

## Scheme of Work

# Cambridge International AS & A Level Accounting 9706

For examination from 2023



Copyright © UCLES 2021 (updated October 2023)

Cambridge Assessment International Education is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which itself is a department of the University of Cambridge.

UCLES retains the copyright on all its publications. Registered Centres are permitted to copy material from this booklet for their own internal use. However, we cannot give permission to Centres to photocopy any material that is acknowledged to a third party, even for internal use within a Centre.

---

## Contents

---

Introduction.....	4
1. Financial accounting (AS Level).....	7
2. Cost and management accounting (AS Level).....	20
3. Financial accounting (A Level).....	25
4. Cost and management accounting (A Level).....	34

## Introduction

This scheme of work has been designed to support you in your teaching and lesson planning. You can choose what approach to take and you know the nature of your institution and the levels of ability of your learners. What follows is just one possible approach you could take and you should always check the syllabus for the content of your course.

Suggestions for independent study (**I**) and formative assessment (**F**) are included.

Opportunities for differentiation are indicated as **Extension activities**; there is the potential for differentiation by resource, grouping, expected level of outcome, and degree of support by teacher. Timings for activities and feedback are left to the judgment of the teacher, according to the level of the learners and size of the class.

### Key concepts

This scheme of work is underpinned by the assumption that Accounting encourages learners to be confident, responsible, reflective, innovative and engaged. The key concepts are highlighted as a separate item in the syllabus. Reference to the Key Concepts is made throughout the scheme of work using the key shown below:

**Key Concept 1 (KC1) – A true and fair view**

**Key Concept 2 (KC2) – Duality**

**Key Concept 3 (KC3) – Consistency**

**Key Concept 4 (KC4) – Business entity**

**Key Concept 5 (KC5) – Money measurement**

**Key Concept 6 (KC6) – Planning and control**

### Guided learning hours

Guided learning hours give an indication of the amount of contact time teachers need to have with learners to deliver a particular course. Our syllabuses are designed around 180 hours for Cambridge International AS Level and 360 hours for Cambridge International A Level. The number of hours may vary depending on local practice and your learners' previous experience of the subject. The table below gives some guidance about how many hours are recommended for each topic.

Topic	Suggested teaching time (hours / % of the course)	Suggested teaching order
Financial accounting (AS Level)	It is recommended that this should take about 34% of the course.	1
Cost and management accounting (AS Level)	It is recommended that this should take about 16% of the course.	2
Financial accounting (A Level)	It is recommended that this should take about 34% of the course.	3
Cost and management accounting (A Level)	It is recommended that this should take about 16% of the course.	4

## Resources

You can find the endorsed resources on the Published resources tab of the syllabus page on our [public website](#)

Endorsed textbooks have been written to be closely aligned to the syllabus they support, and have been through a detailed quality assurance process. All endorsed textbooks are the ideal resource to be used alongside this scheme of work as they cover each learning objective. In addition to reading the syllabus, teachers should refer to the specimen assessment materials.

[Teaching tools](#) – designed to help you to deliver interactive classroom activities and engage learners.

[Tool to support remote teaching and learning](#) – find out about and explore the various online tools available for teachers and learners.

## School Support Hub

The [School Support Hub](#) is a secure online resource bank and community for Cambridge teachers, where you can download specimen and past question papers, mark schemes and other teaching and learning resources. This scheme of work is available as PDF and an editable version in Microsoft Word format. If you are unable to use Microsoft Word you can download Open Office free of charge from [www.openoffice.org](http://www.openoffice.org)

## How to get the most out of this scheme of work – integrating syllabus content, skills and teaching strategies

This scheme of work provides some ideas and suggestions of how to cover the content of the syllabus. The following features help guide you through your course.

**Learning objectives** help your learners by making it clear the knowledge they are trying to build. Pass these on to your learners by expressing them as ‘We are learning to / about...’.

**Suggested teaching activities** give you lots of ideas about how you can present learners with new information without teacher talk or videos. Try more active methods which get your learners motivated and practising new skills.

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
1.1.1 Types of business entity <b>KC1 A true and fair view</b>	Understand sources of finance and methods of funding	<p>Incorporate here the main source of finance for limited companies from 1.5.4 – mainly ordinary shares issue debentures but not rights and bonus issue of shares.</p> <p>Use a common framework to compare and contrast different sources of finance to include the following:</p> <ul style="list-style-type: none"> <li>• duration (short or long term)</li> <li>• repayment or permanent</li> <li>• cost, e.g., interest or dividends</li> <li>• purposes / applications, e.g., to fund non-current assets</li> <li>• security or collateral requirements</li> <li>• disclosure in financial statements</li> <li>• risk level</li> <li>• internal or external</li> <li>• impact on ownership, e.g., dilution of control.</li> </ul> <p><b>Extension activity:</b> devise scenarios where learners can select the most suitable method(s) to finance the proposals. For discursive questions on business financing using the command word ‘advise’ enables learners to be able to put forward arguments for and against before reaching a decision, with appropriate justification.</p>

**Extension activities** provide your more able learners with further challenge beyond the basic content of the course. Innovation and independent learning are the basis of these activities.

**Independent study (I)** gives your learners the opportunity to develop their own ideas and understanding without direct input from you.

### Past and specimen papers

**Past papers, specimen papers and mark schemes** are available for you to download from the [School Support Hub](#). Using these resources with your learners allows you to check their progress and give them confidence and understanding.

download from the [School Support Hub \(F\)](#)

**Formative assessment (F)** is on-going assessment which informs you about the progress of your learners. Don’t forget to leave time to review what your learners have learnt, you could try question and answer, tests, quizzes, ‘mind maps’, or ‘concept maps’. These kinds of activities can be found in the scheme of work.

## 1. Financial accounting (AS Level)

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
<b>1.1 Types of business entity</b>		
1.1.1 Types of business entity <b>KC4 Business entity</b>	Understand different types of business entity, including sole trader, partnership and limited company	<p>Use a common framework to compare and contrast different ownership types regarding:</p> <ul style="list-style-type: none"> <li>• legal form</li> <li>• ownership</li> <li>• management and control.</li> </ul> <p>Discuss the distinction between private (Ltd) and public (plc) limited companies:</p> <ul style="list-style-type: none"> <li>• minimum share capital</li> <li>• number of directors</li> <li>• number and types of shareholders.</li> </ul> <p>Use scenarios to explore further, e.g., benefits and drawbacks or converting from a sole trade to either a partnership or a private limited company.</p> <p>Learners should recognise that the flip side of an attribute is effectively the same thing, e.g., the benefits of converting from a sole trader to a partnership would be broadly the same features as the drawbacks of remaining as a sole trader.</p>
1.1.1 Types of business entity <b>KC1 A true and fair view</b>	Understand sources of finance and methods of funding	<p>Incorporate here the main source of finance for limited companies from 1.5.4 – mainly ordinary shares issue and debentures but not rights and bonus issue of shares.</p> <p>Use a common framework to compare and contrast different sources of finance to include the following:</p> <ul style="list-style-type: none"> <li>• duration (short or long term)</li> <li>• repayment or permanent</li> <li>• cost, e.g., interest or dividends</li> <li>• purposes / applications, e.g. to fund non-current assets</li> <li>• security or collateral requirements</li> <li>• disclosure in financial statements</li> <li>• risk level</li> <li>• internal or external</li> <li>• impact on ownership, e.g., dilution of control.</li> </ul>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<p><b>Extension activity:</b> devise scenarios where learners can select the most suitable method(s) to finance the proposals. For discursive questions on business financing using the command word 'advise' enables learners to be able to put forward arguments for and against before reaching a decision, with appropriate justification.</p>
<b>1.2 The accounting system</b>		
<p>1.2.1 The accounting system</p> <p><b>KC2 Duality</b></p>	<p>Understand the double entry system including the accounting equation</p>	<p>Frame the principles of double entry book keeping in the context of five stages in the accounting system for transactions to include:</p> <ul style="list-style-type: none"> <li>• Stage 1. source documents</li> <li>• Stage 2. books of prime entry</li> <li>• Stage 3. ledger accounting</li> <li>• Stage 4. trial balance</li> <li>• Stage 5. financial statements.</li> </ul> <p>Access learners own prior knowledge and understanding (K&amp;U) / personal experiences where possible, e.g. examples of source documents they are familiar with and or have used, to include receipts and bank statements.</p> <p>Learners should think of the accounting equation being about gains and losses to a business which then translates more technically into debits for the former and credits for the latter. This is underpinned especially by the concept of duality.</p> <p>Also emphasise that every transaction has an equal (same monetary value) and opposite (at least one gain and one loss) effect on the business.</p> <p>Start with some simple transactions to illustrate the process, e.g.</p> <ul style="list-style-type: none"> <li>• an asset transaction: Purchasing a machine and paying by cheque for \$5 000. The business would gain the machine but lose the money</li> <li>• a liability transaction: Negotiating a bank loan for \$10 000. The business would gain the \$10 000 but in the long run would lose the \$10 000 due to the need for the loan to eventually be repaid.</li> </ul> <p>Explore variations to the accounting equation as follows:</p> <ul style="list-style-type: none"> <li>• assets = liabilities + capital</li> <li>• assets – liabilities = capital.</li> </ul>
<p>1.2.1 The accounting system</p> <p><b>KC2 Duality</b></p>	<p>Understand books of prime entry</p>	<p>Explain the role of each book of prime entry partly by appreciating its connection with both the preceding and subsequent stages, e.g., a sales invoice is recorded in the sales journal which then gets recorded in both the sales ledger and general ledger.</p> <p>Explore the:</p>



Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<ul style="list-style-type: none"> <li>• layout of the cash book, e.g., three columns to include cash, bank and discount</li> <li>• construction of a general journal entry.</li> </ul> <p>Emphasise alternative terminology where appropriate, including both subsidiary books and daybooks (for books of prime entry).</p> <p>Learners should understand that the same transaction will have different source documents depending on whether it is being viewed from the perspective of the seller or the buyer, e.g.</p> <ul style="list-style-type: none"> <li>• selling goods on a credit basis would be represented by a sales invoice to the seller but the same document would then be a purchase invoice to the buyer</li> <li>• a cheque being used for payment would have the cheque counterfoil as the source document for the business making the payment but the source document for the business receiving the payment would be a paying in slip counterfoil</li> <li>• develop a list of typical transactions that a general journal would be used for, e.g. correction of errors. Simplify by stating that it is used for any transaction not recorded in any of the other five books of prime entry. Ensure learners understand the composition of a general journal entry to include the name of the accounts to be both debited and credited and a narrative to explain the purpose / reason for the journal.</li> </ul> <p>Other important points to note:</p> <ul style="list-style-type: none"> <li>• the cash book is the only book of prime entry that is also part of the double entry system</li> <li>• the cash book is the book of prime entry for discounts allowed and received</li> <li>• the double entry for discounts involves postings to the relevant discount accounts <b>and</b> the accounts for suppliers or customers.</li> </ul>
<p>1.2.1 The accounting system</p> <p><b>KC2 Duality</b></p>	<p>Preparation of ledger accounts</p>	<p>Use a basic framework to underpin the principles:</p> <ul style="list-style-type: none"> <li>• asset and expense accounts operate in the same way (Dr (debit) gain or increase and Cr (credit) loss or decrease)</li> <li>• liability, income and capital accounts operate in the same but opposite way (Dr gain or decrease and Cr loss or increase).</li> </ul> <p>Note that assets and liabilities are easier to rationalise in this way. For expenses, ask learners to think in terms of what is being gained, e.g. to pay wages and salaries means the business is gaining staff use. For income, think in terms of what is the loss, e.g. the products that have been sold to customers or the time taken to provide a service.</p> <p>This topic requires significant practice at processing double entry transactions.</p> <p>Use a methodology to balancing ledger accounts:</p> <ul style="list-style-type: none"> <li>• Step 1. add the larger value side (Dr or Cr) and record this total at the bottom of the account</li> </ul>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<ul style="list-style-type: none"> <li>• Step 2. record this same amount at the bottom of the other side in the account (Dr or Cr)</li> <li>• Step 3. find the difference in value between the two sides in the account</li> <li>• Step 4. record this difference in the lower value side and label as Bal c/d (if an asset liability or capital account) or IS (if an income or expenditure account)</li> <li>• Step 5. transfer bal c/d in the account to become bal b/d below the account in the opposite side but this doesn't apply to an IS figure (as it is used to calculate profit or loss).</li> </ul> <p>Conduct exercises to extract the balances from the ledger T accounts to prepare a draft trial balance – this will emphasise the function of the TB and the connection between the stages in the accounting system.</p> <p>Make sure you explain here that:</p> <ul style="list-style-type: none"> <li>• ledger accounts are either personal or impersonal accounts</li> <li>• impersonal accounts are either real accounts (for assets), or nominal accounts (for revenue or expenses)</li> <li>• how and why the ledger is divided into sections.</li> </ul>
<p>1.2.1 The accounting system</p> <p><b>KC1 A true and fair view</b>  <b>KC2 Duality</b>  <b>KC3 Consistency</b>  <b>KC4 Business entity</b>  <b>KC5 Money measurement</b>  <b>KC6 Planning and control</b></p>	<p>Understand accounting concepts</p>	<p>Concepts can be abstract, so use practical examples to illustrate, e.g. drawings are a good example of the business entity concept in which the owner and the business are separate legal entities and so cash and / or goods taken for the owner's personal use have to be recorded as a deduction from capital.</p> <p>Use a card matching activity to match concept names to correct description and or definition and further to suitable examples to illustrate or demonstrate, e.g. prudence means not overstating the value of assets and so depreciation would ensure that the assets were reduced in value due to for example wear and tear (usage).</p> <p>Ensure that learners understand that more than one concept can potentially apply to a given situation, e.g. depreciation of non-current assets:</p> <ul style="list-style-type: none"> <li>• historic cost: the original cost of an asset would be changed due to depreciation to calculate the carrying amount / net book value</li> <li>• money measurement: depreciation is a book adjustment / provision only</li> <li>• consistency: use the same depreciation method each year</li> <li>• prudence: depreciation ensures assets are not overstated</li> <li>• duality: depreciation has a double entry effect Dr income statement as an expense to reduce profit / loss and Cr asset cost or NBV (net book value)</li> <li>• matching / accruals: depreciation matches the loss in value of an asset over its estimated useful life.</li> </ul> <p>Learners plan out other examples to illustrate multiple concepts relevance.</p> <p>Learners use the internet to identify and define the following accounting principles:</p> <ul style="list-style-type: none"> <li>• business entity</li> <li>• historic cost</li> </ul>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<ul style="list-style-type: none"> <li>• money measurement</li> <li>• going concern</li> <li>• consistency</li> <li>• prudence</li> <li>• realisation</li> <li>• duality (double-entry)</li> <li>• materiality</li> <li>• objectivity</li> <li>• matching / accruals</li> <li>• substance over form. <b>(I)</b></li> </ul> <p>Note that there is now a further concept called planning and control (used to enable informed decision-making).</p>
1.2.1 The accounting system <b>KC6 Planning and control</b>	Understand computerised accounting systems	<p>Learners have already had experience of preparing manual accounting records, including books of prime entry and ledger accounts.</p> <p>Whole class discussion on how a computerised accounting system would be better than this approach, e.g. reduce / eliminate some errors, more professional presentation of data, etc.</p> <p><b>Extension activity:</b> explore any drawbacks subsequently, perhaps based on learners' own experiences / exposure to using IT.</p> <p>Appreciate how the computerised accounting system would have a different impact on the business and the accounting staff using the system thus undertaking a more holistic evaluation of its overall usefulness and impact.</p>
<b>1.3 Accounting for non-current assets</b>		
1.3.1 Capital and revenue income and expenditure <b>KC1 A true and fair view</b>	Understand capital and revenue income and expenditure	<p>Simplify by identifying that:</p> <ul style="list-style-type: none"> <li>• capital income and expenditure relate to non-current asset transactions</li> <li>• revenue income and expenditure are other than non-current asset transactions.</li> </ul> <p>Conduct a selection exercise to categorise expenses as either being revenue or capital expenditure, e.g. the delivery cost of a machine would be capital expd (incurred in getting the asset into a useable condition) but insurance of the same machine would be revenue expd (an ongoing running cost incurred after the initial purchase).</p> <p>Develop a flow diagram to demonstrate misclassification, e.g., to treat capital as revenue expd would:</p> <ul style="list-style-type: none"> <li>• increase costs</li> <li>• decrease profit</li> </ul>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<ul style="list-style-type: none"> <li>• decrease asset value.</li> </ul> <p><b>Extension activity:</b> learners record the implications of mis-classifying revenue as capital expenditure.</p>
1.3.2 Changing asset values <b>KC3 Consistency</b>	Understand changing asset values (depreciation and revaluation)	<p>Explore the idea of depreciation by relating to learners' personal assets or own experience, e.g., the fact that a car / vehicle will go down in value over time and as it is used more and so the second-hand value is less than the original purchase price. Extend to appreciate what would cause this loss in value, e.g., wear and tear / use of the vehicle would increase the mileage and that mileage is a fundamental determinant of the value of a used vehicle.</p> <p>Use a simple numerical example to illustrate how depreciation (and therefore NBV or carrying amount) would be different using either the straight-line or reducing balance methods. Understand that the depreciation in year 1 though would be the same for both methods as it is based on original cost.</p> <p>Use prior K&amp;U of books of prime entry and ledger accounts when making entries to record non-current asset transactions, e.g. to eliminate the cost of an asset being disposed would be Dr disposal account and Cr asset cost account (the latter of which would be asset decrease or loss of asset value).</p> <p>Learners should understand that different methods are appropriate for different types of non-current assets, e.g.</p> <ul style="list-style-type: none"> <li>• straight-line method for assets that lose value more uniformly over the life of the asset (to include typically buildings and fixtures and fittings)</li> <li>• reducing balance method for assets that lose more value earlier on and less value later on in the asset life (to include typically motor vehicles and plant and machinery).</li> </ul>
<b>1.4 Reconciliation and verification</b>		
1.4.1 Reconciliation and verification	Understand reconciliation	Learners should understand what reconciliation means and what its usefulness could include, e.g., to identify and then be able to correct any errors in aspects of the accounting system.
1.4.2 Trial balance <b>KC2 Duality</b>	Understand trial balances (including errors both affecting and not affecting)	<p>Recap 1.2 the accounting system where trial balances have been introduced and / or prepared. Use an appropriate method to summarise the principles of how a trial balance is constructed, e.g. using DEADCLIC:</p> <ul style="list-style-type: none"> <li>• debits are expenses, assets and drawings accounts</li> <li>• credits are liabilities, income and capital accounts.</li> </ul> <p>Use a mnemonic to remember the types of errors not affecting the trial balance (COPROC).</p> <p>Learners think of what errors could affect the trial balance including:</p> <ul style="list-style-type: none"> <li>• entering a different amount in Dr and Cr sides for a transaction</li> <li>• only entering the Dr or the Cr side but not both</li> <li>• entering a transaction amount twice in either the Dr or Cr side.</li> </ul>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<p>Link error correction to the general journal in that each error correction has to have a Dr and Cr entry in the accounting system.</p> <p>Explore the impact of error correction on draft profit and simplify it as follows:</p> <ul style="list-style-type: none"> <li>• any relevant Dr journal entry would reduce profit (expense increase and or income decrease)</li> <li>• any relevant Cr journal entry would increase profit (expense reduction and or income increase).</li> </ul> <p>Understand that if the trial balance difference had been provided (or can be calculated) then the correction of errors will mean that the suspense account balance will revert to zero – this can be used to check that all errors have been correctly dealt with.</p> <p><b>Extension activity:</b> link the trial balance back to previous K&amp;U of the accounting system stages when exploring the benefits, e.g.</p> <ul style="list-style-type: none"> <li>• checks on the arithmetical accuracy of the ledger accounts from the preceding stage (double entry book-keeping / ledge accounting)</li> <li>• assists with the preparation of the subsequent stage (financial statements).</li> </ul>
<p>1.4.3 Reconciliation and verification</p> <p><b>KC6 Planning and control</b></p>	<p>Understand bank reconciliation statements</p>	<p>Explain the basic principle that reconciliation means to agree two figures (in this case that the balance on the cash book and the balance on the bank statement are different amounts and that in fact neither figure is necessarily correct).</p> <p>A useful recap initially to 1.2 the accounting system and books of prime entry. Adopt a staged approach to the completion of a bank reconciliation statement as follows:</p> <ul style="list-style-type: none"> <li>• Step 1: check transactions from the cash book to the bank statement and subsequently ignore any transactions that can be found in both places – these cannot represent differences.</li> <li>• Step 2: update the cash book with unticked transactions from the bank statement as these are not already in the cash book, e.g. direct debits</li> <li>• Step 3: prepare the actual reconciliation which will include the remaining unticked transactions from the cash book on the basis that these have not yet appeared on the bank statements but will eventually show after a timing delay.</li> </ul> <p>Link to errors, e.g. there could be mistakes in either the cash book or the bank statement (although the former is more likely).</p> <p>Show the bank reconciliation statement in two different ways to allow for variations in question information, e.g. start with either the updated balance per the cash book or the closing balance on the bank statement.</p> <p>Ensure that learners understand that the bank reports the balance from the opposite perspective to the business and that this means that the transaction in the Dr side of the cash book would be found in the Cr side of the bank statement and vice versa. Understand also why this is the case, e.g. a positive bank balance is a liability to the</p>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		bank as it is owed to the business but that a negative bank balance (overdraft) is an asset to the bank as it is owed by the business.
1.4.4 Control accounts  <b>KC6 Planning and control</b>	Understanding control accounts	<p>Review ledger accounts in which the sales and purchase ledger control accounts are in the general ledger and are totals for all credit transactions with customers and suppliers. The sales and purchases ledger accounts therefore contain one account for each individual customer and supplier.</p> <p>Recognise the connection with basic double entry principles as follows:</p> <ul style="list-style-type: none"> <li>• the sales ledger control account is effectively the trade receivables account and thus an asset account. Any transaction which means customers owe more would increase the asset account as a Dr entry and any transactions which means the customers owe less would decrease the asset account as a Cr entry</li> <li>• the purchases ledger control account is effectively a trade payables account and therefore a liability account. Any transactions which mean suppliers are owed more would increase the liability account as a Cr entry and any transaction which means the suppliers are owed less would decrease the liability account as a Dr entry. Remember that the two accounts work in opposite directions.</li> </ul> <p>Use a simple example to demonstrate the reconciliation process, e.g. provide basic extracts from the sales journal, sales returns journal and cash book relating to a few customer transactions. Post these amounts to each individual customer account and the totals in each case to the control account. Balance all accounts and verify that the total from the control account should equal the sum of the individual balances from each customer account.</p> <p>Ensure that it is recognised that when conducting a reconciliation:</p> <ul style="list-style-type: none"> <li>• some errors may affect the control account and the individual sales and or purchase ledger accounts, e.g., an error of omission</li> <li>• other errors may only affect one of the other, e.g., an over or under casting of the books of prime entry will only affect the control accounts as these are prepared using the totals.</li> </ul>
<b>1.5 Preparation of financial statements</b>		
1.5.1 Adjustments to draft financial statements  <b>KC1 A true and fair view</b>	Understand adjustments to financial statements	<p>Provide a basic framework for each adjustment to show the fundamental impact on the financial statements, e.g.</p> <ul style="list-style-type: none"> <li>• prepaid expense is an expense paid this period but not incurred until next period (in advance)</li> <li>• it is deducted from expenses in the statement of profit and loss (to increase profit)</li> <li>• it is also added to current assets in the statement of financial position</li> <li>• it is an asset as the business is owed the product or service that has been paid for early.</li> </ul> <p>Learners think of common examples, e.g. insurance or rent for prepaid expenses.</p> <p>Discuss that accrued income does not include trade receivable and that equally accrued expenses does not include trade payables.</p>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<p>Look at more complex examples where for instance the amount of prepaid or accrued expense has to be calculated / time apportioned even before making the subsequent relevant adjustments.</p> <p>Learners prepare a summary grid in which they identify separate columns for each adjustment to include examples, the impact on each statement, etc.</p> <p>Avoid any confusion where learners could think mistakenly that prepaid income and expenses are treated in the same way as each other and equally that the same applies to accrued income and expenses, e.g.</p> <ul style="list-style-type: none"> <li>• same treatment: a prepaid amount is added in the statement of profit and loss (applies whether it is income or expense)</li> <li>• different treatment: a prepaid expense is a current asset but a prepaid income is a current liability.</li> </ul> <p><b>Extension activity:</b> learners provide an equivalent ruling for accrued amounts.</p> <p>Emphasise the difference between irrecoverable debts and allowances for irrecoverable debts. Adopt a staged approach to calculating and treating the adjustment for the allowance:</p> <ul style="list-style-type: none"> <li>• Step 1: calculate the new allowance as a % of trade receivables</li> <li>• Step 2: calculate the difference between the old / existing allowance and the new allowance</li> <li>• Step 3: the new allowance total is deducted from the trade receivables figure</li> <li>• Step 4: the change in allowance can be treated differently in which an increase is recorded as an expense and a decrease is added to gross profit.</li> </ul>
<p>1.5.2 Sole traders</p> <p><b>KC1 A true and fair view</b></p>	<p>Prepare financial statements for sole traders</p>	<p>Practice is essential to fully understand the preparation of the financial statements. Start with basic examples where there are just the main elements and with no adjustments. Then gradually build up the complexity until all possible elements are incorporated.</p> <p>Use cards to sort line descriptions into the correct order within each format. Begin by having them as one set of description labels for the statement of profit and loss and one set for the statement of financial position. They could then be completely jumbled up to make it more complex.</p> <p>Learners try and re write the layouts for each from memory (having tried to revise the structures) and then by checking afterwards – this will help to clear up any areas of confusion or mistakes.</p> <p>Use blank proformas to assist with preparation of a tutor led worked example followed by learner own practice questions.</p> <p>Use simple techniques to remember some basics, e.g., the cost of sales section can include six possible elements as follows:</p> <ul style="list-style-type: none"> <li>• three are added (opening inventory, carriage inwards and purchases)</li> <li>• three are deducted (closing inventory, goods for own use and returns outwards/purchase returns).</li> </ul>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<p>Ensure that there is always an explanation to help with understanding, e.g., closing inventory would be included in purchases but is then deducted as it is not a cost of sale because the goods haven't been sold yet.</p> <p>Use some summary formulas to embed this further, e.g.:</p> <ul style="list-style-type: none"> <li>• revenue less cost of sales = gross profit</li> <li>• gross profit + other income – expenses = profit or loss for the year</li> <li>• total assets = non-current assets + current assets</li> <li>• total capital and liabilities = capital + non-current liabilities and current liabilities.</li> </ul> <p>Explore the idea of preparing financial statements from incomplete records.</p> <p>Emphasise that the financial statements will probably be quite simple because the questions will focus more on how to find the missing information.</p> <p>Construct a list of techniques that can be used to find missing information, e.g.</p> <ul style="list-style-type: none"> <li>• calculate the opening capital for that business (using a statement of affairs)</li> <li>• calculate the sales and purchases for that business (using prior K&amp;U of ledger accounts)</li> </ul> <p>Ensure that learners use prior K&amp;U to support these techniques, e.g., use of a sales ledger control accounts format to determine a missing credit revenue figure.</p> <p><b>Extension activity:</b> look at more complex techniques to find, for example, missing cash or inventory amounts.</p> <p>Use a simple rule to overcome the usual confusion between mark-up and margin, e.g.</p> <ul style="list-style-type: none"> <li>• mark-up expresses gross profit as a % of cost of sales and so cost of sales is the 100% figure</li> <li>• margin expresses gross profit as a % of revenue and so revenue is the 100% figure.</li> </ul> <p>Apply using a simple set of %s before manipulating figures to find other missing values. E.g., 20% gross profit:</p> <ul style="list-style-type: none"> <li>• with mark-up: sales would be 120% and cost of sales would be 100%</li> <li>• with margin: sales would be 100% and cost of sales would be 80%.</li> </ul>
<p>1.5.3 Partnerships</p> <p><b>KC1 A true and fair view</b></p>	<p>Prepare financial statements for partnerships</p>	<p>Learners should have a sound K&amp;U of the layouts for both the statement of profit and loss and the statement of financial position from preparing these for sole traders.</p> <p>Provide learners with a set of financial statements for a partnership business and ask them to identify the similarities and differences from the equivalent statements for a sole trader business. They will notice that the key differences are:</p> <ul style="list-style-type: none"> <li>• the appropriation account is added to the statement of profit or loss</li> <li>• the splitting of the partner's investment into separate capital and current accounts in the statement of financial position.</li> </ul>



Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<p>Refer back to the principle of double entry when constructing the capital and current ledger accounts. In this, both are relating to capital and so to increase the value of the owner's investment would be a Cr entry and to decrease the value of the owner investment would be a Dr entry. Provide cards for all possible entries in the current accounts and get them to order them into Dr and Cr accordingly, e.g. salaries would be a Cr entry and drawings would be a Dr entry.</p> <p>Emphasise that in the main entries are either Dr or Cr with the exception of profit or loss which could be in either side. Also, the same would apply potentially to both the bal b/d and bal c/d amounts depending on whether the account is overdrawn or not.</p> <p>Give particular attention to:</p> <ul style="list-style-type: none"> <li>• the advantages and disadvantages of trading as a partnership</li> <li>• how to calculate partners' shares of profits accurately</li> <li>• showing that interest on a partner's loan to the firm is an expense debited in the statement of profit or loss and not an appropriation of profit</li> <li>• showing that profit for the year is always the profit after charging the interest</li> <li>• showing that partners' interest on capital and drawings and their salaries are methods of dividing the profit for the year and are shown in the appropriation account</li> <li>• good presentation of the partners' capital and current accounts in the statement of financial position is important.</li> </ul>
<p>1.5.4 Limited companies</p> <p><b>KC1 A true and fair view</b></p>	<p>Prepare financial statements for limited companies</p>	<p>Learners should have a sound K&amp;U of the layouts for both the statement of profit and loss and the statement of financial position from preparing these for sole traders and partnerships.</p> <p>Provide learners with a set of financial statements for a limited company and get them to identify the similarities and differences from the equivalent statements for a sole trader business. They will notice that the key differences are the terminology variations, the inclusion of finance cost and corporation tax in the statement of profit and loss and the equity section in the statement of financial position with the split between share capital and reserves (noting that drawings don't feature in a limited company).</p> <p>Give particular attention to:</p> <ul style="list-style-type: none"> <li>• the advantages and disadvantages of trading as a limited company compared to sole trader / partnership</li> <li>• ensuring that learners fully understand the difference between shares and debentures and between provisions and reserves.</li> </ul> <p>During preparation of financial statements, introduce the statement of changes in equity but make it clear that this is only a note to the financial statements. Also show how it dovetails in that the closing balances will be the same figures as those shown in the equity section on the statement of financial position.</p> <p>Emphasise the following points during the preparation of financial statements:</p>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<ul style="list-style-type: none"> <li>• that debentures must be shown as non-current liabilities unless they are redeemable within one year, never as part of equity (share capital and reserves)</li> <li>• that the premium on the issue of shares must be credited to the share premium account, never to share capital account (a common error)</li> <li>• that proposed dividends are shown as a note to the financial statements and not as a current liabilities in the statement of financial position.</li> </ul>
1.5.4 Limited companies <b>KC1 A true and fair view</b>	Understand different share issue methods (at par, at premium, rights and bonus issues)	<p>Construct a summary table to compare and contrast rights and bonus issue of shares, e.g.</p> <ul style="list-style-type: none"> <li>• similarities to include the fact that they are offered to existing shareholders in proportion to existing holding (to avoid potential dilution of ownership)</li> <li>• differences to include the fact that rights issues have a cost to shareholders but bonus issues are free of charge.</li> </ul> <p>Summarise the key distinction between reserve categories, e.g.</p> <ul style="list-style-type: none"> <li>• capital reserves are non-distributable and cannot be used to pay dividends</li> <li>• revenue reserves in contrast are distributable and can be used to pay dividends.</li> </ul> <p>Ensure that learners know that bonus issue of shares still have an equivalent value even though they are not paid for and that this is the par value of each share.</p> <p>Ensure that learners appreciate that the statement of changes in equity details movements on share capital and reserves between the beginning and end of the financial year. Also emphasise that if a bonus issue features in the statement of changes in equity that there is no increase (or decrease) in total equity resulting.</p> <p><b>Extension activity:</b> refer back to the principle of double entry when constructing the ledger accounts to record share issues. In this, both share capital and reserve accounts constitute capital type accounts and so to increase the value would be a Cr entry and to decrease the value would be a Dr entry.</p>
<b>1.6 Analysis and communication of accounting information</b>		
1.6.1 Users of accounting information <b>KC4 Business entity</b>	Understand different parties/stakeholders' interests in a business	<p>Learners brainstorm what parties could have a vested interest in a business. Develop this by indicating what the relevant interests might be including an appreciation about how they are the same or even different.</p> <p>Emphasise that stakeholders can be classified as either being:</p> <ul style="list-style-type: none"> <li>• internal, e.g., owners or external, e.g., suppliers.</li> <li>• having interests which are either financial or non-financial in nature.</li> </ul> <p>Summarise that all stakeholders are ultimately interested either directly or indirectly in the financial performance of the business and that this includes:</p>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<ul style="list-style-type: none"> <li>• cash / liquidity situation for short term survival</li> <li>• profitability for long term success.</li> </ul> <p>Understand that the owner can include the sole trader, partners or shareholders. Emphasise that shareholders can only exist in a limited company. Also note that the word stakeholder and shareholder are not interchangeable terms and that a shareholder is only an example of a stakeholder, which in turn therefore can include many different groups.</p>
1.6.2 Calculation and evaluation of ratios  <b>KC6 Planning and control</b>	Understand key accounting ratios	<p>Simplify the ratio categories to assist K&amp;U as follows:</p> <ul style="list-style-type: none"> <li>• all profitability ratios are expressed as %s and with the exception of the expense to revenue ratio, a higher % outcome indicates a better performance</li> <li>• both liquidity ratios are expressed as actual ratios with the :1 being consistent and where above 1:1 is considered generally better</li> <li>• most efficiency ratios are expressed in terms of number of days with the only exception being those showing inventory turnover where this can be expressed as number of times pa.</li> </ul> <p>Learners to study the formulas carefully as these need to be used accurately. Part of this includes ensuring that the outcome from the ratio calculation is expressed in the correct terms, e.g. % or other.</p> <p>Identify different skills that can be tested within the ratio analysis topic to include:</p> <ul style="list-style-type: none"> <li>• AO1 (knowledge and understanding) – being able to apply a ratio formula to calculate a ratio outcome</li> <li>• AO2 (analysis) – being able to comment on the performance of the business based on the ratio outcomes. Here, it is important to use language which clearly show the improvement or deterioration in performance, for example between two years. It is not sufficient to merely state that the ratio has increased or decreased or some such similar wording</li> <li>• AO3 (evaluation) – being able to recognise what could be done to improve the performance of the business, e.g., to increase the selling price and or decrease the purchase price of inventory if the gross profit margin is declining.</li> </ul> <p><b>Extension activity:</b> learners research the pyramid of ratios, the relationships between them and their method of calculation. (I)</p>

### Past and specimen papers

Past/specimen papers and mark schemes are available to download from the [School Support Hub \(F\)](#)  
 2023 Specimen Paper 01  
 2023 Specimen Paper Mark Scheme 01

## 2. Cost and management accounting (AS Level)

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
<b>2.1 Costs and cost behaviour</b>		
2.1.1 Materials and labour <b>KC6 Planning and control</b>	Understand different cost types and classifications	<p>Use simple graphical depictions to show how different cost types would be presented (applicable to fixed, variable and stepped). Within this learners should understand that stepped costs are essentially fixed costs in nature but with an incremental change at a certain output level.</p> <p>Use a matching exercise to correlate a cost term with a definition and an example where applicable, e.g. fixed costs matched with costs that remain constant with output level, e.g. rent.</p> <p>Emphasise the correlation between different costing terms where applicable, e.g., that in general terms:</p> <ul style="list-style-type: none"> <li>• direct costs are variable in nature and would include typically materials and labour</li> <li>• indirect costs are fixed in nature and would include typically costs such as rent and supervisor's salary.</li> </ul> <p>Use a tangible example to illustrate different cost types, e.g., costs involved directly and indirectly in the manufacture of a product such as a table or chair (used in the classroom).</p> <p>Give particular attention to:</p> <ul style="list-style-type: none"> <li>• the need to clearly distinguish between direct and indirect labour</li> <li>• how direct and indirect labour changes or not with variations in output</li> <li>• the different ways in which labour can be remunerated</li> <li>• the accurate calculation of wages payable, including bonus and idle time.</li> </ul>
2.1.1 Materials and labour <b>KC6 Planning and control</b>	Understand different methods of inventory valuation (including JIT)	<p>Use a consistent set of data to illustrate how inventory would be valued differently depending on which inventory valuation method is being used (and the impact this would have on profit).</p> <p>Ensure learners understand that the inventory valuation methods are only FIFO and AVCO. It is therefore possible to calculate both methods using either periodic or perpetual approaches, as these are only an indication of how often the inventory valuation is calculated or updated.</p> <p>Recognise that the valuation will be the same for FIFO whether the periodic or perpetual approaches are adopted but that it would be a different valuation if the same approaches were applied using the AVCO method.</p> <p>Ensure that learners understand that the FIFO method isn't about the actual physical movement of specific inventory items. That said, it has an underpinning rationale in that it would be logical for a business to issue the oldest inventory items first to avoid problems such as obsolescence or deterioration in quality occurring, (e.g., for perishable stock items in nature).</p> <p>Focus on using for each method to work through the process of:</p>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<ul style="list-style-type: none"> <li>• issuing / receiving the materials</li> <li>• calculating the value of each issue</li> <li>• calculating the value of the inventory remaining after each receipt / issue.</li> </ul> <p>Emphasise that with AVCO and using the perpetual approach, that a new average cost is calculated only after each receipt and NOT each subsequent issue (this is a common mistake).</p>
<b>2.2 Traditional costing methods</b>		
2.2.1 Costing applications  <b>KC6 Planning and control</b>	Understand unit, job and batch costing	<p>Draw the distinction between unit and job so that unit is for one product, but job could be a number of units consigned to a specific customer order for example.</p> <p>Use examples to illustrate the calculations to ensure that it isn't too abstract, e.g. batch production could be applied to a manufacturer of paint or wallpaper.</p> <p>Much of the knowledge requirement for this topic has been covered in the previous sections on materials and labour. This recap will help determine which areas might need further consolidation during the following activities.</p> <p>Ensure that learners fully understand the difference between fixed, variable and semi-variable costs and how they do or don't alter with changes in the level of activity.</p>
2.2.2 Absorption costing  <b>KC6 Planning and control</b>	Understand absorption costing	<p>Use a staged approach so learners understand the procedure as follows:</p> <ul style="list-style-type: none"> <li>• Step 1: allocation</li> <li>• Step 2: apportionment using an appropriate basis</li> <li>• Step 3: reapportionment of service department overheads to production departments</li> <li>• Step: calculate an overhead absorption rate (OAR) for each department using either machine or labour hours</li> <li>• Step 5: calculate a selling price for a job (profit statement).</li> </ul> <p>Calculate over or under absorption overheads as a separate activity. Within the analysis, emphasise that both will result in a negative impact on profit but for different reasons, e.g.</p> <ul style="list-style-type: none"> <li>• under absorption leading to less than full cost recovery via selling prices determined</li> <li>• over absorption leading to higher selling prices and potentially lower demand.</li> </ul> <p>Build on the stages one at a time to gain secure K&amp;U. Be particularly careful to show how if you have more than one service department requiring reapportionment that this needs to be done in the correct order to get the correct answer.</p> <p>Share some handy tips for question completion to possibly include:</p>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<ul style="list-style-type: none"> <li>• if the overhead costs calculated for apportionment and re apportionment are awkward numbers including decimals, then re check as it could well be that either an incorrect basis has been selected or there could have been a calculation mistake</li> <li>• if the OAR is again not a very convenient number, such as not to 2 decimal places, e.g. \$7.25, then it is possible that either the overhead cost for that department is incorrect or the wrong hours have been selected (the most dominant number of hours should always be used to denote either a labour or capital-intensive cost centre)</li> <li>• ensure that the total overheads for each production department after stage 3 still add to the overall total overhead costs for the business.</li> </ul> <p>Some common errors in this type of question are:</p> <ul style="list-style-type: none"> <li>• including direct material and/or direct labour in the calculations</li> <li>• trying to reapportion some costs when the question has already given their allocation, for example indirect labour/material.</li> <li>• not using the most appropriate basis to calculate the overhead absorption rate (the most common are direct labour hours and machine hours)</li> <li>• calculating an actual overhead absorption rate and multiplying it by the actual hours, rather than taking the budgeted overhead absorption rate and multiplying that by the actual hours.</li> </ul> <p>Note that there will probably be an obvious difference between the number of labour and machine hours for each production department which should flag whether the department is labour or capital intensive. Also, it is possible for different departments to use either the same or a different OAR method.</p>
2.2.3 Marginal costing <b>KC6 Planning and control</b>	Understand break-even analysis	<p>Recap different cost types but also build in the idea of total cost which would be the fixed and variable costs combined. Show a pre-prepared but unlabelled break-even chart and start by labelling costs that have been seen previously. Complete the labelling using Q&amp;A. Note some summary points including:</p> <ul style="list-style-type: none"> <li>• that the total cost and variable cost lines are parallel</li> <li>• that both the total revenue and variable cost lines start at the origin</li> <li>• that all of the lines are indeed straight.</li> </ul> <p>Learners prepare a list of formulas to learn (this needs to be done for other topics as well). In this case, break-even units; contribution to sales ratio and target profit.</p> <p>For the margin of safety note especially:</p> <ul style="list-style-type: none"> <li>• that can be expressed both in revenue and unit terms</li> <li>• that a wider margin of safety (and correspondingly a lower break-even point) are better</li> <li>• that it can be measured between breakeven point and a higher level of production / sales which could be either a targeted level or maximum capacity.</li> </ul> <p>Ensure that learners use the correct expressions, e.g. that the break-even formula calculates the units needed to achieve break-even and is therefore not a monetary amount in \$ (a common misconception).</p>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
2.2.3 Marginal costing <b>KC6 Planning and control</b>	Prepare cost and profit statements using marginal costing (including a comparison with absorption costing)	<p>Present pre-prepared profit statements using both absorption and marginal costing methods (using the same data set) and compare and contrast them. This should elicit the fact that the key difference is the valuation of closing inventory which then has an impact on providing different profit figures.</p> <p><b>Extension activity:</b> explore why the inventory figures are different even though they are presumably based on the same quantity of finished good units, e.g. that marginal cost values use variable cost but that absorption cost values uses full cost (fixed and variable costs combined).</p>
2.2.3 Marginal costing <b>KC6 Planning and control</b>	Use marginal costing in different management decision making situation	<p>Emphasise that most of the decisions being taken are based on variable costs and or contribution and that therefore fixed costs are generally not relevant to the decision as they would be incurred regardless. Build up the complexity and so do the limiting factor / scarce resource scenarios at the end.</p> <p>Ensure that both financial and non-financial factors are considered in the decision-making process. The range of non-financial factors is not exhaustive and would depend in part on the question stimulus information provided. Some learners may be able to harness relevant K&amp;U here from for example studying business and or economics.</p> <p>For limiting factors, provide a stages approach to support completion as follows:</p> <ul style="list-style-type: none"> <li>• Step 1: calculate contribution per unit of each product type</li> <li>• Step 2: calculate the contribution per limiting factor (either material quantity or labour hours)</li> <li>• Step 3: rank the products highest to lowest based on Step 2</li> <li>• Step 4: produce a production plan until the scarce resource has been fully expended</li> <li>• Step 5: calculate the maximum contribution</li> <li>• Step 6: calculate the maximum profit.</li> </ul> <p>Emphasise that a logical layout assists with the completion of the task, e.g. in column format. Point out the common misunderstanding and potential confusions to include:</p> <ul style="list-style-type: none"> <li>• when calculating the maximum contribution to use the contribution per unit of each product and not the contribution per limiting factor which is only used for the ranking purposes</li> <li>• fixed costs could be quoted per unit and so to find the total fixed costs, these would need to be multiplied by the original budgeted units and not the units in the modified production plan.</li> </ul> <p>Ensure that the financial considerations are fully balanced by the non-financial factors when making different decisions. Also, it is important to note that in the longer term most, if not all, non-financial factors will have a financial knock-on effect. This is important in terms of evaluating options and making an informed choice, e.g. if a decision is taken to buy not make products, then the quality of the externally sources units could impact on reputation and therefore adversely affect future sales volume and resulting revenue/profit if in some way sub-standard.</p>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<p>Note that especially that if a loss-making business unit is closed, then quite often the business fixed costs will still be incurred and will therefore need to be borne by the other units. This could potentially lead to a decrease in overall profitability.</p>
<p>2.2.4 Cost–volume–profit analysis</p> <p><b>KC6 Planning and control</b></p>	<p>Understand cost–volume–profit analysis</p>	<p>Exploring what if scenarios and sensitivity analysis. Recap to break-even and use a worked example to calculate break-even point.</p> <p>Consider what would need to happen to the various elements to lower the break-even point (fixed costs, selling price and variable cost).</p> <p><b>Extension activity:</b> change each component part in turn and calculate impact on the break-even point resulting, including quantifying by how many units it would be better.</p> <p>Decide which strategy would be most effective in the context of the question scenario. Ask learners to think about the practical constraints of adopting these measures.</p>
<p><b>Past and specimen papers</b></p>		
<p>Past/specimen papers and mark schemes are available to download from the <a href="#">School Support Hub (F)</a></p> <p>2023 Specimen Paper 02 2023 Specimen Paper Mark Scheme 02</p>		



### 3. Financial accounting (A Level)

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
<b>3.1 Preparation of financial statements</b>		
3.1.1 Financial statements	Understand the need and purpose of financial statements	Learners explore the purpose and needs for financial statements using research and prior K&U.
3.1.2 Partnerships <b>KC1 A true and fair view</b>	Prepare financial statements to reflect changes in a partnership business	<p>Learners consider what changes could take place to a partnership business from moderate, e.g., change in profit sharing ratio to a more extreme position, e.g. dissolution / closure of the business.</p> <p>When preparing split appropriation accounts, emphasise that this is only required where the change to the partnership occurs during a financial year.</p> <p>When preparing revaluation accounts, review the double entry principles to underpin that each transaction will have two impacts in the accounting system which will still conform to the basic rules, e.g. to revalue a non-current asset upwards would increase the value of the asset and so would be a Dr entry. The corresponding Cr entry would therefore be to the revaluation account.</p> <p>Summarise the revaluation account by recognising that:</p> <ul style="list-style-type: none"> <li>• Cr entries are assets increasing or liabilities decreasing in value</li> <li>• Dr entries would be assets decreasing or liabilities increasing in value.</li> </ul> <p>The preferred way to process the realisation account would be to have a multiple entry for each transaction, e.g., to dispose of a non-current asset, transaction:</p> <ul style="list-style-type: none"> <li>• one would involve Dr the realisation account and Cr the asset account</li> <li>• another would be to Dr bank with the sale proceeds and Cr the realisation account.</li> </ul> <p>Effectively the difference on the realisation account would then represent the gain or loss on disposal.</p> <p>Learners discuss what could create goodwill for a business before looking at the accounting adjustments. Ensure learners understands why the goodwill adjustment is necessary, e.g.</p> <ul style="list-style-type: none"> <li>• to allocate some capital from a partner being introduced to the existing partners to reward them for having established the business</li> <li>• to allocate some capital to a partner retiring to recognise their efforts in establishing the business initially.</li> </ul> <p><b>Extension activity:</b> consider the differences in accounting treatment if goodwill is either to remain or not remain in the books of account after it has been used for the introduction of retirement of a partner.</p>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
3.1.3 Clubs and societies  <b>KC1 A true and fair view</b>	Prepare accounting records for clubs and societies	<p>Learners discuss the fundamental difference between a club / society and a business – focusing on the fact that it is to provide a service for the benefit of the members and not to make a profit. Understand though that it still needs to be financially secure and therefore avoid overspending or incurring excessive debt.</p> <p>Introduce some new terminology and ask learners to consider what the equivalent terms are, including:</p> <ul style="list-style-type: none"> <li>• receipts and payments account (statement of profit or loss)</li> <li>• accumulated fund (capital account); and</li> <li>• surplus of income over expenditure or deficit of expenditure over income (profit or loss).</li> </ul> <p>Recognise that the statement of financial position is broadly similar with the same categories of assets and liabilities potentially.</p> <p>Make connections between subscriptions and life membership to prepaid and accrued adjustments, e.g.</p> <ul style="list-style-type: none"> <li>• subscriptions in advance are an example of prepaid income and so would be deducted from subscriptions income for the year and added to current liabilities</li> <li>• subscriptions in arrears are an example of accrued income and so would be added to subscriptions income and added to current assets.</li> </ul> <p>Link the preparation of a subscriptions account to prior K&amp;U of ledger account construction, including a life membership scheme where a part of the lump sum payment is released as income each year.</p>
3.1.4 Manufacturing businesses  <b>KC6 Planning and control</b>	Prepare manufacturing accounts	<p>Review costing terms including direct and indirect costs and typical examples of each.</p> <p>When preparing the manufacturing account, ensure learners understand that it consists only of costs and expenses and not income. Draw particular attention to the connection between the manufacturing account and the statement of profit or loss in that the transfer at cost plus profit is the same figure as used in the cost of sales section.</p> <p>Spend sufficient time on the complex calculations and more conceptually difficult elements including the elimination of the manufacturing profit and the adjustment for unrealised profit. Underpinning this for example would be the rationale to not overstate profits. Use a simple framework to justify the adjustments for unrealised profit as follows:</p> <ul style="list-style-type: none"> <li>• if closing inventory is higher than opening inventory then there is now more unrealised profit (and vice versa)</li> <li>• this would make cost of sales lower and therefore gross profit higher</li> <li>• due to the latter, the increase in unrealised profit would need to be deducted below gross profit.</li> </ul> <p>Use basic numerical examples to show how this would work.</p> <p>Emphasise the importance of the measurement of prime cost and how this is calculated.</p> <p>Draw a clear distinction between different categories of inventory (raw materials, work in progress and finished goods) and how each is treated / disclosed in the manufacturing account or the statement of profit or loss.</p>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
3.1.5 Limited companies <b>KC1 A true and fair view</b>	Prepare further financial statements (statement of cash flows) and notes (statement of changes in equity and schedule of non-current assets) for limited companies	<p><b>Extension activity:</b> link the idea of manufacturing profit to the previous work on make or buy decisions under marginal costing for decision making techniques. Ensure that learners fully appreciate that this is not an actual profit but is merely a way of measuring the in-house efficiency of the manufacturing process.</p> <p>Provide learners with a set of cards to learn the layout of the statement of cash flows given that this is more complex than the other financial statements. Break the statement of cash flow down into manageable chunks including:</p> <ul style="list-style-type: none"> <li>• the initial reconciliation to convert profit into the equivalent cash flow</li> <li>• from this point, all other entries are actual cash flows to be added for inflows or deducted for outflows</li> <li>• show the typical examples of each and initially categorise them in to whether they are inflows or outflows</li> <li>• make comparisons with the statement of financial position in that the cashflows are categorised in to either from investing or financing activities in much the same way as there are different asset and liability categories.</li> </ul> <p>Emphasise for the statement of cash flows how it is possible to verify that the answer is correct, certainly in terms of arithmetically if the increase or decrease in cash independently accounts for the difference between the cash balances from the beginning and end of the year.</p> <p>Ensure that learners fully understand how the statement of cash flows and schedule of non-current assets dovetail with the other financial statements. The former needs to be prepared to comply with the prescribed layout according to International Accounting Standards IAS7.</p> <p>Spend time reinforcing the importance of both profit and cashflow to a business and what the differences between them could be before actually preparing the statement as it is easier to construct when there is an appreciation of what it is being done to demonstrate. Within this, learners consider the differences between profit and cash, e.g.:</p> <ul style="list-style-type: none"> <li>• transactions which affect profit but not cash directly could include depreciation, irrecoverable debts, etc.</li> <li>• transactions which affect cash but not profit including changes in asset, liability and capital / equity amounts</li> <li>• transactions which affect both profit and cash but with timing variations, e.g. credit sales would be recognised as income when the sale transaction happens (and so would impact on profit) but would not affect cashflow until the customer subsequently settled the debt (and in the intervening period would be shown as trade receivables).</li> </ul> <p><b>Extension activity:</b> learners research some limited company financial statements using the internet for well-known businesses to contextualise the understanding.</p> <p>Class discussion about the advantages and disadvantages of trading as a limited company compared to sole trader or partnership.</p>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<p>Note the structure and terms used in limited company accounts differ when done to IAS1 requirements. It is vital that learners are adept at presenting statements of profit or loss and statements of financial position in line with IAS1.</p>
<b>3.2 Regulatory and ethical considerations</b>		
<p>3.2.1 International Accounting Standards</p> <p><b>KC1 A true and fair view</b></p>	<p>Understand the International Accounting Standards (IAS)</p>	<p>This topic can be completed as an initial research task to make notes on the main elements of the relevant IASs. Begin by recapping where prior K&amp;U is relevant including:</p> <ul style="list-style-type: none"> <li>• IAS1 (already prepared a range of financial statements)</li> <li>• IAS7 (specifically have constructed statements of cash flows)</li> <li>• IAS16 and IAS36 (already dealt with depreciation and constructed schedule of non-current assets)</li> <li>• IAS38 (already done goodwill treatment for partnerships).</li> </ul> <p>Use numerical examples to especially demonstrate the other principles, e.g., when valuing inventory at the lower of cost and net realisable value under IAS2. It is important here to recognise that the inventory will be currently shown at cost price and so an adjustment would need to be made only if the NRV was lower.</p> <p>Ensure that learners fully understand net realisable value as follows:</p> <ul style="list-style-type: none"> <li>• abbreviated to NRV</li> <li>• not to be confused with either net book value (NBV) or net present value (NPV)</li> <li>• is derived by deducting the cost of converting inventory into a saleable condition from the sales value</li> <li>• that the conversion costs are not added to the original cost of the inventory (this is a common error).</li> </ul> <p>Learners compile a set of summarised notes for each relevant IAS, e.g. for IAS10, event after the accounting period: the difference between adjusting and non-adjusting events, examples of each type and how they should each be disclosed in the financial statements, e.g. changes the financial statements or shown by note only.</p>
<p>3.2.2 Ethical considerations</p> <p><b>KC1 A true and fair view</b></p>	<p>Understand the ethical framework in Accounting (fundamental principles)</p>	<p>Consider using a mnemonic to remember the fundamental principles, e.g. COPPI (either copy but spelt differently or Coppi as in famous cyclist Fausto Coppi). Would need to remember that the 2Ps have more than just the word professional (those being both competence and due care and also behaviour). Remembering the professional though may then trigger the other parts.</p> <p>The fundamental principles are abstract and so need to have a scenario-based approach to delivery. Present a selection of situations and then explore which principles are being compromised before subsequently commenting on what action should be taken to address the breach of the principles.</p> <p>Give learners the opportunity to practise answering discursive questions on this topic. Make connections back to stakeholders when exploring how ethical behaviours would impact on different interested parties in the business and their financial statements.</p>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
3.2.3 Auditing and stewardship of limited companies  <b>KC4 Business entity</b>	Understand auditing and stewardship	<p>The role of stewardship, auditor and directors could be completed as another research task initially.</p> <p>Link the role of auditors back to stakeholders' interests being protected. Recognise that in an extreme case fraud or irregular activity could exist but that in most cases the auditors are verifying the financial statements as being a true and fair view and that issues such as errors are more likely to be the sorts of complications detected. However, consider using real case studies to show how more serious irregularity can be discovered, e.g. Enron, Maxwell pension fund, etc.</p> <p>With the auditors' report, clear up any potential confusion in the wording which is counter intuitive – that a qualified report actually means there are problems but that unqualified mean that the financial statements are correct.</p> <p>Learners review at least a couple of directors and auditors reports from real financial statements to compare and contrast them in terms of the similarities and differences. This should help focus in on standard wording that should be used in each case.</p> <p>During the research task, give particular attention to:</p> <ul style="list-style-type: none"> <li>• the format of the audit report</li> <li>• the difference between a qualified and unqualified report</li> <li>• the circumstances in which a qualified audit report is issued</li> <li>• the contents of the audit report – for example, does it state that the company is relying heavily on short-term finance? Or is there any indication that the company may become a non-going concern (often referred to as a 'gone concern')?</li> <li>• that the auditor's role is to assess all aspects of financial performance and as such is one profession where all aspects of accounting are pulled together.</li> </ul> <p>Devise suitable discursive questions for learners to answer as class or homework on the role and responsibilities of the external auditor and internal auditor. <b>(I)(F)</b></p> <p>Also give particular attention to:</p> <ul style="list-style-type: none"> <li>• the difference between the role of an internal and external auditor</li> <li>• the type of work they undertake – internal auditors look at the systems; external auditors do more checking of the data</li> <li>• the employment status of auditors (internal auditors are employed by the company, external auditors by shareholders).</li> </ul> <p>Recap learning on the Director's report for the preparation of financial statements for limited companies from the previous section to provide context. Give particular attention to:</p> <ul style="list-style-type: none"> <li>• the stewardship role of directors</li> <li>• the position of trust of directors</li> <li>• the relationship between the directors and shareholders.</li> </ul>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<p>Pre-prepared quiz sheet on the role and responsibilities of company directors. This could include simple Yes/No answers to statements such as:</p> <ul style="list-style-type: none"> <li>• do Directors appoint the Auditors?</li> <li>• are the Directors the owner of the company?</li> <li>• is a Director also an employee of the company?</li> </ul> <p>Provide some context for the previous activity on directors' responsibilities to shareholders, ask learners to research the role and responsibilities shareholders have themselves. <b>(I)</b></p> <p>Follow this up with a class discussion and quiz to consolidate learning.</p> <p><b>Extension activity:</b> devise suitable discursive questions on the rights and responsibilities of the shareholders in relation to the overall financial stewardship of limited companies for learners to answer. <b>(I)(F)</b></p> <p>Go through afterwards and highlight where errors were made. Give particular attention to the relationship between shareholders, directors and external auditors.</p> <p>Pre-prepared quiz sheet on the role and responsibilities of shareholders with simple Yes/No questions such as:</p> <ul style="list-style-type: none"> <li>• are shareholders managers of the company?</li> <li>• are shareholders owners of the company?</li> <li>• do shareholders appoint the auditors?</li> </ul>
<b>3.3 Business acquisition and merger</b>		
<p>3.3.1 Business acquisition and merger</p> <p><b>KC4 Business entity</b></p>	<p>Understand acquisition and merger methods for business growth</p>	<p>Explore the difference between both acquisitions (or take-overs) and mergers as growth methods. Use real life examples to contextualise both approaches. It may be possible to draw on learners' prior K&amp;U if they cover a similar topic in, for example, a business studies related subject.</p> <p>When preparing journal entries, start with a reminder about the basic principles of a journal (as seen when looking at the general journal).</p> <p>Use a step-by-step approach where possible to complete the preparation of the financial statement, e.g.</p> <ul style="list-style-type: none"> <li>• commence by calculating the % of ownership that the parent company has in the subsidiary business</li> <li>• use this to calculate goodwill by comparing the cost of the investment in the company with the % of the equity that is being acquired.</li> </ul> <p>Build up the complexity in the questions stage by stage, e.g. including of non-controlling / minority interest. Look to simplify principles where possible, e.g. that for a statement of financial position, broadly speaking the consolidated / group version add all assets and liabilities for both the parent and the subsidiary and that the equity is effectively just that of the parent company.</p> <p><b>Extension activity:</b> give a quiz on the different types of mergers which can occur and the advantages and disadvantages of each.</p>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<p>Recap the learning on goodwill undertaken at AS Level – how it arises and how it is treated (distinguish here between purchased and non-purchased goodwill). Follow with a class discussion on:</p> <ul style="list-style-type: none"> <li>• the difference between the purchase of a business and the purchase of the assets of a business</li> <li>• what are the effects on the business purchased as opposed to the business selling its assets?</li> <li>• how is goodwill measured? What is the opposite of goodwill? How is it calculated and treated in the accounts of the acquiring business?</li> </ul> <p>Put a statement of financial position from a sole trader / partnership on the board and in pairs learners identify which assets and liabilities can be transferred to the acquiring company.</p> <p>Discuss errors and follow with a quiz on the accounts required to close the accounts of the business being sold / acquired. Follow this by:</p> <ul style="list-style-type: none"> <li>• handing out suitable questions for learners to answer on the statement of financial position immediately after a merger has taken place or the assets of the business have been acquired</li> <li>• from given data, ask learners to prepare statement of profit or loss and statements of financial position for a newly formed business created by a limited company acquiring a partnership. <b>(F)</b></li> </ul> <p>Go through afterwards and highlight where errors were made.</p> <p>This is a challenging and important topic – make sure learners have a thorough understanding before moving on. Give particular attention to:</p> <ul style="list-style-type: none"> <li>• the definition and accounting treatment of goodwill</li> <li>• why goodwill does not arise when only the assets of a business are being purchased</li> <li>• the preparation of journal entries in the books of the purchasing company (an area many learners find difficult).</li> </ul> <p>For the final task, you can choose different types of merger scenario or repeat with other mergers as required.</p>
<b>3.4 Computerised accounting systems</b>		
3.4.1 Computerised accounting systems <b>KC6 Planning and control</b>	Understand computerised accounting systems and data	<p>Recap prior K&amp;U of computerised accounting systems. Emphasis here though is on the logistical transition from a manual to a computerised system.</p> <p>In groups give a quiz on the advantages and disadvantages of computerising the accounting system. Follow this with a class discussion to consolidate learning and include a focus on the importance of data integrity and how to maintain it in the switch to computerised systems. Give particular attention to:</p> <ul style="list-style-type: none"> <li>• the process of computerising business accounts</li> <li>• how to ensure the integrity of the accounting data when transferring to a computerised system</li> <li>• the advantages / disadvantages of computerised accounts to business.</li> </ul>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		Note that learners are not required to use ICT or computerised accounts systems in the exam, but give them plenty of chance to practise discursive questions.
<b>3.5 Analysis and communication of accounting information</b>		
3.5.1 Analysis and communication of accounting information  <b>KC4 Business entity</b>	Understand investment and capital structure ratios	<p>Provide an overview of the purpose of investment ratios, e.g.</p> <ul style="list-style-type: none"> <li>• to assist existing shareholders in making decision about whether to keep or sell shares</li> <li>• to help potential investors decide about whether to buy shares in one company compared to another.</li> </ul> <p>Make connections with prior K&amp;U of ratios, e.g. that the working capital cycle and networking assets to revenue are an extension of the liquidity and efficiency ratios.</p> <p>Via the interest cover and gearing ratios, explore the capital structure. Then examine the remaining ratios as being more a collective of more specific investment ratios.</p> <p>For the gearing ratio, draw the distinction between this and the debt to equity ratio. Spend time exploring the component parts of long-term funding and the associated risk:</p> <ul style="list-style-type: none"> <li>• non-current liabilities (consisting typically of debenture loans) are high risk as they have a cost of fixed interest which must be paid regardless of profitability</li> <li>• share capital (consisting of ordinary shares) are lower risk as the cost is variable dividends which can be changed depending on profit levels</li> <li>• reserves which arguably have no risk as a funding method as these are self-generated financial resources.</li> </ul> <p>Ensure that learners understand that the information used to prepare investment ratios is a relatively narrow set of data, e.g. market price per share is used in more than one ratio, etc. Also, that there are stronger inter relationships than other ratio categories, e.g. EPS is used in the PE ratio and dividend per share is used in the dividend yield ratio.</p> <p>As with other ratios, ensure the correct formulas are used, that the expression is clear and that learners can interpret the outcomes derived from the calculations regarding understanding what it means in terms of business financial performance.</p> <p>Give particular attention to:</p> <ul style="list-style-type: none"> <li>• the model for each ratio</li> <li>• expressing ratios in their correct form with the correct suffix</li> <li>• the benefits and limitations of ratio analysis</li> <li>• the inter-relationships between ratios</li> <li>• working backwards to prepare statements of profit or loss and statements of financial position from given ratios</li> </ul>



Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<ul style="list-style-type: none"><li>• writing comments on the performance of the business using the calculated ratios. Here, ensure learners use words such as 'better', 'worse', 'improved' or 'deteriorated' not 'higher' and 'lower'.</li></ul>
<b>Past and specimen papers</b>		
Past/specimen papers and mark schemes are available to download from the <a href="#">School Support Hub (F)</a> 2023 Specimen Paper 03 2023 Specimen Paper Mark Scheme 03		

## 4. Cost and management accounting (A Level)

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
<b>4.1 Activity based costing (ABC)</b>		
4.1.1 Activity based costing (ABC) <b>KC6 Planning and control</b>	Understand activity based costing	<p>Introduce the costing terms used and how these are translated to be similar to absorption costing, e.g.</p> <ul style="list-style-type: none"> <li>• cost pools (similar to cost centres)</li> <li>• cost drivers (similar to basis for apportionment).</li> </ul> <p>Explore how the technique is better than absorption costing, e.g. in absorption costing, it is a more arbitrary allocation. Consider the cost of a canteen and how this would be divided between other production / non-service-based departments based on number of employees. This is however a fundamental over simplification which artificially assumes that all staff use the canteen facility equally.</p> <p>Look at typical examples of activity used in ABC, e.g. number of quality inspections and number of machine set ups. Typically, these are quoted in terms of batch costs which would then need to be refined down to the cost per unit within a batch of products.</p> <p>Recap the learning at AS Level on absorption, marginal and cost-value-profit methods of costing.</p> <p>Follow with a quiz requiring learners to determine the basis for apportioning overheads to cost centres and cost units. Consolidate by inviting learners to write on the board the ways in which specific overheads can be allocated and apportioned using ABC. <b>(I)</b></p> <p>Hand out a pre-prepared worksheet containing data enabling the calculation of overheads and inventory and ask learners to:</p> <ul style="list-style-type: none"> <li>• calculate overhead absorption rates using absorption costing and then ABC costing methods</li> <li>• explain the difference between the two methods</li> <li>• calculate the value of inventory using each method. <b>(I)</b></li> </ul> <p>On completion, go through and highlight where errors arose. Then extend the discussion to draw comparisons between the two costing methods and the different results shown by each.</p> <p>Conclude by setting learners a written task in which they outline the advantages and disadvantages of each costing method and their resulting uses and limitations, giving examples to support their argument. <b>(I)(F)</b></p> <p>On completion, go through and highlight where errors arose. Give particular attention to:</p> <ul style="list-style-type: none"> <li>• calculating the total cost of a unit using the ABC costing method</li> <li>• comparing and contrasting the difference in unit costs and profit between ABC and 'traditional' methods of allocation / apportionment</li> <li>• calculating the value of inventory using the ABC costing method</li> </ul>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<ul style="list-style-type: none"> <li>making relevant business decisions using the ABC costing method.</li> </ul>
<b>4.2 Standard costing</b>		
4.2.1 Standard costing <b>KC6 Planning and control</b>	Understand a standard costing system	<p>Explain the stages in a standard costing system:</p> <ul style="list-style-type: none"> <li>Stage 1: set the standards based on either previous standards (incremental) or using a zero-based approach</li> <li>Stage 2: compare the standards with the actual outcomes</li> <li>Stage 3: identify the inevitable differences, calling them variances and classifying them as either being favourable or adverse in nature</li> <li>Stage 4: investigate the caused for the variances</li> <li>Stage 5: take any necessary corrective action, before re commencing the stages.</li> </ul> <p>Learners can use self-directed research to record the advantages and disadvantages of using a standard costing system.</p> <p>Understand the different formulas approaches that can be used to calculate the variances and that different versions may need to be used depending on the information provided, e.g., for direct material price variance it could be either:</p> <ul style="list-style-type: none"> <li><math>(AQ \times SP) - (AQ \times AP)</math></li> <li><math>AQ (SP - AP)</math>.</li> </ul> <p>Ensure that learners cannot simply assume that, for example, a favourable variance means that the actual is higher than the standard. The basic position would be that a favourable variance is either because the actual sales or profit are more than the standard but equally that the actual costs are less than the standard.</p> <p>Brainstorm possible causes for all sub variance types. Explore how the total variance and sub variances interacts.</p> <p>Understand that quite often there is an inter relationship between the sub variances, e.g. that a favourable material price variance suggests that a lower price has been paid but that this could well cause an adverse usage variances in that more materials of a lower quality would need to be used.</p> <p>Ensure that learners are precise in describing the causes of the variances, e.g. do not merely say that a favourable price variance is due to paying less for the material than expected but look further in terms of why this might be the case (including changed to a cheaper supplier, purchased a lower quality / inferior grade of materials, purchased in bulk and so got a bulk buying discount, etc.).</p> <p>Ensure learners can recognise when it is necessary to flex the budget. This would occur where the actual number of units produced is different to the budgeted number of units planned to be produced originally. Here, it is key to note that the actual figures cannot be altered as these have been incurred and so the budget needs to be adapted to correspond.</p>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<p>Simplify the flexing, e.g., for cost variances the only elements that need to be changed are:</p> <ul style="list-style-type: none"> <li>• flex the standard material quantity (SQ) to be for the actual number of produced units</li> <li>• flex the standard hours (SH) to be for the actual number of produced units.</li> </ul> <p>This will ensure that there is then a like for like comparison. Learners should understand that you will inevitably get differences if comparing the material quantity and or labour hours for a different number of budgeted and actual produced units.</p> <p><b>Extension activity:</b> give learners the opportunity to practise answering discursive questions on the advantages and disadvantages of a standard costing system.</p> <p>Present some simple summaries of reconciliation statements as follows:</p> <ul style="list-style-type: none"> <li>• when reconciling standard to actual costs: Add adverse variances (to represent cost over spends) and deduct favourable variances (to represent cost savings)</li> <li>• when reconciling standard and actual sales: Deduct adverse variances (to indicate less income) and add favourable variances (to indicate more income).</li> </ul> <p>When reconciling standard to actual profit: deduct all adverse variances and add all favourable variances.</p>
<b>4.3 Budgeting and budgetary control</b>		
4.3.1 Budgeting and budgetary control <b>KC6 Planning and control</b>	Understand a budgetary control system	<p>Make the connection between this and the stages involved in setting up standard costing system.</p> <p>Develop by looking at a framework for the benefits and drawbacks to using a budgetary control system. Within this should be the recognition that some drawbacks are inherent, e.g. the cost and time-consuming nature of setting up and monitoring the system but that others only exist if the system is not operating effectively, e.g. without a contingency fund then the system will be inflexible and unable to adapt so successfully to change.</p>
4.3.1 Budgeting and budgetary control <b>KC6 Planning and control</b>	Prepare both master and functional budgets for a business	<p>Recap the layouts for both the statement of profit and loss and the statement of financial position. Understand that the layouts for the budgeted versions are essentially the same as for the actual historical versions. The differences therefore lie in how the data / information in the question is presented and what data is provided, e.g. budgeted revenue would be derived from existing revenue and then being modified due to projections about by how much or what proportion sales volume and selling prices are going to change (usually expressed as %s).</p> <p>When preparing cost and profit reconciliation statements, commence with a reminder of the principles of reconciliations, e.g. based on prior K&amp;U of bank reconciliation statements. Get learners to think about what might be reconciled in each case and what the reconciling differences could consist of.</p> <p>Explain to learners the connections between the various functional budgets and that these are therefore the sub parts of the master budgets in essence. As a key illustration, the comprehension that production budget is influenced by the sales budget NB. need to budget to produce enough units to then be able to sell. Equally, that</p>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<p>the purchase budget is influenced by the budget NB. need to acquire enough raw materials to satisfy the production plan.</p> <p>Learners should fully understand that the trade receivables and payables budgets essentially contain the same transactions as both the sales and purchase ledger control accounts albeit that here they are not in a T account format but in a column and row presentation.</p> <p>Explore especially the implications of the budget being inaccurate, e.g.</p> <ul style="list-style-type: none"> <li>• if the sales budget is overstated then this could lead to surplus goods unsold</li> <li>• if it is under stated then it could lead to unsatisfied demand and a resulting loss of customers to other rival businesses.</li> </ul> <p>Learners should understand that each function budget is prepared to control a specific aspect of the budgeting system and that these all feed into the master budgets.</p> <p><b>Extension activity:</b> ensure learners fully appreciate the different approached to budgeting including either zero based or incremental.</p>
<b>4.4 Investment appraisal</b>		
4.4.1 Investment appraisal <b>KC6 Planning and control</b>	Understand different investment appraisal techniques to evaluate projects	<p>Break down the topic as a starting position, e.g., capital investment appraisal means:</p> <ul style="list-style-type: none"> <li>• capital – capital expenditure on non-current assets</li> <li>• investment – means a decision about whether to undertake a project or not (accept or reject decision)</li> <li>• appraisal – are the factors used to make this informed choice. Learners consider what factors could influence this choice both in terms of financial and non-financial considerations.</li> </ul> <p>Ensure that a full compare and contrast is undertaken of the different investment appraisal techniques which would include the dilemma about whether profitability or cashflow are more important.</p> <p>Demonstrate the connection between certain techniques, e.g. that the IRR (Internal Rate of Return) is essentially the cost of capital which would return a zero NPV.</p> <p>Give consideration to decisions where there could be a contradiction between outcomes when making project comparisons, e.g., one project perhaps has the shortest payback period but the lowest NPV – on what basis therefore would the decision be taken?</p> <p>Emphasise connections in formulas, e.g.</p> <ul style="list-style-type: none"> <li>• <math>\text{cashflow} \times \text{discount factor} = \text{present value}</math></li> <li>• <math>\text{sum of present values} = \text{net present value.}</math></li> </ul>

Syllabus ref. and Key Concepts (KC)	Learning objectives	Suggested teaching activities
		<p>Fully underpin the concept of the time value of money and the associated connection of the cost of capital and discount factors to avoid learners using the discount factors without totally understanding what the purpose of them might be. Provide a summary of mainstream elements which could include:</p> <ul style="list-style-type: none"> <li>• the initial investment cost takes place in time 0 and will be a negative cash outflow</li> <li>• that sunk costs have already been spent and are therefore subsequently irrelevant to the decision</li> <li>• that depreciation would be included in ARR (Accounting Rate of Return) but excluded in payback, NPV and IRR.</li> </ul>
<b>Past and specimen papers</b>		
<p>Past/specimen papers and mark schemes are available to download from the <a href="#">School Support Hub (F)</a>            2023 Specimen Paper 04            2023 Specimen Paper Mark Scheme 04</p>		

Cambridge Assessment International Education  
The Triangle Building, Shaftesbury Road, Cambridge, CB2 8EA, United Kingdom  
t: +44 1223 553554  
e: [info@cambridgeinternational.org](mailto:info@cambridgeinternational.org) [www.cambridgeinternational.org](http://www.cambridgeinternational.org)

Copyright © UCLES 2021 (updated October 2023)