

## Assignment Brief

Programme Name	Pearson BTEC Level 5 Higher National Diploma in Business		
Unit Number and Title	Unit 5 Accounting Principles		
Credit Value	15	Unit Level	4
Academic Year	2024-25	Cohort	15 (September 2024)
Assessor	Adeyinka Adegbola		
Assignment Title	<b>Part A:</b> Beginner's Guide to Accounting for Small Business Owners <b>Part B:</b> Financial Performance Analysis: Financial Statements Production Interpretation, and Budgetary Control		
Issue Date	Monday 27 January 2025		
Submission Deadline	Friday, 14 March 2025, 11:59 pm		

### Guideline for Final Submission

- The submission must be in the specific format(s) as indicated in the submission format sections.
- The assignment should be submitted in a MS Word® format, or equivalent.
- Please rename your assessment before submission as: **Unit 5\_AP\_Your Name\_Your College ID.**
- The assignment has **TWO** parts. Please read both parts carefully.
- you should start writing your assignment as soon as you receive the assignment brief and obtain formative feedback from your lecturer during teaching weeks. Please note, you are entitled to obtain **ONE** formative feedback for this unit.
- There will be only one submission link in Turnitin. You are required to compile **Part A** and **Part B** into one Microsoft Word file for submission.
- The assignment should be written in using 1.5 line spacing and font Times New Roman size 12 or Arial size 11 in the body of the text.
- Please ensure to make use of appropriate headings (Times New Roman **Bold**, size 16 or Arial **Bold**, size 16), subheadings (Times New Roman **Bold**, size 14 or Arial **Bold**, size 14), paragraphs (Times New Roman size 12 or Arial size 11), and subsections.
- Attach an assignment "**cover page**" and "**table of content page**" to each part of assignment you submit.
- Make sure you state the word count on the cover page. Please note that the cover page, table of content page and the Bibliography/ Reference list are not included to limit the words.
- Please access **HN Global** for additional resources to support and reading for this unit. HN Global also has Study Skills resources. **Link:** <https://hnglobal.highernationals.com/login>

### Learner Declaration

Please include below declaration along with your signature and date on the cover page of your assignment before submission.

I certify that the work submitted for this assignment is my own. Where I have used the work of others to support my work, I have acknowledged all credits. I have identified and acknowledged all sources used in this assignment and have referenced according to the Harvard referencing system. I have read and understood the Plagiarism and Collusion section provided with the assignment brief and understood the consequences of plagiarising.

**Signature:** ..... **Date:** .....

## **Assignment Part A: Beginner's Guide to Accounting for Small Business Owners**

### **Submission Format**

The submission is in the form of a small booklet. You are required to make effective use of headings and bullet points (as appropriate). The recommended word limit is 1,000-1,500 words, although you will not be penalised for going under or exceeding the total word limit. Please note that the table of contents and the reference list, etc., do not limit the words.

All work must be sourced using the Harvard referencing system. You will also need to provide a bibliography using the Harvard referencing system. Inaccurate use of referencing may lead to issues of plagiarism if not applied correctly.

### **Unit Learning Outcomes**

**LO1** Examine the context and purpose of accounting.

### **Vocational Scenario**

You have recently joined a local accounting firm as a graduate accounts trainee, attached to their SME (small and medium enterprises) unit, offering a variety of financial services. The firm is one of the most popular local accountants, with connections to the small business owner community including crafts and tradespeople, specialists such as estate agents and car repairers, and not-for-profit charities. The firm likes to go beyond providing customers with personalised services and works closely with communities to keep them informed on all things relevant to accounting. As part of your ongoing training, you have been asked to undertake some activities.

### **Activity and Guidance**

As part of your ongoing training, you have been asked to prepare a small booklet titled 'Beginner's guide to accounting for small business owners'.

The booklet should:

- Evaluate the context and purpose of the accounting function within an organisation in context of regulatory and ethical constraints.
- A critical evaluation the role of accounting in informing decision making to meet organisational, stakeholder and societal needs within complex operating environments.

## Assignment Part B: Financial Performance Analysis: Financial Statements Production, Interpretation, and Budgetary Control

### Submission Format

The submission is in the form of a portfolio of evidence that include the following.

1. A short report including appropriately constructed financial statements (income statement and statement of financial position) for sole traders, partnerships and not-for-profit organisations.
2. A cash budget using a spreadsheet along with an evaluation of the role of budgets in effective decision making.

All work must be supported with research and referenced using the Harvard referencing system. You will need to provide a bibliography using the Harvard referencing system. Inaccurate use of referencing may lead to issues of plagiarism if not applied correctly.

### Unit Learning Outcomes

**LO2** Prepare basic financial statements for unincorporated and small business organisations in accordance with accounting principles, conventions and standards.

**LO3** Interpret financial statements.

**LO4** Prepare budgets for planning, control and decision-making using spreadsheets

### Vocational Scenario

Having completed your probation as a Graduate Trainee, you are now responsible for preparing financial statements for a sole trader, partnership, and not-for-profit organization. Additionally, you'll assist DineWell Ltd, a hospitality client, with budgeting to improve resource allocation, financial control, and decision-making. Below is the provided information for the three organizations:

#### a) Sole Trader - Skyline Prints

The trial balance for a printing business named as Skyline Prints, on 31st March 2024 is as below:

Skyline Prints		
Unadjusted Trial Balance		
31st March 2024		
Account Name	Debit (£)	Credit (£)
Cash	98,000	
Accounts receivable	300,000	
Equipment	26,000	
Accumulated depreciation		4,000
Loan from Bank		280,000
Accounts payable		102,000
Prepaid Rent	100,000	
Sales		380,000
Purchases of Raw material	200,000	
Salary expense	60,000	
Other expense	2,000	
Oliver's Capital		20,000
	786,000	786,000

The adjustments need to be made in the trial balance for the below details.

1. The salary due to the employee as on 31st March 2024 is £20,000
2. Prepaid Rent is £40,000
3. Depreciation expense is £1,000

#### b) Partnership - Adam, Lucas, and Leo Accountants

Adam, Lucas, and Leo are partners in an accountancy business. Adam invested £100,000 in cash and other assets, Lucas invested £60,000 cash, and Leo invested £80,000 cash in their accounting firm. The partners agree to divide net income using a fraction determined by the original capital investment.

The following information is available on December 31 before adjusting and closing entries for the year.

- Cash was £184,000
- Other Assets were £100,000
- Accounts payable were £20,000
- Revenues were £96,000 and expenses were £120,000
- Each partner has withdrawn £16,000 during the year

### c) Not for Profit – Prime Cricket Club

Prime Cricket Club is a third sector organisation. Its purpose is to promote community participation in healthy recreation by the playing of cricket. The club is generating income from various sources e.g. social membership fees, income from functions, catering sales, rental income. The following information about the revenue and expenses is available for Prime Cricket Club as on March 31, 2024.

	£
Admission fees	30,000
Grass seeds	5,200
Miscellaneous expenses	91,000
Postage and Courier charges	8,000
Rates and Insurance	20,000
Rent Revenue of hall	56,000
Sale of old sports material	5,000
Sports materials consumed	153,000
Subscriptions	528,000
Telephone	7,000
Upkeep of field and pavilion	230,000

Additional information to prepare the statement of financial position (balance sheet) is as follows:

	£
Bank overdraft	40,000
Donation	1,240,000
Capital Fund	1,252,000
Cash in hand	148,000
Investments	1,200,000
Outstanding subscriptions	84,000
Playground	1,000,000
Stock of sports materials	153,000
Stock of stationery	51,800

### Activity and Guidance

1. Your supervisor has asked you to compile the year-end financial statements ready for submission and detailed analysis of the figures produced.

- i. From the data provided for three organisations, **a) Sole Trader - Skyline Prints, b) Partnership - Adam, Lucas, and Leo Accountants and c) Not for Profit – Prime Cricket Club**, you are required to prepare the year-end financial statements taking into consideration accounting principles, conventions and standards. It is recommended you use digital software in preparing financial statements, such as Microsoft Excel, Google Sheets or a similar alternative.

- **Statement of financial performance** (income statement)
- **Statement of financial position** (balance sheet)
- After completing the three adjusting entries you may prepare an adjusted trial balance (for Skyline Prints).
- You will need to make appropriate adjustments (where required) to both the statements (the statement of financial performance - income statement and the statement of financial position - balance sheet).

**(Note: Please use the given templates on page no. 7 for preparing statements in spreadsheet format in the template section)**

- ii. For **Skyline Prints**, calculate relevant **profitably, liquidity, asset usage and investment ratios** for period ending March, 2024.
- iii. Ratio data for the past two years is as follows:

<b>Ratios</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Profitability</b>			
Gross profit margin ratio	38%	40%	
Net profit margin ratio	6.5%	7.9%	
Return on Equity (ROE)	50%	55%	
Return on Asset (ROA)	5.8%	6.3%	
<b>Liquidity</b>			
Current ratio	0.8 times	2 times	
Cash ratio	1.2 times	0.5 times	
<b>Asset Usage</b>			
Asset turnover ratio	2.5	1.6	
Account receivables turnover ratio	3.8	2.5	
<b>Investment</b>			
Debt to equity ratio	3.1	5.4	

- Using the given data, critically evaluate the performance of Skyline Prints over three-year time, making reference to ratios you have calculated (period ending March 2024) with reference to relevant benchmarks as well as any limitations of using financial ratios as performance measures.
- Make justified conclusions and recommendations relevant to your client **Skyline Prints**.

## 2. Cash Budget preparation and Evaluation

- a) Using the provided data, complete the cash budget for February and March 2025 for **DineWell Ltd**. With a clear financial forecast for early 2025. January has already been completed.

**Key Budget Details:**

- **Sales:** Constant in February, increase by 10% in March
- **Investments:** £20,000 return in February
- **Loans:** None in February, £10,000 received in March
- **Salaries:** Remain unchanged for February and March
- **Repairs:** £2,800 in both February and March
- **Admin Wages:** £17,200 in February, £1,200 in March
- **Business Cards:** No cost in February or March
- **Posters:** £200 in March
- **Travel Expenses:** £200 in February

<b>Cash Budget for DineWell Ltd</b>				
<b>For the three months January to March 2025</b>				
	<b>January</b>	<b>February</b>	<b>March</b>	<b>Total January to March 2025</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Receipts</b>				
Sales	60,000			
Investments				
Loans	10,000			
Total receipts	70,000			
<b>Expenditure</b>				
Salaries	20,000			
Repairs				
Admin wages				
Business cards	600			
Posters				
Travel	3,400			
Total expenditure	24,000			
Net cash	46,000			
Opening cash	<b>2,000</b>			
Closing cash	48,000			

b) **Evaluation:**

- Discuss the benefits and limitations of budgets and budgetary planning, and control for an organisation.
- Identify corrective actions to problems revealed by budgetary planning and control for effective organisational decision making.
- Justify budgetary control solutions and their impact on organisational decision making to ensure efficient and effective deployment of resources.

## Templates

Skyline Prints		
Statement of Financial Performance (Profit and Loss Account)		
31st March 2024		
Sales		
<i>Less:</i> Cost of goods sold		
Purchases		
Gross profit		
<i>Less:</i> Operating expenses		
Rent expense		
Salary expense		
Depreciation expense		
Other expenses		
Profit (Loss)		
Skyline Prints		
Statement of Financial Position (Balance Sheet)		
31st March 2024		
<b>Assets</b>		
<i>Current assets</i>		
Cash		
Accounts receivable		
Prepaid rent		
<i>Long term assets</i>		
Equipment		
Less: Accumulated depreciation		
<b>Liabilities and Equity</b>		
<i>Current liabilities</i>		
Accounts payable		
Salaries payable		
<i>Long term liabilities</i>		
Loan from Bank		
<i>Equity</i>		
Oliver's Capital		
Add: Profit/(Loss)		

Adam, Lucas and Leo Accountants		
Statement of Financial Performance (Profit and Loss Account)		
For Year Ended December 31, 2024		
Professional Revenue		
Less: Operating Expense		
Net Income		
<b>Allocation of Net Income to the Partners:</b>		
Adam		
Lucas		
Leo		
Net Income Allowed		

Adam, Lucas and Leo Accountants		
Statement of Financial Position (Balance Sheet)		
For Year Ended December 31, 2024		
	£	£
<b>Assets</b>		
Cash		
Other Assets		
Total Assets		
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Accounts Payable		
<b>Owners' Equity</b>		
Adam, Capital		
Capital, January 1		
Add: Net Income		
Subtotals		
Deduct: Withdrawals		
Capital, December 31		
Lucas, Capital		
Capital, January 1		
Add: Net Income		
Subtotals		
Deduct: Withdrawals		
Capital, December 31		
Leo, Capital		
Capital, January 1		
Add: Net Income		
Subtotals		
Deduct: Withdrawals		
Capital, December 31		
Total Liabilities and Owner's Equity		



Prime Cricket Club		
Statement of Financial Performance		
For the year ended March 31, 2024		
	£	£
Subscriptions		
Admission fees		
Sale of old sports material		
Rent Revenue of hall		
Upkeep of field and pavilion		
Rates and Insurance		
Telephone		
Postage and Courier charges		
Miscellaneous expenses		
Grass seeds		
Sports materials consumed		
Net Surplus		
Prime Cricket Club		
Statement of Financial Position (Balance Sheet)		
For the year ended March 31, 2024		
	£	£
<b>Assets</b>		
Cash in hand		
Outstanding subscriptions		
Stock of sports materials		
Stock of stationery		
Playground		
Investments		
<b>Liabilities</b>		
Bank overdraft		
Capital Fund		
Add: Donation		
Subtotal		
Add: Surplus		

### Recommended resources

Please note that the resources listed are examples for you to use as a starting point in your research – the list is not definitive

#### Textbooks:

- Atrill, P. and McLaney, E. (2021) *Management Accounting for Decision Makers*. 10th Ed. Harlow: Pearson.
- Bhimani, A., Horngren, C.T., Datar, S.M. and Rajan, M.V. (2019) *Management and Cost Accounting*. 8th Ed. Harlow: Pearson.
- Fridson, M. and Alvarez, F. (2022) *Financial Statement Analysis Workbook: A Practitioner's Guide*. 5th Ed. Hoboken, NJ: Wiley Finance.
- Ittelson, T.R. (2022) *Financial Statements: A Step-by-Step Guide to Understanding and Creating Financial Reports*. 3rd Ed. Newburyport, Mass: Career Press.
- Harrison, W.T., Horngren, C.T., Thomas, C.W. and Tietz, W.M. (2019) *Financial Accounting: International Financial Report Standards*. 12th Ed. Harlow: Pearson.
- Marshall, D., McManus, W. and Viele, D. (2023) *Accounting: What the Numbers Mean*. 13th Ed. London: McGraw Hill.
- Weygandt, J.J., Kimmel, P.D. and Kieso, D.E. (2020) *Financial Accounting*. 11th Ed. Hoboken, NJ: John Wiley & Sons.
- Wild, J. (2021) *Financial Accounting: Information for Decisions*. 10th Ed. New York: McGraw Hill.

#### Weblinks:

Accounting Coach Online: [www.accountingcoach.com](http://www.accountingcoach.com)

Association of Chartered Certified Accountants: [www.accaglobal.com](http://www.accaglobal.com)

Chartered Institute of Management Accountants: [www.cimaglobal.com](http://www.cimaglobal.com)

Corporate Finance Institute: [www.corporatefinanceinstitute.com](http://www.corporatefinanceinstitute.com)

SMART Life Skills, Accounting & Finance: <https://smartlifeskills.co.uk/category/accounting-finance/>

SMART Life Skills, Academic Skills: <https://smartlifeskills.co.uk/category/study-skills-or-academic-skills/>

TED Talks: [www.ted.com](http://www.ted.com)

#### Other Resources:

HN Global: <https://hnglobal.highernationals.com/login>

### Learning Outcomes and Assessment Criteria

Pass	Merit	Distinction
<b>LO1</b> Examine the context and purpose of accounting		<b>D1</b> Critically evaluate the role of accounting in informing decision making to meet organisational, stakeholder and societal needs within complex operating environments.
<b>P1</b> Examine the purpose of the accounting function within an organisation. <b>P2</b> Assess the accounting function within the organisation in the context of regulatory and ethical constraints.	<b>M1</b> Evaluate the context and purpose of the accounting function in meeting organisational, stakeholder and societal needs and expectations.	

<b>LO2</b> Prepare basic financial statements for unincorporated and small business organisations in accordance with accounting principles, conventions and standards		
<b>P3</b> Prepare financial statements from a given trial balance for sole traders, partnerships and not-for-profit organisations, to meet accounting principles, conventions and standards.	<b>M2</b> Produce financial statements from a given trial balance, making appropriate adjustments.	<b>LO2 and LO3</b> <b>D2</b> Critically evaluate financial statements to assess organisational performance using a range of measures and benchmarks to make justified conclusions.
<b>LO3</b> Interpret financial statements		
<b>P4</b> Calculate and present financial ratios from a set of final accounts. <b>P5</b> Compare the performance of an organisation over time using financial ratios.	<b>M3</b> Evaluate the performance of an organisation over time, using financial ratios with reference to relevant benchmarks.	
<b>LO4</b> Prepare budgets for planning, control and decision-making using spreadsheets		
<b>P6</b> Prepare a cash budget from given data for an organisation using a spreadsheet. <b>P7</b> Discuss the benefits and limitations of budgets and budgetary planning, and control for an organisation	<b>M4</b> Identify corrective actions to problems revealed by budgetary planning and control for effective organisational decision making.	<b>D3</b> Justify budgetary control solutions and their impact on organisational decision making to ensure efficient and effective deployment of resources.
<b>Plagiarism and Collusion</b>		
<ul style="list-style-type: none"><li>• The College will seriously deal with any act of plagiarism and collusion.</li><li>• Plagiarism occurs when excerpts, ideas, passages taken from other sources are not adequately acknowledged and referenced both in the body of the text and in the reference section.</li><li>• Collusion can be the submission of work produced in collaboration for an assignment based on the assessment of individual work. It is a severe academic offence to share a learner’s work with others who submit a part or the whole of it as their work.</li><li>• The College has mechanisms in place to detect plagiarism and collusion. The learner should understand the guidelines of the Academic Misconduct Policy regarding plagiarism and what the College considers to be an academic offence.</li></ul>		