



Learner Guide

Cambridge International AS & A Level Accounting 9706

For examination from 2023



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About this guide

This guide explains what you need to know about your Cambridge International AS & A Level Accounting 9706 course and examinations.

This guide will help you to:

- ✓ understand what skills you should develop by taking this AS & A Level course
- ✓ understand how you will be assessed
- ✓ understand what we are looking for in the answers you write
- ✓ plan your revision programme
- ✓ revise, by providing revision tips and an interactive revision checklist (6).

Following a Cambridge International AS & A Level programme will help you to develop abilities that universities value highly, including a deep understanding of your subject; higher order thinking skills (analysis, critical thinking, problem solving); presenting ordered and coherent arguments; and independent learning and research.

Studying Cambridge International AS & A Level Accounting will help you to develop a set of transferable skills, including the ability to prepare and work with financial information; think logically and independently; apply, analyse and evaluate accounting information to assist with decision making; communicate findings to interested parties; consider the role and responsibilities of an accountant.

These transferable skills are an ideal foundation for further study and for a future career within accounting or related professions. In particular, studying Cambridge International AS & A Level Accounting will help you to be:

confident, using accounting terminology and formats, preparing and analysing financial statements and learning to communicate accounting information to stakeholders

responsible, considering how the ethical behaviour of accountants and auditors impacts the business and other stakeholders

reflective, considering how the concepts and accounting standards underpin the preparation of accounts and impact on the actions of the accountant

innovative, approaching learning and application with flexible and substantiated thinking

engaged, developing an interest in broader and evolving accounting issues and exploring the range of types of business for which a robust accounting system is required.

1. Syllabus content - what you need to know

This section gives you an outline of the syllabus content for this course. There are eight topics in the AS Level course and a further nine topics for the full A Level course, some of which build on the fundamental principles covered in the AS Level course.

Content	AS Level Topics
1. Financial accounting	1.1 Types of business entity 1.2 The accounting system 1.3 Accounting for non-current assets 1.4 Reconciliation and verification 1.5 Preparation of financial statements 1.6 Analysis and communication of accounting information
2. Cost and management accounting	2.1 Costs and cost behaviour 2.2 Traditional costing methods

Content	A Level Topics
3. Financial accounting	3.1 Preparation of financial statements 3.2 Regulatory and ethical considerations 3.3 Business acquisition and merger 3.4 Computerised accounting systems 3.5 Analysis and communication of accounting information
4. Cost and management accounting	4.1 Activity based costing (ABC) 4.2 Standard costing 4.3 Budgeting and budgetary control 4.4 Investment appraisal

Make sure you always check the latest syllabus, which is available from our [public website](#).

Prior knowledge

No prior knowledge of accounting is required; however, we recommend that learners starting this course have studied a Cambridge IGCSE™ (Extended) or Cambridge O Level course in Mathematics or the equivalent. Additionally, learners may have previously studied Cambridge IGCSE Accounting 0985, or Cambridge O Level Accounting 7707 or equivalent.

Key concepts

Key concepts are essential ideas that help you to develop a deep understanding of your subject and make links between different aspects of the course. The key concepts for Cambridge International AS & A Level Accounting are:

- **A true and fair view**

Financial statements are designed to give a true and fair view of the financial position, performance and changes in financial position of the business to internal and external stakeholders.

- **Duality**

Duality in accounting recognises that every financial transaction has a double (or dual) effect on the position of a business as recorded in the accounts.

- **Consistency**

Consistency in the treatment of financial transactions enables the performance of a business to be compared meaningfully over different time periods.

- **Business entity**

A business is a separate legal entity from the owner of a business. The accounting records must relate only to the business and not to the personal assets and spending of the owner.

- **Money measurement**

Financial accounts only include items and transactions that can be expressed in terms of money. For example, the purchase of raw material is recorded in the accounts whereas staff creativity is not.

- **Planning and control**

Management accounting provides a framework for a business to plan and control its finances and enables informed decision-making.

2. How you will be assessed

Cambridge International AS Accounting makes up the first half of the Cambridge International A Level course and provides a foundation for the study of Accounting at Cambridge International A Level.

About the examinations

There are three routes for Cambridge International AS & A Level Accounting:

Take Paper 1 and Paper 2 only in the same exam series leading to the Cambridge International AS Level qualification.

Follow a staged assessment route over two years by taking Paper 1 and Paper 2 (for the Cambridge International AS Level qualification) in one examination series and then Paper 3 and Paper 4 (for the Cambridge International A Level qualification) in a later examination series).

Take Paper 1, Paper 2, Paper 3 and Paper 4 in the same examination series, leading to the full Cambridge International A Level.

Find out from your teacher which papers you will be taking and when you will be taking them.

About the papers

The table gives you further information about the examination papers:

Component	Time and marks	Questions	Percentage of qualification
Paper 1 Multiple Choice	1 hour 30 marks	You will need to answer 30 multiple-choice questions. Twenty-two questions focus on financial accounting and eight questions focus on cost and management accounting.	28% of the AS Level 14% of the A Level
Paper 2 Fundamentals of Accounting	1 hour 45 minutes 90 marks	You will need to answer four structured questions. Questions 1, 2 and 3 focus on financial accounting and Question 4 focuses on cost and management accounting.	72% of the AS Level 36% of the A Level
Paper 3 Financial Accounting	1 hour 30 minutes 75 marks	You will need to answer three structured questions. Questions are based on the A Level Financial Accounting subject content.	30% of the A Level
Paper 4 Cost and Management Accounting	1 hour 50 marks	You will need to answer two structured questions. Questions are based on the A Level Cost and Management Accounting subject content.	20% of the A Level

About each paper

It is important that you understand the different types of questions in each paper and how you should approach them.

Paper 1 – Multiple Choice

Paper 1 contains 30 multiple-choice questions which are based on sections 1 and 2 of the subject content (the eight topics in the AS Level course).

Each correct answer will score one mark. A mark will not be deducted for an incorrect answer. You must answer all of the questions.

For each question there are four possible answers, A, B, C or D. You have to select the one you consider correct and record your choice on a multiple-choice answer sheet which will be given to you with the question paper. Full instructions on how to complete this answer sheet are given on the sheet.

You need to complete the answer sheet using a soft pencil.

You will be allowed to use a calculator.

70% of the questions will be testing your knowledge and understanding (AO1) of the eight topic areas in the AS Level course

content. This means that you need to know and understand terms, principles, procedures and techniques related to financial accounting and cost and management accounting.

30% of the questions will be testing whether you can analyse (AO2) and use financial accounting information and cost and management accounting information. Some questions will require you to perform calculations, but others will be based on theory.

Paper 2 – Fundamentals of Accounting (structured written paper)

Paper 2 contains four structured questions taken from sections 1 and 2 of the subject content (the eight topics in the AS Level course).

The total mark for this paper is 90 and you need to answer all of the questions. There will be three financial accounting questions, one worth 30 marks, two worth 15 marks each and one cost and management question worth 30 marks.

You will be allowed to use a calculator.

A structured question is one which relates to a fictitious business. There are different parts to each question. The mark for each individual question part is shown on the question paper.

Sometimes the answers to later parts of the question depend on answers to an earlier part of that question.

You write answers on the question paper using a black or dark blue pen.

60% of the paper tests knowledge and understanding (AO1). This means you need, for example, to be able to define and explain accounting terms, prepare accounting statements and ledger accounts and calculate accounting ratios.

23% of the paper tests analysis (AO2). This means you need to be able to select relevant information, analyse and present it in an appropriate way. This includes, for example, interpreting accounting ratios and relevant data.

17% of the paper tests evaluation (AO3). This means that you need to be able to evaluate both financial and non-financial information and draw reasoned conclusions. This includes offering advice or recommendations on different courses of action, supported with a balance of reasons.

Paper 3 – Financial Accounting (structured written paper)

Paper 3 contains three structured questions taken from section 3 of the subject content (the A Level Financial Accounting subject content). The content of the AS Level subject content is assumed knowledge for this paper.

The total mark for this paper is 75 marks. Each question is worth 25 marks. You will need to answer all of the questions.

You write answers on the question paper using a black or dark blue pen.

You will also be provided with source material for each question on a separate insert. You should not write your answers on this insert as only answers written on the question paper will be marked. You can, however, use the insert for notes and planning.

You will be allowed to use a calculator.

54% of this paper tests knowledge and understanding (AO1), 33% of this paper tests analysis (AO2) and 13% of this paper tests evaluation (AO3).

Paper 4 – Cost and Management Accounting

Paper 4 contains two structured questions taken from section 4 of the subject content (the A Level Cost and Management Accounting subject content).

You will be allowed to use a calculator.

The total mark for this paper is 50 marks. Each question is worth 25 marks. You must answer both questions.

You write answers on the question paper using a black or dark blue pen.

You will also be provided with source material for each question on a separate insert. You should not write your answers on this insert as only answers written on the question paper will be marked. You can, however, use the insert for notes and planning.

44% of this paper tests knowledge and understanding (AO1), 28% of this paper tests analysis (AO2) and 28% of this paper tests evaluation (AO3).

3. What skills will be assessed

The examiners take account of the following skills areas (**assessment objectives**) in the examinations:

Assessment objectives (AO)	What does the AO mean?
AO1 Knowledge and understanding	Remember facts, terms, concepts, policies, procedures and techniques for both financial accounting and cost and management accounting. Apply this knowledge and understanding to given situations.
AO2 Analysis	Select and analyse relevant information.
AO3 Evaluation	Assess financial accounting and cost and management accounting information to make decisions and recommendations.

It is important that you know the different weightings (%) of the assessment objectives, as this affects how the examiner will assess your work.

The approximate weightings allocated to each of the assessment objectives (AOs) are summarised below.

Assessment objectives as a percentage of each qualification

Assessment objective	Weighting at AS Level %	Weighting at A Level %
AO1 Knowledge and understanding	40	45
AO2 Analysis and application	40	30
AO3 Evaluation	20	25
Total	100	100

Assessment objectives as a percentage of each component

Assessment objective	Weighting in components %			
	Paper 1	Paper 2	Paper 3	Paper 4
AO1 Knowledge and understanding	45	35	50	50
AO2 Analysis and application	30	50	20	20
AO3 Evaluation	25	15	30	30
Total	100	100	100	100

4. Command words

The table below includes command words used in the assessment for this syllabus. The use of the command word will relate to the subject context.

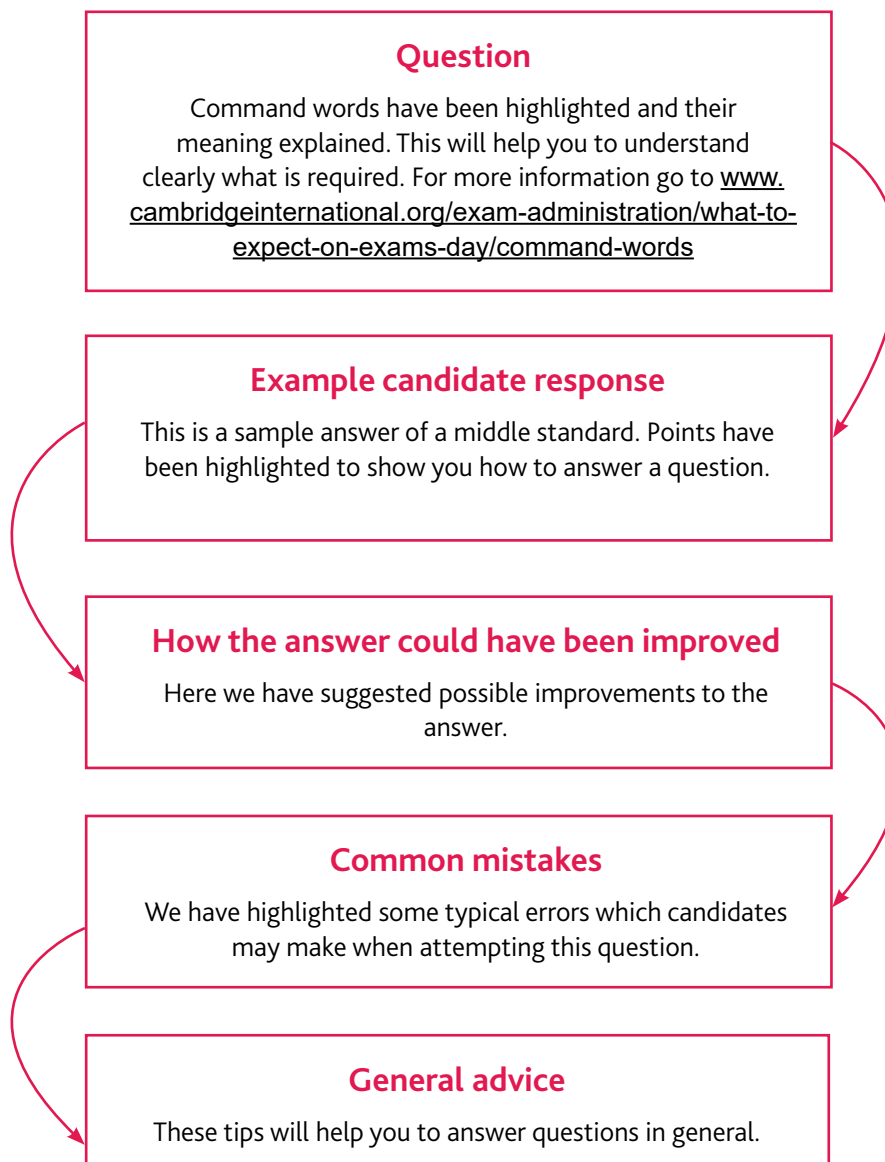
Command word	What it means
Advise	write down a suggested course of action in a given situation
Allocate	charge overheads that can be directly attributed to a specific cost centre to that centre
Analyse	examine in detail to show meaning, identify elements and the relationship between them
Apportion	charge overheads that cannot be directly attributable to a cost centre, to other centres using that overhead, on an appropriate basis
Assess	make an informed judgement
Calculate	work out from given facts, figures or information
Comment	give an informed opinion
Compare	identify/comment on similarities and/or differences
Define	give precise meaning
Describe	state the points of a topic/give characteristics and main features
Discuss	write about issue(s) or topic(s) in depth in a structured way
Evaluate	judge or calculate the quality, importance, amount, or value of something
Explain	set out purposes or reasons/make the relationships between things evident/provide why and/or how and support with relevant evidence
Identify	name/select/recognise
Justify	support a case with evidence/argument
Prepare	present information in a suitable format
Reapportion	recharge overheads from non-production cost centres on an appropriate basis
Reconcile	process two sets of figures to confirm their agreement
State	express in clear terms
Suggest	apply knowledge and understanding to situations where there are a range of valid responses in order to make proposals/put forward considerations

5. Example candidate response

This section takes you through an example question and candidate response. It will help you to see how to identify the command words within questions and to understand what is required in your response. Understanding the questions will help you to know what you need to do with your knowledge. For example, you might need to state something, calculate something, find something or show something.

All information and advice in this section is specific to the example question and response being demonstrated. It should give you an idea of how your responses might be viewed by an examiner but it is not a list of what to do in all questions. In your own examination, you will need to pay careful attention to what each question is asking you to do.

This section is separated as follows:



Question

This is the question for Paper 2 Fundamentals of Accounting Question 1 (a-e).

1 Jing is a sole trader. He does not maintain full accounting records. All sales and purchases are on credit. He provided the following information for the year ended 30 April 2020.

	\$
Cheques received from credit customers	96 300
Cheques paid to credit suppliers	73 540
Rent paid	5 500
Electricity paid	345
Carriage inwards	630
Carriage outwards	950
Other operating expenses	95
Irrecoverable debts written off	200
Purchases returns 2	480

Jing had the following assets and liabilities.

	At 30 April 2020	At 30 April 2019
	\$	\$
Equipment	?	?
Inventory	11 500	15 000
Trade receivables	2 250	3 750
Rent prepaid	400	500
Electricity owing	40	35
Trade payables	1 790	3 460

All equipment was originally purchased for \$2700 on 1 May 2018. Jing depreciates his equipment using the reducing balance method at a rate of 10% per annum.

REQUIRED

(a) (i) Calculate the revenue for the year ended 30 April 2020

.....

(a) Calculate – means work out the revenue and purchases from the information provided. This can be done in any form but clear workings should be shown (even if this is not specifically stated in the question) because you might be able to achieve some of the marks even if your final answer is wrong.

(b) Prepare the journal entry to record this transaction. A narrative is not required.

.....

(b) Prepare – means to present the information in a suitable format. You must be able to present the statement of profit or loss in good form, labelling the figures using the correct terminology with no abbreviations. Similarly, you must show the journal entry with the appropriate names of the ledger accounts involved and a clear indication of the debit and credit entries.

(c) State two types of entries, other than the correction of errors, which would usually be recorded in the general journal

1

.....

2

..... [2]

(c) State – means write down in clear terms. This can be brief but you should be as precise as possible.

(d) Assess the performance of the business for the year ended 30 April 2020. Suggest possible reasons for the changes.

(d) Assess – means to make an informed judgement by applying your knowledge and understanding of gross profit, gross profit margin, profit for the year and profit margin to Jing's business to consider whether or not the business is performing well.

(d) Suggest – means that you have to support the above assessment by developing your comments to come up with possible reasons why these results may have changed.

(e) State **three** benefits to a business of using ratios.

.....

.....

.....

.....

(e) State – means write down in clear terms. This can be brief but you should be as precise as possible.

Example candidate response

Example Candidate Response	Examiner comments																																																																
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Example Candidate Response

Examiner comments

(iii) Prepare Jing's statement of profit or loss for the year ended 30 April 2020.

Jing		
Statement of profit or loss for the year ended 30 April 2020		
	\$	\$
Revenue		95000
Less: cost of Goods sold		
opening inventory	15000	
Add: purchases	74350+630	
	89,980	
Less: closing inventory	(11,500)	(78,480) ²
Gross profit		16,520
Less: Expenses		
Rent (5500 + 55 - 400)	5600	
Electricity (345 - 35 + 40)	350	
Carriage outwards	950	
Operating expenses	95	
Bad debts ³	200	
Depreciation:		
Equipment (2430x10%)	243	(7438)
Net profit ⁴		<u>9082</u>

[11]

² Even though the figure for cost of sales is not correct as this answer has missed out purchases returns, the mark has been awarded for the candidate's own figure cost of sales and gross profit is appropriately labelled.

³ Although the correct terminology here is 'irrecoverable debts', there is no requirement for the precise label here, so the mark is awarded for inclusion of this item.

⁴ No mark is awarded for using old terminology ('net profit'). This should be labelled 'Profit for the year'.

Mark for (a) (iii) = 9/11

Example Candidate Response

Examiner comments

Additional information

After preparing the financial statements, Jing remembered the following:

He had paid his cleaner \$60 cash, out of his own money, to clean the offices and his house. He agreed that this should be split in the ratio 3 : 2 respectively.

REQUIRED

(b) Prepare the journal entry to record this transaction. A narrative is not required.

	\$	\$
	DY	CY
cleaner expense	36	
cash		36

5 The ledger account would be better named as 'other operating expenses', however this is acceptable.

6 The candidate has correctly calculated the amount related to business expenses.

(c) State two types of entries, other than the correction of errors, which would usually be recorded in the general journal

- 1 purchase of non-current assets
- 2 writing off bad debts

7 The credit entry should be to 'Capital (introduced)' because this was paid from Jing's personal money.

Mark for (b) = 1/2

8 The answer does not specify that the purchase is on credit (otherwise the general journal would not be the book of prime entry).

9 Old terminology is accepted for written responses/explanations/examples (but not for financial statements).

Mark for (c) = 1/2

Additional information

Jing calculated the gross profit margin and the profit margin for his business. He discovered that the gross profit margin had decreased for the year ended 30 April 2020. For the same period the profit margin had increased.

Example Candidate Response	Examiner comments
<p>REQUIRED</p> <p>(d) Assess the performance of the business for the year ended 30 April 2020. Suggest possible reasons for the changes.</p> <p>.....</p> <p><i>The gross profit margin for the year ended 30 April 2020 had probably decreased possibly due to lower selling prices or an increase in the cost of raw materials and purchases while consequently the expenses of the business may not have increased at a similar rate as the cost of sales did. Moreover, there possibly may have been an overall decrease in expenses which may have led to an increase in net profit margin. Examples include loan which may have been paid off along with its interest which contributed to the increase in profit margin. Overall, the business may have done better but there may be some factors to consider about regarding gross profit margin.</i></p> <p>..... [11]</p> <p>(e) State three benefits to a business of using ratios.</p> <p><i>(i) Business can set targets for the future.</i></p> <p><i>(ii) Business can compare performance with previous years.</i></p> <p><i>(iii) Business can compare performance with competitors.</i></p> <p>..... [2]</p>	<p>10 Two good examples given for a reason for the decrease in gross profit margin. This candidate shows an understanding of how the gross profit margin is affected and has provided two different examples.</p> <p>11 One reason for the increase in profit for the year, plus a valid example.</p> <p>12 The final comment is too general – more development is needed to achieve more out of the 8 marks available.</p> <p>Mark for (d) = 4/8</p> <p>13 Comparison is the key factor here.</p> <p>Mark for (e) = 2/3</p> <p>Total marks awarded = 21 out of 30</p>

How the answer could have been improved

This is a solid mid-level response. The candidate has done particularly well in the numerical parts of the question.

Question 1(a)(i) and (ii) – these answers were awarded full marks. The candidate supported the answer with appropriate workings and also clearly identified the final answer. Where only a calculation is required, this can be provided in any form. It is not necessary to use words/labels, however identifying each of the figures enables the marker to be in no doubt about how the calculation has been arrived at. Therefore, if the final answer had not been correct, it might still have been possible to achieve some marks.

Question 1(a)(iii) – this was also generally a good answer. However, the candidate did not use the required terminology when drawing up the statement of profit or loss. It is important to present financial statements in good form. This means that 'old' terminology will not be accepted for key labels in the statements.

It is also useful practice to ensure that full use is made of data provided in the question. The candidate here did not include purchases returns in the statement of profit or loss, despite correctly dealing with this in the previous part of the question (part (a)(ii)).

The candidate did well to include calculations where adjustments were required.

Question 1(c) – it is important to be precise when making statements/listing items. The candidate should have completed the comment about the purchase of non-current assets by specifying that the purchase would be on credit (if this had been a cash purchase, then the cash book would have been the book of prime entry).

Question 1(d) – this was an average answer. The candidate did understand what might have decreased the gross profit margin and increased the profit margin; however, they did not develop these points sufficiently or provide enough suggestions. In particular, the final point has not been explained in full and is repetition of a general point. This part of the question was worth

8 marks and this should give some idea about the number of points which needed to be made. The candidate did cover both gross profit margin and profit margin – full marks could not be awarded unless both aspects are assessed.

Question 1(e) – the candidate stated two benefits by clearly identifying that comparison with other factors is helpful to the business. The candidate might have mentioned another form of comparison for the third mark.

Common mistakes

These are some of the most common mistakes candidates make when answering this type of question:

Question 1(a)(i) and (ii)

- Reversing the opening and closing balances when calculating the missing figure.
- Not reading all of the question data and leaving out adjustments necessary for items such as bad debts and purchases returns.
- Showing the answer without any supporting workings. It is likely that a correct answer with no workings will gain full marks, however if the answer is not correct and not supported with calculations then no marks will be awarded. When only a calculation is required this can be in any form.
- No words are necessary, but it is helpful to identify the figures used.

Question 1(a) (iii)

- One of the most common reasons for not being awarded marks in this type of question (preparation of financial statements) is not providing the correct label (or indeed any label at all) for key figures in the statement.
- A particularly common mistake in a statement of profit or loss for a sole trader is to leave out the label for cost of sales (even if this has been correctly calculated it is usual that both the figure and the label are required in order to earn the available mark).
- Abbreviating labels, (e.g. GP for gross profit), or use 'old' terminology, such as 'net profit' rather than 'profit for the year' when this is not acceptable.
- Candidates should take care to include all relevant adjustments when calculating cost of sales, (e.g. candidates frequently omit carriage inwards and purchases returns).
- Reversing the treatment of opening and closing balances for accruals and prepayments when calculating the expense for the year.
- Not checking the question carefully to ensure that all items listed in the data have been included if necessary.
- When depreciation calculations are required, it is important to check the date of purchase of the asset and the depreciation policy.

Question 1(b)

- Candidates not showing the correct format for a journal entry, (i.e. not indicating the relevant debit and credit entries). Candidates often do not realise that the adjustment for the amount relating to the business expense needs to be calculated and therefore incorrectly show the journal entry for the full amount.
- The most frequent error here is showing the credit entry as being from the bank/cash account, rather than realising that this was paid out of the owner's own money and thus should be credited to the capital account.

Question 1(c)

- Including 'correction of errors' as a type of entry to be recorded in the general journal. Whilst this is certainly an example of a type of entry to be included, the question specifically asked for entries other than the correction of errors.
- It is extremely important to read the question carefully.

Question 1(d)

- The most common error in analysis and evaluation questions is in not developing basic statements made. This question asked for an assessment of the business performance and also for suggestions about reasons for the change. Many candidates often make a basic comment, but do not go on to develop this in some way by stating a possible reason linked to this comment.
- Write according to the number of marks available, if a question is worth 8 marks this should make it clear that a number of comments are required.
- It is common for candidates to answer only one part of the question, (e.g. to comment on gross profit only and make no comments about profit for the year). It is important to understand that full credit could only be earned by making enough

statements about each aspect of the business performance.

- In questions asking for an analysis of the gross profit margin, it is a common misconception to confuse the gross profit figure with the margin (percentage of gross profit to revenue) by stating, for example, that the reason for the fall is as a result of a sales (volume) falling, rather than the selling price falling, or purchases increasing rather than the cost of purchases increasing. It is important to understand that volume has no effect on the gross profit margin itself.

Question 1(e)

- Candidates commonly list a number of very general benefits to a business of using ratios. It is not sufficient to suggest performance assessment or target setting without reference to some measure of comparison.

General advice

- Read every question carefully. Make note of the command words and underline/take note of any key information. Take time to think and plan your approach to the answer. This will save valuable time in the examination.
- Presentation of financial statements is very important. It is essential that you know how to lay out all relevant financial statements. Items must be in the correct place in the statement with the correct label. No abbreviations are accepted.
- It is also necessary to know how to present ledger accounts with appropriate labels and dates as well as figures on the correct side of the account.
- Even if a question does not specify that workings must be shown, it is always advisable to show any calculations which support the final answer. If the answer is incorrect and no calculations have been shown, then no marks can be awarded. If, however, you have shown calculations, it may be that you can get some of the available marks. You must provide your answers on the question paper. Sometimes space is provided for workings but otherwise it is perfectly acceptable to show the calculation in brackets on the face of a financial statement.
- It is essential to pay close attention to the details provided in the question and the instructions. Sometimes, for example, you will be asked to calculate figures to a certain number of decimal places. If you do not do so, you will not be able to earn all of the available marks.
- In written questions, it is always a good idea to see how many marks are available. This will give you guidance on how much detail is required, or how many points you may need to make. For example, if you are asked to state two reasons for a fall in gross profit margin, then you should realise that one mark is available for each statement and no further explanation is necessary. However, if you are asked to explain two ways in which a business could increase the gross profit margin and four marks are available, you should realise that more than a basic statement is required for each point.
- Where you are asked to make recommendations, decisions or give advice, this means that you should come up with a suggested course of action/recommendation for a given situation. Even if you correctly provide supporting explanations, you will not be able to earn all available marks if you do not conclude with advice. You are expected to support this recommendation/decision with a balance of reasons to justify this.
- Where you are asked to calculate accounting ratios, you must use the formulae provided in the syllabus. You must learn these ratios, as they will not be given in the question paper.
- If you have not managed to complete a question, but still made a good attempt, it might be best to move on to another question and come back to what you have not finished later. This may be better use of the time you have available in the examination.
- If you have time, always check your work at the end.

Section 6: Revision

This advice will help you revise and prepare for the examinations. It is divided into general advice and specific advice for each of the papers.

Use the tick boxes to keep a record of what you have done, what you plan to do or what you understand.

General advice

Before the examination

Find out when the examinations are and plan your revision so you have enough time for each topic. A revision timetable will help you.

Find out how long each paper is and how many questions you have to answer.

Know the meaning of the command words used in questions and how to apply them to the information given. Highlight the command words in past papers and check what they mean.

Make revision notes; try different styles of notes. Discover what works best for you.

Work for short periods then have a break. Revise small sections of the syllabus at a time.

Build your confidence by practising questions on each of the topics.

Make sure you practise lots of past examination questions so that you are familiar with the format of the examination papers. You could time yourself when doing a paper so that you know how quickly you need to work in the real examination.

Look at mark schemes to help you to understand how the marks are awarded for each question.

Test yourself by preparing templates for each type of financial statement.

Test yourself on definitions of accounting terms.

During the examination

Read the instructions carefully and answer all the questions.

Check the number of marks for each question or part question. This helps you to judge how long you should spend on the response. You don't want to spend too long on some questions and then run out of time at the end.

Do not leave out questions or parts of questions. Remember, no answer means no mark.

You do not have to answer the questions in the order they are printed in the answer booklet. You may be able to do a later question more easily then come back to an earlier one for another try.

Read each question very carefully. Misreading a question can cost you marks:

- Identify the command words – you could underline or highlight them.
- Identify the other key words and perhaps underline them too.
- Try to put the question into your own words to understand what it is really asking.

Read all parts of a question before starting your answer. Think carefully about what is needed for each part. You will not need to repeat material, although the later parts of a structured question may require you to use answers from an earlier part of the same question.

Read each question very carefully. Make sure you know what you have to do before you attempt your answer. Try using coloured pencils or pens to pick out anything that the question asks you about.

Answer the question. This is very important!

- Use your knowledge and understanding.
- Do not just write everything you know about that topic, only write what is needed to answer the question.

Make sure that you have answered everything that a question asks. For example, "Advise X which option he should choose. Justify your answer".

Always show your working. Marks can be awarded for parts of the calculation even if you make a mistake somewhere.

Do not cross out any working until you have replaced it by trying again. Even if you know it is not correct you may still be able to get method marks. If you have made two or more attempts, make sure you cross out all except the one you want marked.

Use accounting terms in your answers when possible.

Make sure all your numbers are clear, for example make sure your '1' doesn't look like a '7'.

If you need to change a word or a number, or even a sign (+ to – for example), it is better to cross out your work and rewrite it. Do not try to write over the top of your previous work as it will be difficult to read and you may not get the marks.

Advice for Paper 1 – Multiple Choice

Paper 1 consists of 30 multiple-choice questions. The paper lasts for 1 hour, which means that you have approximately 2 minutes for each question – although some may take you longer than others to answer.

You may use the question paper for notes and calculations, but you must complete the answer sheet provided in the correct way.

Start with the questions you feel most confident about.

You can often discard one or two options as being incorrect, therefore you may be able to select the correct answer from the remaining options.

Do not leave an answer blank – if you cannot decide, make a sensible guess.

Use all of the available time - if you complete the paper before the end of the hour, use any time left to check your answers and ensure you have completed every question.

Advice for Paper 2 – Fundamentals of Accounting

The paper lasts for 1 hour 45 minutes and is worth 90 marks. The first and last questions are worth 30 marks each, this means you can spend approximately 35 minutes on Question 1 and 35 minutes on Question 4. Questions 2 and 3 are worth 15 marks each, therefore allow approximately 17 minutes for each of Question 2 and Question 3.

It is advisable to leave a question when the time you have allocated for it is over, and move on to a new question. You can return to complete any unfinished answers at the end if you have time left.

It is usually the case that you can earn more marks by attempting all parts of all questions rather than spending time trying to make just a few answers perfect.

Make sure you read each question very carefully before attempting an answer. This helps you know exactly what you are required to do.

It may be that part of a question is on a topic which you feel you cannot answer. However, it is likely that you can complete the rest of the answer, so do not abandon the whole question.

Your answers must all be written on the question paper. There should be sufficient space provided for you to present your answer. If you find you need more space, you may continue your answer on a blank page. If you do so, put a note to show where the rest of your answer can be found.

If you are asked to prepare financial statements or ledger accounts, think carefully about how these should be laid out before you attempt to write your answer.

If the question is a written theory question, plan the points you need to include and check that this answers the question requirement.

Show all workings and calculations where you can, as marks may be awarded even if the final answer is incorrect.

Make sure you use the formulae specified in the syllabus to calculate any accounting ratios. (The formulae will not be provided in the examination).

It is important that you present the answer in the required format – for example the presentation of a ratio must use the correct suffix, (e.g. %, times) and be shown to the number of decimal places specified in the question.

When you are asked to comment on some figures, results or ratios, do not simply repeat these figures. You are expected to interpret these figures and results and use them to support any recommendations or advice.

Make sure all words and figures are able to be read.

Do not leave the examination early. Use any time you have left at the end of the exam to go over your answers.

Advice for Paper 3 – Financial Accounting

This paper lasts for 1 hour 30 minutes and is worth a total of 75 marks. There are three questions, each worth 25 marks. Spend approximately 30 minutes on each question.

Other advice is similar to that for structured written Paper 2.

Advice for Paper 4 – Cost and Management Accounting

This paper lasts for 1 hour and is worth 50 marks. There are two questions, each worth 25 marks. Spend approximately 30 minutes on each question.

Other advice is similar to that for structured written Paper 2.

Revision checklists

In the next part of this guide we have provided some revision checklists. These include information from the syllabus that you should revise. They do not contain all the detailed knowledge you need to know, just an overview. For more detail see the syllabus and talk to your teacher.

The table headings are explained below:

Topic	You should have an understanding of	R	A	G	Comments
Here is a list of the topics you need to cover and work through.	This is what you should be able to do or know for each part of the syllabus.	<p>You can use the tick boxes to show when you have revised an item and how confident you feel about it.</p> <p>R = RED means you are really unsure and lack confidence; you might want to focus your revision here and possibly talk to your teacher for help.</p> <p>A = AMBER means you are reasonably confident but need some extra practice.</p> <p>G = GREEN means you are very confident.</p> <p>As your revision progresses, you can concentrate on the RED and AMBER items in order to turn them into GREEN items. You might find it helpful to highlight each topic in red, orange or green to help you prioritise.</p>			<p>You can use the Comments column to:</p> <ul style="list-style-type: none"> • add further information of your own • add learning aids, such as rhymes, poems or word play • pinpoint areas of difficulty you need to check further with your teacher or textbooks • include reference to a useful resource.

Note: the tables below cannot contain absolutely everything you need to know, but it does use examples wherever it can.

1 Financial accounting (AS Level)

Topic 1 Types of business entity

Topic	You should have an understanding of	R	A	G	Comments
1.1.1 Types of business entity	the different types of business entity: <ul style="list-style-type: none"> • sole trader • partnership • limited company (including public limited company (plc)) 				
	the advantages and disadvantages of these types of business entity				
	sources of finance and methods of funding for these types of business entity including: <ul style="list-style-type: none"> • loans (secured and unsecured) • bank overdrafts • payment by instalments • rental/leasing as an alternative to purchase • trade credit • sources of finance for limited companies as in 1.5.4 				

Topic 1.2 The accounting system

Topic	You should have an understanding of	R	A	G	Comments
1.2.1 The accounting system	the principles of the double entry system to record business transactions				
	the accounting equation				
	the role of books of prime entry in the recording of business transactions: <ul style="list-style-type: none"> • sales journal • sales returns journal • purchases journal • purchases returns journal • cash book • general journal 				
	preparation of ledger accounts				
	the purpose of a trial balance				

Topic	You should have an understanding of	R	A	G	Comments
	the advantages and disadvantages of maintaining full accounting records				
	the accounting concepts underpinning the preparation of accounts: <ul style="list-style-type: none"> • business entity • historic cost • money measurement • going concern • consistency • prudence • realisation • duality • materiality • objectivity • matching/accruals • substance over form 				
	the use of computerised accounting systems in recording financial transactions				
	the advantages and disadvantages of introducing a computerised accounting system				
	the ways in which the security of data can be ensured within a computerised accounting system				

Topic 1.3 Accounting for non-current assets

Topic	You should have an understanding of	R	A	G	Comments
1.3.1 Capital and revenue income and expenditure	the difference between the treatment of capital and revenue income and capital and revenue expenditure				
	the effect on profit/loss and asset value of the incorrect treatment of capital and revenue expenditure				
1.3.2 Changing asset values	factors that cause the value of non-current assets to depreciate				
	the purpose of accounting for depreciation of non-current assets and the associated application of relevant accounting concepts				
	how to calculate depreciation using the reducing balance and straight-line methods the most appropriate method of calculating depreciation				

Topic	You should have an understanding of	R	A	G	Comments
	how to measure the value of non-current assets by the cost model or the revaluation model				
	how to prepare ledger accounts and journal entries for: <ul style="list-style-type: none"> non-current assets (acquisition and revaluation) depreciation and disposal (including entries for part exchange) 				
	how to calculate profit or loss on disposal of a non-current asset				
	how to record the effect of a charge for depreciation in the statement of profit or loss and statement of financial position				

Topic 1.4 Reconciliation and verification

Topic	You should have an understanding of	R	A	G	Comments
1.4.1 Reconciliation and verification	the need to reconcile and verify ledger accounts using documentation from internal and external sources				
	the benefits and limitations of reconciliation and verification procedures				
1.4.2 Trial balance	errors which affect the trial balance				
	errors which do not affect the trial balance: <ul style="list-style-type: none"> omission commission principle original entry reversal compensating 				
	how to prepare ledger accounts and journal entries to correct errors using a suspense account				
	the effect on the financial statements of the correction of errors				
	the benefits and limitations of a trial balance				
1.4.3 Bank reconciliation statements	updating of cash books				
	how to prepare bank reconciliation statements				

Topic	You should have an understanding of	R	A	G	Comments
	the benefits and limitations of preparing a bank reconciliation statement				
1.4.4 Control accounts	entries in control accounts				
	sales ledger control accounts and purchases ledger control accounts				
	reconciliation statements between control account balances and ledger balances				
	the effects on financial statements of the correction of errors				
	the benefits and limitations of control accounts				

Topic 1.5 Preparation of financial statements

Topic	You should have an understanding of	R	A	G	Comments
1.5.1 Adjustments to draft financial statements	<p>how to calculate and record the adjustments needed and the effect on financial statements in respect of:</p> <ul style="list-style-type: none"> • accruals and prepayments of income and expenses • irrecoverable debts, irrecoverable debts recovered and allowance for irrecoverable debts • depreciation • inventory valuation • correction of errors 				
1.5.2 Sole traders	how to prepare a statement of profit or loss and statement of financial position for a sole trader from full or incomplete accounting records. The business may be a trading or a service business				
1.5.3 Partnerships	how to prepare a statement of profit or loss, appropriation account and statement of financial position for a partnership from full or incomplete accounting records. The business may be a trading or a service business				
	why partners may maintain separate capital accounts and current accounts				
	how to prepare partners' capital and current accounts				
	the contents of a partnership agreement				

Topic	You should have an understanding of	R	A	G	Comments
	the advantages and disadvantages to partners of maintaining a partnership agreement				
	the provisions of the Partnership Act 1890 in respect of partners' salaries, division of profit or loss, interest on partners' loans, interest on capital and interest on drawings				
1.5.4 Limited companies	the features and accounting treatment of ordinary shares, bonus issues, rights issues, debentures, dividends and reserves				
	the advantages and disadvantages to the company and to the shareholders of a company making a bonus issue of shares and a rights issue of shares				
	the advantages and disadvantages to the company and to the shareholders of a company issuing shares and issuing debentures				
	the distinction between capital reserves (share premium and revaluation reserve) and revenue reserves (retained earnings and general reserve)				
	how to prepare ledger accounts to record: <ul style="list-style-type: none"> • an issue of ordinary shares at par or at a premium • a rights issue of shares at par or at a premium • a bonus issue of shares 				
	how to prepare a statement of profit or loss, statement of financial position and statement of changes in equity for a limited company. The business may be a trading or a service business				
	sources of finance for specified purposes				

Topic 1.6 Analysis and communication of accounting information

Topic	You should have an understanding of	R	A	G	Comments
1.6.1 Users of accounting information	the differing requirements for information of stakeholders including: <ul style="list-style-type: none"> • owners • managers • employees • investors • lenders • suppliers • customers • government • public and environmental bodies 				
	how to communicate and analyse the information required by these different stakeholders				
1.6.2 Calculation and evaluation of ratios	how to calculate key accounting ratios to measure profitability, liquidity and efficiency: <ul style="list-style-type: none"> • profitability ratios: gross profit margin, mark-up, profit margin, return on capital employed, expenses to revenue ratio (operating expenses to revenue ratio) • liquidity ratios: current ratio, acid test ratio • efficiency ratios: non-current asset turnover, trade receivables turnover (days), trade payables turnover (days), inventory turnover (days), rate of inventory turnover (times) 				
	how to evaluate the profitability, liquidity and efficiency of an organisation by interpreting ratios				
	possible measures to improve the profitability, liquidity and efficiency of an organisation				
	the limitations of accounting information				

2 Cost and management accounting (AS Level)

Topic 2.1 Costs and cost behaviour

Topic	You should have an understanding of	R	A	G	Comments
2.1.1 Materials and labour	accounting for material and labour costs				
	how to identify and calculate fixed costs, variable costs, semi-variable costs and stepped costs				
	how to identify and calculate the elements of direct and indirect costs				
	how to calculate the value of closing inventory using the first in first out (FIFO) and weighted average cost (AVCO) methods (perpetual and periodic)				
	the principles of just in time (JIT) management of inventory				

Topic 2.2 Traditional costing methods

Topic	You should have an understanding of	R	A	G	Comments
2.2.1 Costing applications	how to apply traditional costing methods to prepare costing statements using unit, job and batch costing principles in both manufacturing and service businesses as applicable				
2.2.2 Absorption costing	the difference between a cost centre and a cost unit				
	how to allocate and apportion overhead expenditure between production and service departments				
	how to calculate overhead absorption rates using an appropriate basis				
	the causes and the calculation of under absorption and over absorption of overheads				
	how to prepare costing and profit statements using absorption costing				
	the uses and limitations of absorption costing				
	the usefulness of absorption cost data as a support for management decision-making				
non-financial factors and their significance					

Topic	You should have an understanding of	R	A	G	Comments
2.2.3 Marginal costing	how to calculate the contribution of a product				
	how to interpret a break-even chart				
	how to calculate the break-even point, contribution to sales ratio, level of output or sales to achieve a target profit, and margin of safety				
	the use and limitations of break-even analysis				
	how to prepare costing and profit statements using marginal costing				
	how to prepare a statement reconciling the reported profits using marginal costing and absorption costing				
	the uses and limitations of marginal costing				
	the usefulness of marginal costing data as a support for management decision-making, including make-or-buy, special orders, closure of business unit, limiting factors, target profit non-financial factors and their significance				
2.2.4 Cost-volume-profit analysis	the advantages and limitations of cost-volume-profit analysis				
	the usefulness of cost-volume-profit data as a support for management decision-making				
	how to apply costing concepts to make business decisions and recommendations using supporting data				
	non-financial factors and their significance				

3 Financial accounting (A Level)

Topic 3.1 Preparation of financial statements

Topic	You should have an understanding of	R	A	G	Comments
3.1.1 Financial statements	the need for and purpose of financial statements for specific types of business				
3.1.2 Partnerships	goodwill and the difference between purchased goodwill and inherent goodwill				
	how to prepare partners' capital and current accounts to record changes required in respect of goodwill and revaluation of assets on: <ul style="list-style-type: none"> • a change in the partners' profit-sharing ratio • the introduction of a new partner • the retirement of an existing partner • the dissolution of a partnership 				
	how to prepare the partnership appropriation account, statement of profit or loss and statement of financial position including changes in a partnership occurring part-way through an accounting year				
	how to prepare a realisation account and a revaluation account				
3.1.3 Clubs and societies	the distinction between a receipts and payments account and an income and expenditure account				
	how to define and calculate the accumulated fund				
	how to prepare, from full or incomplete accounting records: <ul style="list-style-type: none"> • a receipts and payments account • accounts for trading and revenue-generating activities • a subscriptions account • an income and expenditure account • a statement of financial position 				
	how to account for other receipts, including life memberships and donations				
	how to make adjustments to financial statements (as detailed in 1.5.1)				
	how to evaluate possible sources of finance and methods of fundraising				

Topic	You should have an understanding of	R	A	G	Comments
3.1.4 Manufacturing businesses	how to prepare a manufacturing account, to differentiate between direct and indirect expenses and to include factory profit				
	how to prepare, for a manufacturing business, a statement of profit or loss and a statement of financial position				
	how to account for manufacturing profit and the elimination of unrealised profit from unsold inventory				
	the reasons why a business may account for manufacturing profit				
3.1.5 Limited companies	<p>how to prepare for a limited company in line with the relevant international accounting standards and legal requirements:</p> <ul style="list-style-type: none"> • statement of profit or loss • statement of financial position • statement of cash flows • statement of changes in equity • schedule of non-current assets 				

Topic 3.2 Regulatory and ethical considerations

Topic	You should have an understanding of	R	A	G	Comments
3.2.1 International Accounting Standards	<p>the main provisions of each of the following International Accounting Standards (IAS):</p> <ul style="list-style-type: none"> • IAS 1 Presentation of financial statements • IAS 2 Inventories • IAS 7 Statement of cash flows • IAS 8 Accounting policies, changes in accounting estimates and errors • IAS 10 Events after the reporting period • IAS 16 Property, plant and equipment • IAS 36 Impairment of assets • IAS 37 Provisions, contingent liabilities and contingent assets • IAS 38 Intangible assets 				

Topic	You should have an understanding of	R	A	G	Comments
3.2.2 Ethical considerations	the need for an ethical framework in accounting				
	the fundamental principles of: <ul style="list-style-type: none"> • integrity • objectivity • professional competence and due care • confidentiality • professional behaviour 				
	how the ethical behaviour of accountants and auditors impacts the business and other stakeholders				
	the social implications of decision-making				
3.2.3 Auditing and stewardship of limited companies	the role and responsibilities of the auditor				
	the differences between an external audit and an internal audit				
	the difference between a qualified and unqualified audit report				
	stewardship and the role of directors and their responsibilities to shareholders				
	the importance of a true and fair view in respect of financial statements				

Topic 3.3 Business acquisition and merger

Topic	You should have an understanding of	R	A	G	Comments
3.3.1 Business acquisition and merger	the nature and purpose of the merger of different types of businesses to form a new business entity				
	how to prepare journal entries and make entries in the relevant ledger accounts to record the: <ul style="list-style-type: none"> • merger of two or more sole trader businesses to form a partnership or a limited company • merger of a sole trader's business with an existing partnership to form a new partnership • acquisition of a sole trader's business or partnership by a limited company 				
	how to calculate the value of goodwill on the acquisition of the business by another entity				

Topic	You should have an understanding of	R	A	G	Comments
	how to prepare statements of profit or loss and statements of financial position for the newly formed business entity following the acquisition or merger, for example the limited company acquiring the partnership				
	the advantages and disadvantages of the acquisition or merger				

Topic 3.4 Computerised accounting systems

Topic	You should have an understanding of	R	A	G	Comments
3.4.1 Computerised accounting systems	the process of transferring the business accounts to a computerised accounting system				
	ways in which the integrity of the accounting data can be ensured during the transfer to a computerised accounting system				

Topic 3.5 Analysis and communication of accounting information

Topic	You should have an understanding of	R	A	G	Comments
3.5.1 Analysis and communication of accounting information	how to calculate the following ratios: <ul style="list-style-type: none"> • working capital cycle (in days) • net working assets to revenue (sales) • interest cover • gearing ratio • earnings per share • price/earnings ratio • dividend per share • dividend yield • dividend cover 				
	how to analyse and evaluate the results of the ratios and draw conclusions				
	how to make appropriate recommendations to stakeholders on the basis of the analysis undertaken				
	the interrelationships between ratios				

4 Cost and management accounting (A Level)

Topic 4.1 Activity based costing (ABC)

Topic	You should have an understanding of	R	A	G	Comments
4.1.1 Activity based costing	the application of activity-based costing (ABC)				
	the uses and limitations of ABC				
	what is meant by a cost driver				
	how to use ABC to: <ul style="list-style-type: none"> identify the appropriate cost driver apportion and allocate overheads calculate the total cost and selling price of a unit 				
	the effect of different methods of overhead absorption on cost and profit				
	how to apply ABC costing techniques to make business decisions and recommendations using supporting data				

Topic 4.2 Standard costing

Topic	You should have an understanding of	R	A	G	Comments
4.2.1 Standard costing	the meaning of a system of standard costing in an organisation				
	the advantages and disadvantages of a standard costing system				
	how standard costing can be used as an aid to improve the performance of a business				
	how to calculate the following variances: <ul style="list-style-type: none"> direct material price and usage direct labour rate and efficiency fixed overhead expenditure and volume fixed overhead capacity and efficiency sub-variances sales price and volume 				
	possible causes of favourable or adverse variances and their relationship to each other				
	how to make business decisions and recommendations using supporting data				

Topic	You should have an understanding of	R	A	G	Comments
	the significance of non-financial factors				

Topic 4.3 Budgeting and budgetary control

Topic	You should have an understanding of	R	A	G	Comments
4.3.1 Budgeting and budgetary control	the advantages and disadvantages of a budgetary control system to an organisation				
	the advantages and disadvantages of preparing budgets using spreadsheets				
	what is meant by a master budget				
	how to prepare the following budgets: <ul style="list-style-type: none"> • sales • production • purchases • labour • trade receivables • trade payables • cash • budgeted statement of profit or loss • budgeted statement of financial position 				
	the effect of limiting factors on the preparation of budgets				
	the benefits of flexible budgeting over fixed budgeting				
	how to prepare a flexible budget statement				
	possible causes of differences between actual and flexible budgeted data				
	how to prepare a statement reconciling the flexible budgeted cost of production with the actual cost of production				
	how to prepare a statement reconciling the flexible budgeted profit with the actual profit				
how to make business decisions and recommendations using supporting data					

Topic	You should have an understanding of	R	A	G	Comments
	the behavioural aspects of budgeting, including targets, incentives and motivation				
	the significance of non-financial factors				

Topic 4.4 Investment appraisal

Topic	You should have an understanding of	R	A	G	Comments
4.4.1 Investment appraisal	future net cash inflows and outflows arising from the project				
	how to apply the following capital investment appraisal techniques: <ul style="list-style-type: none"> • payback • accounting rate of return ($ARR = (\text{average profit}/\text{average investment}) \times 100$) • net present value (NPV) • internal rate of return (IRR) 				
	the advantages and disadvantages of these capital investment appraisal techniques				
	how to make investment decisions and recommendations using supporting data				
	the significance of non-financial factors				

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