a) Explain the purpose of trade receivables and trade payables reconciliations.<sup>[K]</sup>
- b) Summarise the reasons for differences between the trade receivables or trade payables general ledger accounts and external, third-party records.<sup>[S]</sup>

- c) Prepare journal entries to correct errors and/or omissions in the trade receivables and trade payables general ledger accounts.<sup>[S]</sup>
- d) Calculate the reconciled trade receivables and trade payables balances to be presented on the statement of financial position.<sup>[S]</sup>

## E Preparing a trial balance and correcting errors

### 1. Trial balance

- a) Explain the purpose, content and limitations of a trial balance.<sup>[K]</sup>
- b) Prepare journal entries to account for year-end adjustments to the trial balance.<sup>[S]</sup>

### 2. Suspense accounts and the correction of errors

- a) Explain the types of error which may occur in computerised accounting systems.<sup>[K]</sup>
- b) Explain the types of errors which may or may not be detected when reviewing a trial balance.<sup>[S]</sup>
- c) Explain the purpose of a suspense account.<sup>[K]</sup>
- d) Explain how errors may lead to the creation of a suspense account.<sup>[K]</sup>
- e) Prepare journal entries to correct errors and omissions and to clear a suspense account.<sup>[S]</sup>
- f) Calculate and explain the impact of errors or omissions on the financial statements.<sup>[S]</sup>

## F Preparing individual financial statements

### 1. Statement of financial position

- a) Explain how the accounting equation, IFRS Accounting Standards and the business entity concept underlie the statement of financial position.<sup>[K]</sup>
- b) Prepare a statement of financial position (or extracts thereof), including the use of incomplete records techniques.<sup>[S]</sup>

## 2. Statement of profit or loss and other comprehensive income

- a) Explain the relationship between the statement of financial position and the statement of profit or loss and other comprehensive income.<sup>[K]</sup>
- b) Prepare a statement of profit or loss and other comprehensive income (or extracts thereof), including the use of incomplete records techniques.<sup>[S]</sup>
- c) Calculate the income tax expense in the statement of profit or loss and other comprehensive income, including the effects of an under/over provision of tax in a prior period.<sup>[S]</sup>

## 3. Statement of cash flows

- a) Explain the difference between profit/loss and cash flows.<sup>[K]</sup>
- b) Explain the advantages and disadvantages to users of financial statements of analysing the statement of cash flows alongside the statement of profit or loss.<sup>[K]</sup>
- c) Explain the effect of accounting transactions on cash flows and summarise their treatment in the statement of cash flows.<sup>[S]</sup>
- d) Prepare a statement of cash flows (or extracts thereof) using both the direct and indirect methods for calculating ‘cash from operating activities before income taxes.<sup>[S]</sup>

## 4. Notes to the financial statements

- a) Explain the purpose of notes to the financial statements.<sup>[K]</sup>
- b) Explain the content of the following disclosure notes:
  - (i) Non-current assets, including both tangible and intangible assets.<sup>[S]</sup>
  - (ii) Inventories.<sup>[S]</sup>
  - (iii) Provisions.<sup>[S]</sup>
  - (iv) Events after the reporting period.<sup>[S]</sup>

## G Preparing consolidated financial statements

### 1. Subsidiaries

- a) Explain the following terms in the context of ‘acquisition accounting’:
  - (i) Parent.<sup>[K]</sup>
  - (ii) Subsidiary.<sup>[K]</sup>
  - (iii) Control.<sup>[K]</sup>
  - (iv) Consolidated financial statements.<sup>[K]</sup>
  - (v) Non-controlling interests.<sup>[K]</sup>
  - (vi) Trade (simple) investment.<sup>[K]</sup>
  - (vii) Goodwill.<sup>[K]</sup>
- b) Identify subsidiaries within a group.<sup>[S]</sup>
- c) Explain the components of and prepare a consolidated statement of financial position (or extracts thereof), including the:
  - (i) Fair value of the consideration transferred in cash and/or issued shares (excluding deferred and contingent considerations).<sup>[S]</sup>
  - (ii) Fair value adjustments at acquisition on property, plant and equipment (excluding depreciation adjustments).<sup>[S]</sup>
  - (iii) Elimination of intragroup receivables and payables (excluding assets in transit).<sup>[S]</sup>
  - (iv) Elimination of unrealised profit on intragroup trading.<sup>[S]</sup>
  - (v) Acquisition of subsidiaries part way through the financial period.<sup>[S]</sup>
- d) Calculate goodwill at acquisition as the fair value of the consideration, plus non-

controlling interests (at fair value only) and less the fair value of net assets at acquisition.<sup>[S]</sup>

e) Explain the components of and prepare a consolidated statement of profit or loss (or extracts thereof), including the:

- (i) Elimination of intragroup trading, including unrealised profit.<sup>[S]</sup>
- (ii) Acquisition of subsidiaries part way through the financial year.<sup>[S]</sup>

## 2. Associates

- a) Explain the concept of an associate and identify situations where significant influence exists.<sup>[S]</sup>
- b) Summarise the key features of a parent-associate relationship and identify an associate within a group structure.<sup>[S]</sup>
- c) Explain the principle of 'equity accounting'.<sup>[K]</sup>

# H Partnerships

## 1. Partnership agreement

- a) Explain what is meant by a partnership.<sup>[K]</sup>
- b) Explain the purpose of a partnership agreement and summarise its content.<sup>[K]</sup>
- c) Explain and calculate appropriations of profits, including:
  - (i) Salaries of partners.<sup>[S]</sup>
  - (ii) Interest on drawings.<sup>[S]</sup>
  - (iii) Interest on capital.<sup>[S]</sup>
  - (iv) Share of residual profit or loss.<sup>[S]</sup>

## 2. Partnership accounting records

- a) Explain the differences between partners' capital and current general ledger accounts.<sup>[K]</sup>
- b) Prepare partners' capital and current general ledger accounts.<sup>[S]</sup>

## 3. Financial statements and changes in a partnership

- a) Summarise the contents of a statement of financial position and a statement of profit or loss for a partnership.<sup>[K]</sup>
- b) Explain and calculate amounts for the admission of a new partner, including the treatment of any goodwill arising.<sup>[S]</sup>

Note: no calculations of goodwill in a partnership will be required.

# I Interpretation of financial statements

## 1. Importance, purpose and limitations of financial statement analysis

- a) Explain the importance, purpose and limitations of financial statement analysis, including ratio analysis.<sup>[K]</sup>

## 2. Ratios

- a) Explain the components of key accounting ratios related to:
  - (i) Profitability.<sup>[K]</sup>
  - (ii) Liquidity.<sup>[K]</sup>
  - (iii) Efficiency.<sup>[K]</sup>
  - (iv) Position.<sup>[K]</sup>

## 3. Analysis of financial information

- a) Calculate key accounting ratios to interpret financial information.<sup>[S]</sup>
- b) Explain the results of interpreting financial information.<sup>[S]</sup>

## 7. Approach to examining the syllabus

The syllabus is assessed by a two-hour computer-based examination. Questions will assess all parts of the syllabus and will test knowledge and some comprehension or application of this knowledge.

The examination will consist of two sections.

Section A will contain 35 two-mark objective test questions (OTs).

Section B will contain 2 fifteen-mark multi-task questions (MTQs) each of which will examine the **Preparing individual financial statements** and **Preparing consolidated financial statements** sections of the syllabus.

**Note: Preparing consolidated financial statements MTQs in Section B can also include tasks from syllabus area I.**

## 8. Guide to ACCA examination structure and delivery mode

The structure of examinations varies, depending on the level of the qualification.

The Knowledge examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

All Knowledge examinations are assessed by two-hour computer-based examinations.

The pass mark for all Knowledge examinations is 50%.

## 9. Guide to ACCA examination assessment

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For specified financial accounting, audit and tax examinations, except if indicated otherwise, ACCA will publish examinable documents once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions. Regulation issued, or legislation passed on or before 31 August annually, will be assessed from 1 September of the following year to 31 August of the year after. Please refer to the examinable documents for the exam (where relevant) for further information.

Regulation issued or legislation passed in accordance with the above dates may be examinable even if the effective date is in the future. The terms 'issued' or 'passed' relate to when regulation or legislation has been formally approved.

The term ‘effective’ relates to when regulation or legislation must be applied to entity transactions and business practices.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list, where applicable.

## **10. Learning hours and education recognition**

As a member of the International Federation of Accountants, ACCA seeks to enhance the education recognition of its qualification on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualifications are recognised and valued by governments and regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognised on the educational frameworks in several countries. Please refer to your national education framework regulator for further information about recognition.