

ACCOUNTING



FORM 3 – 5 Syllabus

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Recommended Textbooks

Accounting

The accounting syllabus introduces learners to the theory and concepts of accounting and the ways in which accounting is used in a variety of modern economic and business contexts. Learners focus on the skills of recording, reporting, presenting and interpreting financial information and build an ideal foundation both for further study and for a future career within the profession.

Rationale for Accounting

The study of Accounting is invaluable and is relevant to the present and future life of every person in that it:

- develops problem-solving and computational skills and an awareness and recognition of the consequences of errors.
- develops skills in the use of figures in business communication, in analysis and in decision-making
- enhances mental discipline, encourage concentration and fosters critical thinking, logical organization and orderly presentation.
- facilitates the language of business which is communicated universally within the business world
- fosters the concept of accountability and transparency

Syllabus aims

The syllabus enables students to develop:

- an understanding of the use of accounting as an aid to business decision making
- an awareness of the business environment dimension
- knowledge and understanding of business through the use of figures, computations and statistics
- knowledge and understanding of the principles and purposes of accounting of both profit making and non-profit making organisations. Students will understand the functions of accounting as a comprehensive and systematic method of recording transactions of both types of organisations.

- an understanding of accounting concepts, principles, techniques, procedures and terminology
- improved skills of numeracy, literacy, communication, enquiry, presentation and interpretation of accounting information. Thus, students will be able to develop abilities to quantify, to judge relevance and to write clear and concise explanations.
- mental organization, clear and logical thinking, mental agility and critical thinking skills
- improved accuracy and orderliness
- appreciation of professional ethics
- an understanding of accounting as a means of assessing the financial position of an organization
- an appreciation to the importance of accounting in the appraisal of the financial position and performance of the enterprise and in monitoring progress and decision making.
- an excellent foundation for advanced study

Syllabus objectives

To achieve the aims, Accounting enables students to develop an ability to:

- prepare, understand, interpret and analyse financial statements with confidence and self-reliance
- appreciate and use financial statements as a means of business communication
- use analytical techniques to arrive at conclusions from financial information for the purpose of decision making
- prepare relevant reports using financial information
- provide students with an appreciation of the ethical and regulatory framework which influences and governs the preparation of financial statements.
- develop in students the following skills:
 - a) decision making
 - b) problem solving
 - c) literacy and numeracy skills
 - d) evaluating and interpreting skills
 - e) presentation and communication skills

- develop positive attitude towards
 - a) profit motive
 - b) ethical behaviour
 - c) entrepreneurship
 - d) innovation

Strands

Accounting is described in the following 4 strands:

- recording of financial information
- reporting of financial information
- evaluation of financial information
- communication of financial information

Recording

Recording is a process of maintaining a file of all transactions that have affected the business and that have monetary value. In other words, it provides a history of the economic activities of a particular business

Reporting

Students learn to report financial data through the preparation of financial statements in accordance with accounting standards and practices.

Evaluation

Users interpret financial information for decision making. This information is in addition to that already available in reports such as Income Statement and Statement of Financial Position. Interpretation of financial information should be achieved through the use of such tools as year-to-year comparison.

Communication

In accounting, language is used in specific ways to communicate data and ideas. Students need to be aware of the development of written, oral and graphic communication that applies to accounting situations in the business world.

Learning Outcomes

At the end of the Accounting syllabus, students will be able to:

- describe the role of accounting in society
- record and report financial data using appropriate terminology and in a methodical manner
- apply the principles and practices of recording and reporting financial information
- demonstrate an understanding of the role of accounting standards
- summarise the information into a set of financial statements and to evaluate the performance and position of the entity therefrom.
- apply the financial information into making of simple financial decision

Assessment on syllabus objectives

Candidates will be assessed on their ability to:

- recall and demonstrate knowledge of the syllabus content
- show an understanding of the terminology central to the syllabus
- apply the international accounting standards
- prepare and present the financial statements in an orderly way
- interpret, analyse and evaluate given data

Assessment Objectives

The following assessment objectives are tested in Accounting:

Knowledge with understanding

Students should be able to:

- show knowledge and understanding of facts, concepts and principles of accounting
- demonstrate understanding of accounting knowledge through numeracy, literacy, presentation and comprehension

Questions testing this skill will often ask questions starting with *state, identify, mention, list, calculate, explain*

Analysis

Students should be able to:

- choose, analyse and order information in written, numerical and tabular form
- present appropriate information in an accepted accounting format

Questions testing this skill will often ask questions with words like *choose, select, prepare, draw up*.

Evaluation

Students should be able to:

- interpret and evaluate accounting information and to draw reasoned conclusions

Questions testing this skill will often ask questions with words like *suggest, advise, explain, comment on, compare*

Scheme of Assessment

The Annual Examination paper for Accounting will consist of one common graded paper of 2 hours duration. It will include a set of graded questions from each of the 4 strands and the learning outcomes as indicated in the syllabus.

Electronic calculators will be permitted. Candidates are strongly advised to show all workings.

FORM 3

CONTENT	LEARNING OUTCOMES	REFERENCE TO SEC SYLLABUS(2015) RESOURCES
Module 1: THE ACCOUNTING EQUATION AND THE STATEMENT OF FINANCIAL POSITION		
<p>1.1 Book-keeping and Accounting</p> <ul style="list-style-type: none"> An introduction to accounting and book-keeping 	<p>At the end of the topic, students should:</p> <ul style="list-style-type: none"> define book-keeping define accounting explain the main difference between book-keeping and accounting explain the main role of accounting 	<p>Refer to Sec Syllabus The Nature & Purpose of Accounting</p> <p>Go For Accounting Page 1-2 Business Accounting 1 12th ed Pg 1-9</p>
<p>1.2 Users of accounting information</p> <ul style="list-style-type: none"> List of users of accounting information The need of accounting information for different stakeholders 	<ul style="list-style-type: none"> identify the users/stakeholders of accounting information with particular reference to the local situation identify the reasons why users need accounting information 	<p>Refer to Sec Syllabus The Nature & Purpose of Accounting</p> <p>Go for Accounting Pg 1-2 Business Accounting 1 12th ed Pg9-10 Edexcel IGCSE Accounting Pg 10</p>
<p>1.3 The accounting equation</p> <ul style="list-style-type: none"> list examples of assets and liabilities classification of 	<ul style="list-style-type: none"> learn a simple Statement of Financial Position(horizontal/T style) which explains the basic accounting equation 	<p>Refer to Sec Syllabus The Principles of Double-Entry</p>

<p>items as assets and liabilities</p> <ul style="list-style-type: none"> the accounting equation 	<ul style="list-style-type: none"> calculate the value of assets, liabilities and capital using the accounting equation analyse and state the effects of transactions on the accounting equation 	<p>Go For Accounting Pg 3-4 Business Accounting 1 12th ed Pg 10 Edexcel IGCSE Accounting Pg 6-7</p>
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Module 2: THE DOUBLE ENTRY SYSTEM

<p>2.1 The Double Entry System for Assets, Liabilities and Capital</p> <ul style="list-style-type: none"> process accounting data using the double entry system double entry rules recording of transactions of assets, liabilities and capital 	<ul style="list-style-type: none"> state the double entry obeys the rules of the accounting equation understand that for every debit there must be a credit entry (every transaction is recorded in 2/more accounts with equal debit and credit) identify the accounts to be debited and credited for various transactions record the double-entry using the T account/horizontal ledger accounts apply the double entry rules for recording assets, liabilities and capital 	<p>Refer to Sec Syllabus The Principles of Double Entry</p> <p>Remark: Asset has a debit nature Liability has a credit nature Capital has a credit nature</p> <p>Go For Accounting Pg 11-18 Business Accounting1 12th ed Pg21-32 Edexcel IGCSE Pg 11-21</p>
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<p>2.2 The Double Entry System for Inventory</p> <ul style="list-style-type: none"> recording inventory: purchases, sales, purchases returns, sales returns 	<ul style="list-style-type: none"> differentiate between purchases and sales transactions differentiate between cash and credit transactions learn that inventory increases either because stock has been bought or stock that was sold has been returned by the buyer learn that inventory decreases either because stock has been sold or stock that was bought by the company has been returned to the supplier explain that sales account refers to sales of inventory explain that purchases account refers to purchases of inventory and not to other assets such as vans, equipment and machinery apply the double entry rules for recording inventory: <ol style="list-style-type: none"> purchases of stock on cash and on credit terms sales of stock on cash and on credit terms returns of stock previously purchased on cash and/or credit terms returns of stock previously sold on cash and/or credit terms 	<p>Remark: Purchases has a debit nature (exception with drawings) Sales has a credit nature Purchases Returns has a credit nature Sales Returns has a debit nature</p> <p>Go For Accounting Pg19-24 Business Accounting 1 12th ed Pg21-32 Edexcel IGCSE Pg 11-20</p>
<p>2.3 The Double Entry System for recording drawings</p> <ul style="list-style-type: none"> transactions relating to drawings 	<ul style="list-style-type: none"> apply the double entry rules for recording withdrawal of stock and cash/cheques for owners' 	<p>Remark: Drawings has a debit nature</p>

	<p>personal use</p> <ul style="list-style-type: none"> learn that drawings are always a reduction in capital and never an expense 	<p>Go For Accounting Pg 26 Business Accounting 1 12th ed Pg 50-51</p>
<p>2.4 The Double Entry System for recording Expenses and Revenues</p> <ul style="list-style-type: none"> double entry of expenses and revenues 	<ul style="list-style-type: none"> understand expenses and revenues apply the double entry rules for recording expenses and revenues 	<p>Remark: Expenses have a debit nature Revenues have a credit nature</p> <p>Go For Accounting Pg 25-28 Business Accounting 1 12th ed Pg 45-50</p>
<p>Module 3: BALANCING OFF ACCOUNTS</p>		
<p>3.1 Balancing off Accounts</p> <ul style="list-style-type: none"> balancing off the accounts (using balance c/d and balance b/d) 	<ul style="list-style-type: none"> by now record transactions by the double-entry, using T form explain the significance of balancing off accounts interpret an entry and an account balance an account and bring down the balance balance off accounts which there is no balance outstanding understand that when the balance of an account is on the debit, we say that the account has a debit balance – e.g: trade receivables understand that when the balance of an account is on the credit, we say the account has a credit balance – e.g: trade payables be able to balance the accounts 	<p>Refer to Sec Syllabus The Ledger letter d)</p> <p>Go for Accounting Pg 31-40 Business Accounting 1 12th ed Pg 56-64 Edexcel IGCSE Pg 32-42</p>

	<p>using the running balance format (with a particular focus on personal accounts)</p> <ul style="list-style-type: none"> • explain that the T accounts show balancing off at the end of the period • explain that the three-column accounts update and show the balance on the account after every transaction 	
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Module 4: THE TRIAL BALANCE

<p>4.1 The Trial Balance</p> <ul style="list-style-type: none"> • Purpose of a Trial Balance • Errors revealed by a Trial Balance 	<ul style="list-style-type: none"> • learn to extract a Trial Balance from account balances • outline the use of a Trial Balance as a form of checking the accuracy of the double entry • learn that the Trial Balance is used as the base to prepare the Financial Statements. • state the types of errors that are revealed by a Trial Balance ie: <ul style="list-style-type: none"> - errors in calculation - errors in omitting either the debit or the credit entry - posting of entries to the wrong side of the account - errors in debiting an account with one amount and crediting the corresponding account with another amount - prepare an adjusted trial balance after correcting errors - calculate a missing figure by extracting a Trial Balance - prepare a Trial Balance from a list of balances and calculate Capital 	<p>Refer to Sec Syllabus The Ledger letter f) i</p> <p>Go For Accounting Pg 41-44 Business Accounting 1 12th ed Pg 65-69 Edexcel IGCSE Pg 37-39</p>
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Module 5: FINANCIAL STATEMENTS

<p>5.1 The Income Statement</p> <ul style="list-style-type: none"> preparation of the Income Statement both in horizontal and vertical format updating the balancing off accounts which are transferred to the Income Statement 	<ul style="list-style-type: none"> explain the difference between gross profit and net profit close down the appropriate accounts and transfer the balances to the Income Statement calculate the gross profit and net profit/loss for a specified period state what is meant by the terms 'net sales' and 'net purchases' differentiate between the two stock figures shown in the Income Statement (Trading a/c) show cost of sales draw up an Income Statement first in horizontal format (to understand the double-entry) and then the vertical layout with all the appropriate income and expense entries relating to the given period 	<p>Refer to Sec Syllabus The Ledger letter e) ii</p> <p>Remark – use the IAS 1 Format (look at appendix)</p> <p>Go For Accounting Pg 53-59 Business Accounting 12th ed Pg79-90 Edexcel IGCSE Pg 142-151</p>
<p>5.2 The Statement of Financial Position</p> <ul style="list-style-type: none"> preparation of the Statement of Financial Position both in horizontal and vertical format 	<ul style="list-style-type: none"> learn that the Statement of Financial Position is not part of the double entry draw up the Statement of Financial Position using the horizontal style (and emphasize on the accounting equation) draw up the Statement of Financial Position in a vertical form, marshaling the assets and liabilities in a specific order (permanence and liquidity) differentiate between Non-Current 	<p>Refer to Sec Syllabus</p> <ul style="list-style-type: none"> The Ledger letter e) iii Drawings <p>Remarks</p> <ul style="list-style-type: none"> Financial Statements (IAS 1 Format – look show Total Non Current Assets

	<p>Assets and Current Assets and give examples</p> <ul style="list-style-type: none"> • list the non-current assets in descending order starting with those that will remain in use in the business for the longest time • list current assets from top to bottom in increasing order of liquidity • differentiate between Current Liabilities and Non-Current Liabilities and give examples • show changes in the proprietor's capital as a result of a further injection of capital, net profit/loss and drawings in cash/goods • explain working capital/net current assets and why this is very important • make a note of the Working Capital at the end of the Statement of Financial Position <p>Working Capital = Current Assets – Current Liabilities</p>	<ul style="list-style-type: none"> - show Total Current Assets - show Total Assets - show Total Liabilities - show Total Capital + Liabilities <p>Go For Accounting Pg 61-63 Business Accounting 12th ed Pg91-99 Edexcel IGCSE Pg 152-157</p>
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Module 6: ACCOUNTING CONCEPTS AND ASSUMPTIONS

<p>6.1 The accounting concepts</p> <ul style="list-style-type: none"> • the importance of the main accounting concepts and the principles underlying the preparation of final accounts 	<ul style="list-style-type: none"> • agree about the need for general agreement to the concepts that govern accounting and explain why accounting standards exist • explain the basic accounting concepts and principles <ul style="list-style-type: none"> - the Accrual Concept/Matching principle - the Business Entity Concept - the Prudence Concept - The Consistency Concept 	<p>Refer to Sec Syllabus</p> <ul style="list-style-type: none"> - An elementary knowledge of the following accounting concepts and in particular, how they affect the preparation of the final accounts
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		<p>including the Statement of Financial Position</p> <p>Remark</p> <ul style="list-style-type: none"> - Students should be reminded about these accounting concepts and principles at relevant sections of the syllabus, where appropriate. <p>Go For Accounting Pg 125-128 Business Accounting 1 12th ed Pg112-128</p>
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Module 7: BOOKS OF ORIGINAL ENTRY AND LEDGERS

<p>7.1 Books of original entry and ledgers</p> <ul style="list-style-type: none"> • Explanation of the theoretical part of Books or original entry and ledgers 	<ul style="list-style-type: none"> • explain the purpose of Day Books and their relationship with the ledger • learn that transactions are classified and details about them are entered in the appropriate book of original entry • understand that the books of original entry are used as a basis for posting the transactions in summary form to the double entry accounts in the various ledgers • learn about the following books 	<p>Refer to Sec Syllabus Books of Original Entry</p> <p>Go For Accounting Pg 121-124 Business Accounting 1 12th ed Pg129-134 Edexcel IGCSE Pg 62</p>
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	<p>of original entry/journals/day books</p> <ul style="list-style-type: none"> - Sales Day Book - Purchases Day Book - Sales Returns Day Book - Purchases Returns Day Book - Cash Book - General Journal/Journal <ul style="list-style-type: none"> • be able to explain the following ledgers <ul style="list-style-type: none"> - Sales Ledger - Purchases Ledger - General/Nominal Ledger - Private Ledger • explain the types of accounts: <ul style="list-style-type: none"> - Personal accounts - Impersonal accounts (Real and Nominal accounts) 	
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Module 8: CASH BOOK

<p>8.1 The Cash Book</p> <ul style="list-style-type: none"> • Dual function as a book or original entry and as a ledger account for bank and cash • Two-column and three-column cash book 	<ul style="list-style-type: none"> • explain the advantages of keeping cash in the bank • explain the purpose of the cash book • record transactions in the cash column and bank column of the cash book • post the entries from the cash book to the respective ledgers • interpret transactions and details in the cash book eg: discount, total banked or withdrawn (contra entry) • explain that a folio column in the cash book helps trace entries made into accounts in the ledgers • explain the meaning of cash discount • explain that cash discounts appear 	<p>Refer to Sec Syllabus The Cash Book and the Petty Cash Book</p> <p>Go For Accounting Pg 77-88 Business Accounting 1 12th ed Pg 148-165 Edexcel IGCSE Pg 86-97</p>
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	<p>in the Income Statement</p> <ul style="list-style-type: none"> • calculate cash discount • explain the difference between cash discount and trade discount 	
<p>Module 9: PETTY CASH BOOK</p>		
<p>9.1 The Petty Cash Book</p> <ul style="list-style-type: none"> • the petty cashbook using the Imprest System • advantages of the imprest system 	<ul style="list-style-type: none"> • explain the need for a petty cash book • compare the purpose of the petty cash book with the cash book • learn that the petty cash book saves both the cash book and the ledger accounts from containing a lot of trivial detail • explain the imprest system and float • outline the advantages of the imprest system of keeping petty cash • understand that the petty cash book helps the senior cashier to delegate this type of work to a more junior member of staff • learn that the cashier check the work performed by the petty cashier • calculate and record the amount of reimbursement required to restore the petty cash balance to the imprest amount 	<p>Refer to Sec Syllabus The Cash Book and the Petty Cash Book</p> <p>Go For Accounting Pg 89-98</p> <p>Business Accounting 1 12th ed Pg203-211</p> <p>Edexcel IGCSE Pg 98-105</p>

Module 10: SALES DAY BOOK AND SALES LEDGER

10.1 Sales Day Book and Sales Ledger

- sales journal and sales ledger
- trade discounts

- explain the purpose of the sales day book/journal/book of prime entry
- interpret the items posted from sales journal to the appropriate accounts in the ledgers
- calculate trade discount given to customers
- distinguish between cash and credit sales
- know that cash sales are not entered in the sales day book
- distinguish between trade and cash Discounts
- prepare a sales invoice (including trade discount and VAT where necessary)
- prepare the Sales Journal and the ledgers (including VAT where necessary)
- explain that with the big amount of credit transactions involving trade payables and receivable, separate ledgers are kept for them ie:
 - all trade receivables are kept in the sales ledger
 - all trade payables are kept in the purchases ledger
 - all other accounts are kept in the general ledger

Refer to Sec Syllabus Books of Original Entry The Ledger

Go For Accounting Pg 103-107

Business Accounting 1 12th ed Pg Edexcel IGCSE Pg 132-141

Module 11: PURCHASES DAY BOOK AND PURCHASES LEDGER

11.1 Purchases Book and Purchases Ledger

- Purchases Journal and Ledger
- Trade discounts

- explain the purpose of the purchases journal
- interpret the items posted from the purchases journal to the appropriate ledger accounts
- explain the meaning of trade discount
- outline the reasons for giving trade discount
- calculate trade discount given by suppliers
- distinguish between cash and credit purchases
- distinguish between trade and cash discounts
- know that cash purchases are not entered in the purchases journal
- understand that the purchases day book is a list of all credit purchases
- the purchases journal is used to post the items to the personal accounts in the purchases ledger
- prepare Purchases Day Book and ledgers (including VAT where necessary)

Refer to Sec Syllabus Books of Original Entry The Ledger

Go For Accounting Pg 99-102
Business Accounting 1 12th ed Pg174-179
Edexcel IGCSE Pg 132-141

Module 12: RETURNS DAY BOOKS

<p>12.1 Sales Return Day Book</p> <ul style="list-style-type: none"> • Sales Return Day Book>Returns Inwards Day Book 	<ul style="list-style-type: none"> • explain the purpose of the sales returns day book • state the reasons why goods previously sold to customers are Returned • interpret the items posted from the sales returns journal to the appropriate ledger accounts • learn that the returns in day book is used to post each item to the credit of the personal account of the customer in the sales ledger • learn that the total of the sales return journal is debited at the end of the period to the sales return account in the general ledger • include trade and cash discounts and VAT where necessary 	<p>Refer to Sec Syllabus Books of Original Entry The Ledger</p> <p>Go For Accounting Pg 104-106 Business Accounting 12th ed Pg180-191 Edexcel IGCSE Pg 77-85</p>
<p>12.2 Purchases Return Day Book</p> <ul style="list-style-type: none"> • Purchases Return Day Book>Returns Outwards Day Book 	<ul style="list-style-type: none"> • explain the purpose of the purchases returns journal • outline the resources why goods previously bought are returned to the supplier • interpret the items posted from the purchases returns journal to the appropriate accounts in the ledgers • know that the goods returned to suppliers are all entered in a returns outwards day book • know that the returns outwards journal is used to debit the personal account of each supplier in the purchases ledger • understand that the total of the 	<p>Refer to Sec Syllabus Books of Original Entry The Ledger</p> <p>Go For Accounting Pg 101-102 Business Accounting 12th ed Pg180-191 Edexcel IGCSE Pg 77-85</p>

	<p>purchases returns journal is credited at the end of the period to the purchases returns account in the general ledger</p> <ul style="list-style-type: none"> include trade and cash discounts and VAT where necessary 	
Module 13: THE JOURNAL		
<p>13.1 The Journal/General Journal</p> <ul style="list-style-type: none"> the general journal 	<ul style="list-style-type: none"> explain what the journal is used for understand that the general journal is the place for items that do not pass fully through the other five books of prime entry know how to post transactions from the general journal to the appropriate accounts in the ledgers 	<p>Refer to Sec Syllabus Books of Original Entry The Ledger</p> <p>Go For Accounting Pg 115-120</p> <p>Business Accounting 12th ed Pg192-202 Edexcel IGCSE Pg116-131</p>
Module 14: CAPITAL AND REVENUE EXPENDITURE		
<p>14.1 Capital and Revenue Expenditure</p> <ul style="list-style-type: none"> distinction between capital and revenue expenditure Capital and revenue receipts 	<ul style="list-style-type: none"> explain the meaning of capital and revenue expenditure understand that some items are a mixture of capital and revenue Expenditure learn that revenue expenditures are found in the Income Statement learn that capital expenditures are found in the Statement of Financial Position 	<p>Refer to Sec Syllabus The Ledger letter c)</p> <p>Go For Accounting Pg 187-190</p> <p>Business Accounting 12th ed Pg275-284 Edexcel IGCSE Pg 57-61</p>

FORM 4

CONTENT	LEARNING OUTCOMES	REFERENCE TO SEC SYLLABUS (2015) RESOURCES
Module 1: BANK RECONCILIATION STATEMENTS		
<p>1.1 Bank Reconciliation Statement</p> <ul style="list-style-type: none"> • causes of discrepancy between the cash book balance and the bank statement balance • aim for preparing the bank reconciliation statement 	<ul style="list-style-type: none"> • explain the difference between bank loan and bank overdraft • be able to show where bank account, bank overdraft and bank loans are found in Statement of Financial Position • explain the purpose of preparing a bank reconciliation statement • analyse and interpret a bank Statement • identify and discuss the causes of discrepancy between the cash book balances and the balance on the bank statement • reconcile the cash book balance with the bank statement balance by adjusting cash book entries and then prepare a bank reconciliation statement 	<p>Refer to Sec Syllabus – The Cash Book and the Petty Cash Book e), f) and g).</p> <p>Go For Accounting Pg 335-348 Business Accounting 12th ed Pg373-384 Edexcel IGCSE Pg 106-115</p>

Module 2: IRRECOVERABLE DEBTS, ALLOWANCE FOR DOUBTFUL DEBTS AND IRRECOVERABLE DEBTS RECOVERED

2.1 Irrecoverable debts, allowance for doubtful debts and irrecoverable debts recovered

- explain bad debts and reasons for incurring such irrecoverable debts
- discuss the difference between irrecoverable debts and allowance for doubtful debts
- write off irrecoverable debts
 calculate allowance for doubtful debts using generic method (% x total receivables at year end)
 calculate allowance for doubtful debts using the specific method
 calculate allowance for doubtful debts on both generic and specific together
- post irrecoverable debts Recovered
- explain that maintaining allowance for doubtful debts is important in order to abide by the prudence and accrual concept

Refer to Sec Syllabus: Bad Debts and Provision for Doubtful Debts

Go for Accounting Pg

145-156
 Business Accounting 1
 12th ed Pg 285-299
 Edexcel IGCSE Pg 184-193

Reminder:

Prudence and accrual/matching Concept

Module 3: CONTROL ACCOUNTS

3.1 Control accounts

- Sales Ledger Control account
- Purchases Ledger Control account
- Advantages of control accounts
- Sources of data for control accounts

- explain the purpose of the Sales Ledger Control account
- state the ledger in which the Sales Ledger control account is found
- explain the purpose of the Purchases Ledger Control account
- state the ledger in which the Purchases Ledger control account is found
- state the pros of keeping control accounts ie: used to provide totals of trade payables and trade receivables etc and serve as an independent check on the sales and purchases ledgers. There is no need to check all the books in full to find an error
- explain that control accounts may be used to provide totals of trade payables and trade receivables, locate errors and act as a deterrent against fraud
- identify the sources of information for the control account entries from the books of prime entry
- know that transfer between sales and purchases ledgers should be prepared in the journal and shown in the control accounts

Refer to Sec Syllabus-
Control Accounts for
Debtors and Creditors

Go For Accounting Pg
191-204
Business Accounting 1
12th ed Pg386-401

	<ul style="list-style-type: none">• draw up the Sales Ledger control account showing details in total figures of items such as credit sales, amount received from trade receivables, cash discounts allowed, sales returns, bad debts, dishonoured cheques and contra entries to Purchases Ledger control account etc• draw up the Purchases Ledger Control account showing details in total figures of items such as credit purchases, amount paid to trade payables, cash discounts received, purchases returns and contra entries to Sales Ledger control account etc• understand that control accounts are, for many businesses, outside the double entry system and are there as memorandum accounts in the general ledger or in the individual ledgers• prepare sales and purchases ledger control accounts to include credit sales and purchases, payments and receipts, cash discounts, returns, bad debts, dishonoured cheques, interest on overdue accounts, contra entries, refunds, opening and closing balances (debit and credit within each account)	
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Module 4: DEPRECIATION OF NON-CURRENT ASSETS

4.1 Depreciation of non-current assets

- nature and calculation of non-current assets
- name and describe the straight line, diminishing reducing) balance and revaluation methods of depreciation

- define depreciation
- understand the factors which cause depreciation mainly physical deterioration, economic factors, the time factor and depletion
- calculate depreciation using both the straight line and the reducing balance method
- calculate the revaluation method
- calculate depreciation on assets bought or sold within an accounting period

Refer to Sec Syllabus-Depreciation

Business Accounting 1
12th ed Pg300-312

4.2 Double entry records for depreciation

- Incorporate depreciation into the accounting records disposal of non-current assets
- disposal of non-current assets

- prepare the following accounts to record depreciation:
 - non-current asset account
 - accumulated provision for depreciation account
 - Income Statement (extracts)
 - Statement of Financial Position (extract)

Prepare the following accounts to record the disposal of non-current assets

- Non-current asset account
- Accumulated provision for department account
- Disposal of non-current asset account
- Income Statement (extract)
- Calculate gain/loss on disposal

Refer to Sec Syllabus-Depreciation a) – d)
Go For Accounting Pg 157-170

Business Accounting 1 (12th ed) pg 313 – 329

Edexcel IGCSE Pg 176 – 183

Remarks

Apply the prudence, consistency and the accrual concept

Module 5: ACCRUALS AND PREPAYMENTS

5.1 Accruals and Prepayments

- Accrued expenses and revenues
- Prepaid expenses and revenues

- learn that adjustments are needed so that the expenses and income shown in the financial statements equal the expenses incurred in the period and the revenue that has arisen in the period
- show workings to determine the adjusted expenses/revenues to be transferred to the Financial Statements
- prepare the following:
 - accrued expenses
 - accrued revenues
 - prepaid expenses
 - prepaid revenues
- explain that balances relating to the adjustments are shown as current assets and current liabilities in the Statement of Financial Position
- understand the accrual concept and its implications in the treatment of expenses and revenues for the financial year

Refer to Sec Syllabus-
Accruals and
Prepayments

Go for Accounting Pg
129-144
Business Accounting 1
12th ed Pg 335-350
Edexcel IGCSE
Pg 194-208

Remark: The
accrual/matching
Concept

<p>5.2 Financial Statements with adjustments</p> <ul style="list-style-type: none">• adjustments to Financial Statements	<ul style="list-style-type: none">• prepare the financial statements following the format recommended by IAS1 including adjustments for depreciation, allowances for doubtful debts, accruals and prepayments (including VAT where necessary) <p>record the appropriate entries in the accounts and financial statements at the end of a period for accrued expenses, prepaid expenses, accrued income and prepaid income</p>	
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Module 6: CORRECTION OF ERRORS

6.1 Errors not affecting Trial Balance <ul style="list-style-type: none">• Double entry to correct errors• Effects of errors on the profits	At the end of the topic, students should: <ul style="list-style-type: none">• write up journal entries and/or draw up ledger accounts to correct errors not revealed by the Trial Balance• understand the following errors<ul style="list-style-type: none">- Error of omission- Error of commission- Error of principle- Error of reversal of entries- Error of original entry- Compensating errors• learn that when errors are found, they should be amended by using proper double entry procedures – via journal, where entries are first recorded before being posted to the appropriate ledger of accounts• explain the effects of errors on the profit	Refer to Sec Syllabus – Correction of Errors Go for Accounting Pg. 219 – 234 Business Accounting 1 (12th ed.) Pg. 402 – 409
6.2 Suspense account <ul style="list-style-type: none">• Explain why a suspense account may be used and create it in order to balance the Trial Balance	<ul style="list-style-type: none">• learn to make the necessary entries to set up a suspense account• learn that some errors may cause the profits originally calculated to have been incorrect	Refer to Sec Syllabus: Correction of Errors Business Accounting 1 (12 th ed) Pg. 410 - 427

Module 7: MANUFACTURING ACCOUNTS

7.1 Manufacturing accounts

- Calculation of prime cost and production cost of goods manufactured
- Drawing up a manufacturing account and income statement
- Adjust the manufacturing account in respect of work in progress

- distinguish between direct and indirect costs
- identify cost accounting terms: direct material, direct labour, prime cost and factory(production) overheads
- make adjustments for work in progress
- calculate factory cost of production
- prepare a manufacturing account and income statement
- learn that the net profit in the Income Statement shows what is left of gross profit after all administration, selling and distribution and finance costs incurred have been deducted
- learn how work in progress must be adjusted so as to identify the production costs of goods completed in the period

Refer to Sec Syllabus
Manufacturing Account

Go For Accounting Pg 273-288
Business

Accounting 1 12th ed Pg 481-
499

Edexcel IGCSE Pg 231-240

Module 8: DEPARTMENTAL ACCOUNTS

8.1 Departmental Accounts

- drawing up a Departmental Account

- explain why departmental accounts can be more meaningful to management than a single income statement
- apportion expenses between departments on an appropriate basis
- understand that a negative contribution is only one guide to close a section of the business.
- draw up departmental accounts (up to 3 departments) taking into consideration the allocation and the apportionment of expenses by department

Refer to Sec Syllabus – Departmental accounts

Go for Accounting Pg 253-264

Business Accounting 1 12th ed Pg 500-512

FORM 5

CONTENT	LEARNING OUTCOMES	REFERENCE TO SEC SYLLABUS (2015) RESOURCES
Module 1: PARTNERSHIP ACCOUNTS		
1.1 Partnerships <ul style="list-style-type: none"> • Pros and cons of forming a partnership • Importance and contents of a partnership Agreement • Capital and current Accounts • Drawing up of the ledger accounts and financial statements for a Partnership • Purpose of an Appropriation account 	At the end of the topic, students should: <ul style="list-style-type: none"> • learn that there is no limited liability in partnerships except for limited/sleeping partners • learn that partnership is formed from 2 owners and more • learn what the partnership deed is about and make a list of the common terms contained in the Partnership Agreement • explain the pros and cons of forming a partnership • explain the current account • draw up the Final Accounts of the Partnership • draw up the partners' capital and current accounts • draw up the partners' drawings account • draw up the Appropriation account • differentiate between debit and credit balances in current accounts • draw up the extracts from the Statement of Financial Position • explain and post goodwill account 	<p>Refer to Sec Syllabus- Partnerships a) – f)</p> <p>Go For Accounting Pg 289-304 Business Accounting 12th ed Pg537-560</p>

Module 2: INTRODUCTION TO ACCOUNTING RATIOS

2.1 Accounting Ratios

Accounting ratios and formulae

- use accounting ratios to calculate missing figures in financial statements
- learn that if mark up is known margin can be easily be calculated and vice-vers
- discuss what may cause these ratios to change over time
- calculate the following accounting ratios and formulae

Refer to Sec Syllabus Accounting Ratios

Go for Accounting Pg 205 - 218

- Working capital ratio (current ratio)
- Quick ratio (acid test ratio)
- Gross profit margin (gross profit as a percentage of sales)
- Percentage of expenses to turnover
- Net profit margin (net profit as a percentage of sales)
- Stockturn (or rate of stock turnover)
- Mark-up and margin
- Return on capital employed

Business Accounting 1 12th ed Pg 435-445
Edexcel IGCSE Pg 266-279

<p>2.2 Interpretation of accounting ratios</p> <ul style="list-style-type: none"> • Interpretation of accounting ratios • Analysis of the performance of the firm in terms of profitability, liquidity and efficiency through use of ratios 	<ul style="list-style-type: none"> • explain the importance of measuring the liquidity and profitability of a business • interpret the ratios and performance indicators calculated. • compare the liquidity and profitability of a business over two years or with that of other similar businesses • explain how the use of ratios can help in analyzing the profitability, liquidity, efficiency and capital structure of businesses • discuss that a business must be both profitable and sufficiently liquid to be successful. One factor without the other can lead to serious troubles 	<p>Refer to Sec Syllabus Accounting Ratios</p> <p>Business Accounting 1 12th ed Pg621-652</p>
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Module 3: SINGLE ENTRY AND INCOMPLETE RECORDS

3.1: Single entry and Incomplete Records

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| <ul style="list-style-type: none">• Determine a business profit or loss from incomplete records by<ul style="list-style-type: none">- Comparing changes in capital over time- Analyzing records to derive the missing information in preparing the Financial Statements | <ul style="list-style-type: none">• explain why accounting information may be incomplete e.g: because of non-adherence to the double-entry system of recording transactions, partial records• prepare opening and closing statement of affairs• prepare an income statement and statement of financial position from records kept on single entry• calculate purchases and sales figures by opening a total accounts payable and total accounts receivable accounts• compute figures from incomplete records:<ul style="list-style-type: none">- <i>Capital</i>- : drawing up a statement of affairs with adjustments made to assets and liabilities- <i>Credit purchases</i>: drawing up trade payables accounts from information available- <i>Credit sales</i>: drawing up trade receivable accounts from information available- <i>Total sales</i>: deriving the total sales figures from information available- <i>Expenses</i>: drawing up the expense a/c from given data and find the | <p>Refer to Sec Syllabus- Incomplete Records</p> <p>Go For Accounting Pg 235-253 Business Accounting 1 12th ed Pg447-466 Edexcel IGCSE Pg 209-220</p> |
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	<p>actual amount of expenses incurred after considering accruals and prepayments</p> <ul style="list-style-type: none"> - <i>Depreciation</i>: calculate the rate of depreciation, length of useful life, amount of depreciation, cost of non-current assets 	
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Module 4: RECEIPTS AND PAYMENTS ACCOUNTS AND INCOME AND EXPENDITURE ACCOUNTS

<p>4.1: Receipts and Payments accounts and Income and Expenditure accounts</p> <ul style="list-style-type: none"> • Main difference between the financial statements of non-profit oriented organisations and those of profit-oriented organisations 	<ul style="list-style-type: none"> • distinguish between Receipts and Payments Accounts and Income and Expenditure Accounts • prepare accounts for the following – receipts and payments, revenue generating activities such as subscriptions • prepare a receipts and payments account and explain the significance of the balance shown • prepare a subscription a/c • define and calculate Accumulated Fund • prepare Income and Expenditure Accounts and Statement of Financial Position 	<p>Refer to Sec Syllabus Non-Profit making Organisations</p> <p>Go For Accounting Pg305-330 Business Accounting 1 12th ed Pg467-480 Edexcel IGCSE Pg 221-230</p>
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Module 5: AN INTRODUCTION TO THE FINANCIAL STATEMENTS OF LIMITED LIABILITY COMPANIES

5.1 Limited Liability Companies

- Explanation of limited liability companies
- Different classes of shares
- Difference between shares and loans
- Financial Statements of Limited Liability Companies

- Explain the meaning of limited liability
- Discuss the difference between public and private company
- Understand the meaning of separate legal entity
- Explain ordinary shares, preference shares, debentures and other loans
- Learn the contents and the purpose of a company's appropriation account
- Explain the difference between authorized and issued (fully paid) capital
- Explain the difference between nominal and market value of shares
- Calculate the dividends including interim dividends
- Calculate loan interest
- Distinguish between charges against the Income Statement and the appropriation a/c
- The treatment of a general reserve
- The treatment of retained earnings
- The treatment of premium in the final accounts.
- Prepare the Final Accounts of a Limited Liability Company

Refer to Sec Syllabus Limited Liability Companies

Go for Accounting Pg 321-334 Business Accounting 1 12th ed Pg598-627 Edexcel IGCSE Pg 255-265

Appendix 1

New Terminology	Old Terminology
Inventory	Stock
Opening Inventory	Opening Stock
Closing Inventory	Closing Stock
Trade Receivables	Debtors
Trade Payables	Creditors
Non-Current Assets	Fixed Assets
Non-Current Liabilities	Long-Term Liabilities
Irrecoverable Debts	Bad Debts
Irrecoverable Debts Recovered	Bad Debts Recovered
Allowance for Doubtful Debts	Provision for Bad Debts
Sales Returns	Returns Inwards
Purchases Returns	Returns Outwards
Income Statement	Trading, Profit and Loss Account
Statement of Financial Position	Balance Sheet
Allowance for Depreciation	Depreciation Provision
Other Receivables	Expenses prepaid/Revenues due
Other Payables	Expenses due/Revenues prepaid

Appendix 2

Attached to the syllabus kindly find pdf format of Final Accounts as recommended by IAS1. The following Final Accounts are attached:

- Income Statement
- Statement of Financial Position – Sole Trader
- Statement of Financial Position – Partnerships
- Profit and Loss Appropriation – Companies
- Statement of Financial Position – Companies
- Statement of Financial Position – Non-Profit making Organisations (Clubs)

Recommended Textbooks

Title	Author	Publisher	ISBN No
Go for Accounting!	Erik Mitchell & Alfred J.Sant Fournier	Publisher Enterprises Group (Peg) Ltd Malta	9990903352
Business Accounting 12 th ed	Frank Wood & Alan Sangster	Pearson Education Limited	0273759280
Edexcel IGCSE	Sheila Robinson & Frank Wood	Pearson Education Limited	9780435991296
Accounting for Cambridge IGCSE	David Austen, Christine Gilchrist, John Underhill	Nelson Thornes	9781408515174