



**Master Consultants Ltd**  
Growing People, Growing Organizations

# **COURSE OUTLINE**

## **INTERNATIONAL DIPLOMA IN ACCOUNTING & FINANCE *IN BUSINESS & MANAGEMENT***

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### **Module 1 - The Need for Complete and Accurate Accounting Information**

Information as the “prime resource” of managers  
The need for full, accurate and up to date information  
Transactions and monetary value  
Functions of accounting with regard to data:  
    recording transactions  
    analysing transactions  
    presenting analyses in reports and statements, which:  
        meet the requirements  
        can be easily interpreted  
Computers in accounting  
Comparison between incomplete and complete  
    financial statements in practical situations:  
        receipts and payments  
        income and expenditure  
        showing the “true” picture  
The profit motive  
The responsibilities of the financial accounting function  
Limitations from management’s point of view of financial statements  
The meanings in accounting of:  
    assets: fixed current, financial, liquidity  
    liabilities: capital, long-term, current  
    debtors, creditors

### **Module 2 - Capital and Business Finance**

Capital: initial capital, working capital, funds forecasts  
Financing sole-proprietor businesses  
Financing business partnerships  
The meaning of:  
    limited liability  
    private companies and public companies  
    stocks and shares: ordinary and preference, dividends  
Loans: agreements, term, interest  
Mortgages  
Debentures  
Bank overdrafts  
Working capital: its importance, its calculation  
    computing the capital necessary for new businesses  
    why the right composition of working capital is essential  
Capital income and revenue income  
Capital expenditure and revenue expenditure  
Direct expenditure  
Overhead expenditure  
Alternative methods of financing capital purchases:  
    leasing and contract hire/rental  
    hire purchase

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credit sale agreements  
Depreciation:  
    why it is charged  
    the reducing balance method of charging  
    the straight line method of charging  
Cash flow and capital expenditure  
Importance of liquidity

### ***Business Finance***

Business finance and accounting  
Decisions involving finance  
Investments:  
    what is involved  
    returns on investments  
    capital investments  
    working capital investments  
    fixed capital investments  
    investment in new technology  
    investment in research and development (R & D)  
    investment in people  
Financial assets  
The roles of business finance  
    factors in selecting methods of finance  
    gearing  
Risk in finance:  
    risk and uncertainty  
    the "risk factor"  
    risk and the rate of return  
Investment appraisal:  
    business risk  
    financial risk

### ***Module 3 - Principles of Bookkeeping and Books of Account***

The purpose of bookkeeping  
The ledger: what information it records and can provide  
Ledger accounts:  
    what their debit side records  
    what their credit side records  
The basic rule of double-entry bookkeeping:  
    the giving and receiving aspects of every transaction  
The cash book:  
    what it records  
    cash and bank columns  
    posting to the ledger  
The sales book:  
    recording credit sales made  
    source documents  
    posting to the ledger  
    sales account

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The purchases book:

- recording credit purchases made
- sources of information
- posting to the ledger
- purchases account

The returns inwards and outwards books:

- what they record
- sources of information

The journal:

its main uses today:

- opening entries, closing entries, correction of errors, unusual transactions

Balancing ledger accounts and the cash book

- The trial balance: reason for extraction, agreement, limitations
- financial statements produced from trial balance information

Folios or codes and their value in bookkeeping and accounting:

- in manual systems
- in computerised accounting systems

Financial and Trading Years

Abbreviations used in ledger accounts

Entries in a cash book, sales book, purchases book

- and in ledger accounts examined, explained and interpreted

A manually maintained and computerised account compared

### **Bank Accounts**

Why bank accounts are opened

Current accounts

Deposit accounts

Savings or investment accounts

Interest receivable

Bookkeeping for interest receivable

### **Module 4 - Final Accounts (1)**

Accounting concepts:

- a business as a separate entity from its owner(s)
- accounting statements relating to a going concern

Final accounts as historical statements

Goodwill: how it arises, its valuation

Income received in advance

Prepayments and accrued charges

Consistency in the preparation and presentation of final accounts

- and other accounting statements: reasons why that is essential

Trading accounts:

- why they are prepared
- information they may contain
- the prime cost of a trading enterprise
- how a gross profit or a gross loss arises

Manufacturing accounts:

- why they are prepared
- information they may contain

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the prime cost of a manufacturing enterprise  
Statistical and comparative percentages and ratios in  
trading accounts and manufacturing accounts  
Modification of:  
trading accounts and manufacturing accounts  
to meet the requirements of different enterprises

### **Module 5 - Final Accounts (2)**

Profit & loss (P & L) accounts:  
why they are prepared  
what information they contain and can provide  
how a net profit or a net loss can arise  
Vertical layout of profit & loss accounts  
Use in profit & loss accounts of:  
comparative figures  
percentages  
ratios  
reasons why they may not be as useful as those in trading accounts  
The significance of gross profit:  
analysing gross profit made  
practical example examined  
Rate of stock turnover:  
meaning and value  
methods of calculation,  
dangers of low rates of stock turnover  
Balance sheets or statements of financial position (SFP):  
how they differ from P & L accounts  
why they are prepared  
what data they contain  
ascertaining the value of the owners' equity  
The importance to management of how net profit is reflected  
in movements in the values of assets and liabilities  
Vertical presentation of balance sheets:  
comparative figures  
The representation of wealth  
Relationship between a balance sheet or SFP and a P & L account

### **Module 6 - Principles of Costing**

Purpose of cost accounting:  
how it differs from financial accounting  
The benefits to management of a well-designed costing system  
Why management should make full use of the data provided  
Definitions of costing terms:  
cost, unit, prime cost, oncost  
Different costing systems:  
job, contract, batch or terminal  
process  
single unit  
multiple unit

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operating  
departmental or sectional  
types of enterprises for which each system may be suitable  
Allocation of overheads:  
sales overheads  
production overheads  
administration overheads  
selling and distribution overheads  
Limitations of cost accounting  
Standards in business:  
how and why they are set  
Standard costing:  
its benefits to management  
Ideal standards  
Attainable standards  
Variances:  
adverse and favourable  
computing different types of variances  
Activity Based Costing:  
analysis of activities  
cost drivers

### ***Module 7 - Planning and Forecasting***

Setting business objectives:  
corporate and departmental objectives  
Policy formulation:  
interpretation and implementation  
Why planning is essential:  
what may be involved  
practical example examined  
strategic planning  
tactical planning  
operational planning  
What forecasting involves and its importance  
The relationship between planning and forecasting:  
practical example examined

### ***Budgets and Budgeting***

What budgets are  
Reasons why budgeting is so important for business success  
Benefits to management which can accrue from budgeting  
Budget preparation:  
periodic and continual budgets  
Limiting factors:  
what they might be  
Sales budgets  
Production budgets  
Purchasing budgets  
Cash budgets  
Practical examples examined  
The interrelationship and interlinking of budgets  
The master budget

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- practical example
- Budgetary control:
  - budget review statements
  - adverse and favourable variances
  - dangers of inflexible budgetary control
- Inflation:
  - its affects on businesses
  - alternative approaches to accounting for inflation
  - risk and returns required

### **Module 8 - Stock/Inventory Control**

- The importance of good stock/inventory control and stores management
- Costs involved in maintaining stocks
- Why stocks have to be maintained despite the cost
- Management of stocks/inventory:
  - dangers of stockholding being too low
  - budgets of future demand
  - average stock turnover
  - recording and reorder systems
  - the ABC system of stock control
  - economic order quantity (EOQ)
  - materials requirement planning (MRP) system
  - just-in-time (JIT) stock management
- The importance of setting the correct stock levels
- Consequences of holding:
  - excess stocks
  - insufficient stocks
- Factors to be considered in setting stock levels for different items:
  - different types of stock levels:
    - maximum (or higher) stock level
    - minimum (or lower) stock level
    - reorder stock level
  - reviews of stock levels
  - variations in stock levels
- Stock/inventory records:
  - the need for accuracy
  - what information might be contained in stock records, and why
- Why stocktaking is carried out and what is involved:
  - periodic stocktaking
  - continuous stocktaking
  - spot checks
  - stocktaking by independent auditors
- The treatment of:
  - discrepancies
  - deficiencies and surpluses
  - investigating discrepancies
  - writing down and writing up
- Valuing stocks:
  - the need for accuracy in determining profit and/or loss
- Work in progress

### **Module 9 - Credit and Credit Control**



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The meaning of credit

Common forms of credit:

- the monthly account
- fixed periods of credit
- budget accounts
- credit and debit cards
- in-store credit cards

The importance of credit :

- to vendors
- to customers

Using credit for purchases as well as to boost sales

Dangers in allowing credit

Methods of credit control for various forms of credit

Credit limits and creditworthiness

Bad debts:

- how they arise
- preventive measures
- accounting provisions for bad debts

Liquidity management

### **Discounts**

When and why they are offered:

- trade discount
- quantity discount
- cash discount
- regular custom discount
- prompt payment discount

Dangers in the offers of discounts

Taking advantage of discounts offered as well as allowing them

Discounts allowed as an expense or loss:

- accounting treatment

Discounts received as a gain:

- accounting treatment

### **Module 10 - Partnership Accounts**

Reasons for forming business partnerships:

- possible advantages and disadvantages of partnership firms

Special features of business partnership accounts:

- capital
- current accounts
- drawings
- salaries
- interest on capital
- profit & loss appropriation accounts
- practical example examined

Goodwill in partnerships:

- circumstances in which its value must be ascertained
- various methods of dealing with it:
  - in practice
  - in the books of account

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Formation of partnership firms  
Dissolution of partnership firms

### ***Departmental Accounts***

Why departmental accounting is practised:  
its purposes  
The loss leader concept, and other deliberate management policies  
resulting in losses or reduced profits on certain products  
Analysis columns in the books of account  
for departments  
The apportionment of expenses between departments  
profit and loss

### ***Branch Accounts***

Centralised branch accounting:  
advantages when practicable  
Self-accounting branches:  
financial and operational control by head office  
Consolidated trading and profit & loss accounts  
The group balance sheet

### ***Hire Purchase Accounts***

Accounting by vendors for hire purchase 'sales'  
Accounting by businesses for purchases under HP  
agreements

### ***Module 11 - Interpretation of Final Accounts***

Interpretation from different points of view  
Working capital:  
computing  
considering  
comparing  
Cash and funds flow:  
changes which can affect it  
Cash and funds flow statements:  
why they are prepared  
their values to management  
interpretation  
The dangers of overtrading:  
how it arises  
step which can be taken to avoid it arising  
Management control over:  
cash  
debtors  
stocks/inventory  
debts to creditors  
Reasons why businesses "hold" cash:  
transactionary motive  
precautionary motive



speculative motive  
The amount of cash held:  
nature of the business  
opportunity cost of cash holding  
level of inflation  
availability of near-liquid assets  
availability of borrowing  
cost of borrowing  
economic conditions  
relationship with suppliers  
Management control over debtors:  
collection policy  
average settlement period  
ageing debtors reports  
pattern of credit sales receipts  
Cash flow and future capital expenditure

### **Accounting Ratios**

Ratio analysis  
their values for different purposes  
profitability ratios  
liquidity ratios  
efficiency ratios  
investment ratios  
gearing ratios  
descriptions of ratios commonly computed:  
their formulae explained with practical examples  
Comparisons between accounting periods of:  
turnover  
gross profit percentage  
total gross profit  
selling and distribution costs  
net profit  
Check list for initial study of a balance sheet:  
cash position  
working capital  
stock value  
liabilities  
Break-even analysis  
what it seeks to ascertain  
the break-even point  
Break-even charts:  
their values and limitations  
practical example with illustration examined

### **Pricing Policy**

Factors which can determine or influence  
the selling prices of products  
manufacturing costs  
demand  
storage

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competition  
long-term profit  
the product life-cycle  
government influence  
psychology  
strategy

### **Auditors and Auditing**

Who and what auditors are

External audits:

why the need for audits arises  
what an audit is - and what it is not  
the auditor's duties  
the need for independence  
comparison of accounting and auditing work  
what an audit might involve  
sequence of a balance sheet audit

Internal auditors:

their duties and positions within the organization

### **Module 12 - Computerised Accounting Systems and 'Packages'**

The characteristics of computers:

speed  
storage and retrieval of data  
diligence  
accuracy  
their value in accounting

Computer systems as collections of electronic devices:

what they can and cannot do  
viewing them only as "tools"

Variety of accounting applications

General and managerial applications

Computer hardware

Software:

tailor-written/customised programs  
applications packages  
database packages

Database systems:

their advantages to the business and to management  
integration and shared data  
practical uses in business situations

The advantages of computerised accounting:

facilities offered by packages  
speed and accuracy  
the "audit trail"  
report generation  
graphics and graphical representations

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Organisation of data:

- accuracy of input

Spreadsheets:

- what they consist of and what they can do
- data tables/sets and formulas, practical example
- uses of spreadsheets in
- storage of data
- analysis of data
- presentation
- forecasting and future planning

Security of data:

- data recovery
- backup copies of data
- off-site storage and the "Cloud"
- passwords and security codes
- deletion of dead or inactive data
- computer viruses and antivirus software

Scanning and microfilming

Electronic filing

Management information:

- statistics and reports

Forecasting and modelling by computer

Auditing techniques for computerised systems

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