

REVISION CHECKLIST for AS/A Level Accounting 9706

A guide for students

How to use this guide

This guide explains what you need to know about your AS and A level Accounting examinations.

It will help you plan your revision programme and it will explain what the examiners are looking for in your answers. You can also use the topics list in section 3 in order to help you check which topic areas you have revised.

The guide contains the following sections:

Section 1 - How will you be tested?

This section will give you information about the different examination papers that are available.

Section 2 - What will be tested?

This section describes the areas of knowledge, understanding and skills that the Examiners will test you on.

Section 3 - What you need to know

This shows the syllabus content in a simple way so that you can check:

- what you need to know about each topic
- how much of the syllabus you have covered

Section 1 - How will you be tested?

You may be taking all your exams in one session (for example all four in June 2010) or you may take the two AS papers in one session followed by the two AS papers later. The decisions about which papers you take and when you take them tend to be made for you by your school or college. There are two opportunities each year to take any of the exams.

1.1 The exam papers you will take at AS level

The table below gives you information about the AS level papers that you will take:

Paper	Type	How long?	Number of questions	Total marks available	What % of the AS level?
1	Multiple choice (AS Topics)	1 hour	30	30	30
2	Structured questions (AS Topics)	1 hour 30 mins	3	90	70

1.2 The exam papers you will take at A level

To gain an A level you will need to have sat the AS level papers earlier or at the same examination session.

Paper	Type	How long?	Number of questions	Total marks available	What % of the A level?
1	Multiple choice (AS Topics)	1 hour	30	30	15
2	Structured questions (AS Topics)	1 hour 30 mins	3	90	35
3	Multiple choice (Supplement Topics)	1 hour	30	30	15
4	Problem solving (Supplement Topics)	2 hours	3	120	35

The Supplement Topics are those topics which are extended at A level from AS level, or those entirely separate topics required at A level. For more details see section 3 of this guide.

Each item on Paper 3 will test a topic in the A level Supplement part of the syllabus but may also require knowledge and understanding of the AS level syllabus. Similarly, each of the three questions in Paper 4 will test topics in the A level Supplement part of the syllabus but may also require knowledge and understanding of the AS level syllabus.

Section 2 - What will be tested?

2.1 Themes and Topics

The main themes and topic areas appear in section 3 but it may be useful to see them in outline in the following table:

Theme	Topic	Examined at AS level?	Examined at A level?
The Accounting System	A Recording Financial Information	Yes	May be tested
	B Accounting Principles	Yes	May be tested
	C Control Systems	Yes	May be tested
Financial Accounting	D Preparation of Financial Statements	Yes	Additional content
	E Capital	Yes	Additional content
	F Business Purchase	No	Yes
	G Published Company Accounts	No	Yes
Financial Reporting	H Interpretation and Analysis	Yes	Additional content Yes
Elements of Managerial Accounting	I Costing Principles and Systems	Yes	Additional content
	J Budgeting	No	Yes
	K Standard Costing	No	Yes
	L Investment Appraisal	No	Yes

2.2 Skills

The syllabus sets out the assessment objectives in terms of the skills you will be expected to be able to demonstrate in the examinations. Your teacher will be able to provide you with more detailed information on these.

The table below shows you what the skills are that you should be developing while studying towards the exams:

Skill	What this skill means	What you need to be able to do	In which papers is this skill tested?
1. Demonstrate knowledge and understanding	You know and understand the accounting procedures and practices	You need to show that you know and understand the accounting procedures and practices contained in the syllabus and described in detail in section 3. This includes knowledge and understanding of the principles on which these procedures and practices are based.	All papers
2. Apply knowledge and understanding	You can apply knowledge in a selective way to particular accounting problems and issues	Follow correct accounting procedures in preparing routine accounting statements and in solving both familiar and unfamiliar accounting problems.	All papers
3. Select, order, analyse and present	You are able to sort and process relevant information and produce meaningful statements in good format	Produce complex accounting statements and reports following correct methods and procedures	All papers
4. Present reasoned explanations	You are able to take a critical and analytical	Understand what accounting information might show and	Paper 2 and Paper 4

	approach when examining a problem	communicate this in a clear and logical manner	
5. Make judgements	You can choose between alternative courses of action. Weigh up the evidence.	Make recommendations and decisions based on accounting information and principles.	Paper 2 and Paper 4

Section 3 - What you need to know

Syllabus theme	Topic	Students studying AS		Students studying A2	
		You should be able to:	Comment	In addition to the AS requirements, you should be able to:	Comment
A-F: The Accounting System	A. Recording Financial Information. The recording and processing of accounting data based on the double entry system of accounting.	<ul style="list-style-type: none"> • Distinguish between assets, liabilities, income and expenditure • Recognise and identify the two effects of a transaction • Understand the meaning of the terms “account”, “debit” and “credit” • Understand the difference between cash and credit transactions • Make correct entries in the ledger for both cash and credit transactions. • Understand the difference between trade and cash discounts • Calculate both types of discount • Distinguish between the books of a seller and the books of a customer • Make correct ledger accounting entries for: <ul style="list-style-type: none"> ○ cash discount ○ returns (sales and purchases) • Recognise the books of prime entry (sales, sales returns, purchases, purchases returns, cash book and general journal) and how they are used • Understand the purpose of the books of prime entry • Understand how the transactions are posted from the books of prime entry to the ledger 			

		<ul style="list-style-type: none"> • Prepare entries in the journal, including narratives • Classify accounts correctly (personal, impersonal, real and nominal) • Distinguish between capital and revenue income and expenditure • Understand and prepare simple balance sheets • Use the accounting equation to calculate a figure for capital 			
	<p>B. Accounting Principles. The recognition and application of accounting concepts.</p>	<ul style="list-style-type: none"> • Name and describe the most important general rules (concepts) of accounting <ul style="list-style-type: none"> ○ Business entity ○ Historic cost ○ Realisation ○ Money measurement ○ Prudence ○ Going concern ○ Duality ○ Consistency ○ Accruals ○ Materiality • Understand the importance of “a true and fair view” and substance over form • Identify which concept(s) apply or are being contravened in given situations 			

	<p>C. Control Systems. Principles of accounting control systems.</p>	<ul style="list-style-type: none"> • Calculate a balance on an account • "Balance off" an account • Understand the meaning of debit and credit balances • Understand the purpose of a trial balance • Prepare a trial balance • Calculate a missing balance from an otherwise complete list of balances • Identify reasons why a trial balance may fail to balance • Recognise the limitations of a trial balance • Identify the six types of error that do not affect the trial balance (omission, commission, principle, original entry, reversal of entries, compensating errors) • Understand what a bank reconciliation is and its purpose • Compare the bank statement to the cash book and update for items not appearing in the cash book • Prepare a bank reconciliation statement listing items in the cash book but not on the statement • Understand what a control account is and its main purpose • Recognise the names of the appropriate control accounts • Understand what goes in the control accounts • Identify the sources of information for control accounts • Understand how "contra" items arise and their effect on the control 			
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		<p>accounts</p> <ul style="list-style-type: none">• Enter items on the correct sides of the control accounts• Use correct dates within the control accounts• Balance off control accounts correctly• Recognise the effect of control accounts on the double entry system• Understand the use of sales ledger and purchase ledger accounts as “memorandum records” supporting the control account balances• Prepare a reconciliation of the control account with the appropriate ledger• Understand the effects of accounting errors on the control account balances• Understand the effects of accounting errors on the individual debtor/creditor balances• Prepare adjusted control accounts from a set of given errors• Prepare adjusted control account reconciliations• Understand the uses and limitations of control accounts• Understand what a suspense account is and its purpose• Identify bookkeeping errors correctly.• Write up the Journal to show the effect of correcting errors on the accounts• Enter relevant items only on the correct side of the suspense account• Prepare a statement showing adjustments to profits due to errors and the revised net profit or loss			
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		<ul style="list-style-type: none"> • Understand the effects of adjusting errors on the balance sheet • Understand how internal control systems can identify errors and help prevent fraud 			
D-G: Financial Accounting	<p>D. Preparation of Financial Statements. The periodic determination of profit (or earnings) and overall financial position based on historical cost data and generally accepted accounting principles and policies, conventions and practices which relate to:</p> <p>(a) Sole traders</p>	<ul style="list-style-type: none"> • Understand the purpose of a trading and profit and loss account • Understand how the closing ledger entries for the trading account are made • Prepare the stock account • Recognise situations when wages may appear in the trading account • Deal with returns, carriage and discounts correctly • Prepare the trading account in horizontal and/or vertical style • Prepare the profit and loss account in horizontal and/or vertical style • Understand the difference between bad and doubtful debts • Calculate specific and general provisions for doubtful debts • Calculate profit and loss charges for an item of expenditure given annual payment and year start and/or year end accrual and prepayment figures • Make adjustments for accruals, prepayments and doubtful debts to trial balance figures and enter correct amounts in the profit and loss account • Enter appropriate amounts for the above items in the balance sheet 		<p>Prepare cash flow statements in good style and format and in accordance with current accountancy standards.</p> <ul style="list-style-type: none"> • Understand what a cash flow statement is • Understand the nature of cash inflows and cash outflows • Explain why cash flow statements give important additional information to the financial statements of a business • Explain the requirements of FRS1 • Recognise net cash inflows or outflows arising from changes in balance sheet items for consecutive periods • Understand that unincorporated businesses (ie other than companies) may produce cash flow statements in any format • Learn and understand the following headings of a cash flow statement as required by FRS1: <ul style="list-style-type: none"> ○ Accruals and prepayments of expenditure ○ Operating activities 	

<p>Depreciation</p> <ul style="list-style-type: none"> • Understand what depreciation is and its causes • Understand terminology used in accounting for depreciation: cost, useful asset life, residual (scrap) value • Understand the reasons for accounting for depreciation and the concepts being followed • Understand why depreciation is a non-cash expense • Understand the straight line and reducing balance methods of depreciation • Understand the reasons for the choice of method • Calculate annual charges for depreciation using either method. • Calculate updated provision for depreciation figures for the balance sheet • Calculate part year depreciation charges when instructed; otherwise allow a full year's depreciation in the year of purchase and none in the year of sale • Make correct accounting entries in the ledgers (or Journal) for: <ul style="list-style-type: none"> ○ Accruals and prepayments of expenditure ○ Accruals and prepayments of income ○ Bad debts written off ○ Bad debts recovered 	<ul style="list-style-type: none"> ○ Returns on investments and servicing of finance ○ Taxation ○ Capital expenditure and financial investment ○ Acquisitions and disposals ○ Equity dividends paid ○ Management of liquid resources ○ Financing <ul style="list-style-type: none"> • Prepare a reconciliation of operating profit to net cash flow from operating activities. • Calculate where necessary: <ul style="list-style-type: none"> ○ Cash paid for fixed assets ○ Cash received from sale of fixed assets ○ Amounts provided for depreciation in the profit and loss account ○ Profits and losses on disposals of fixed assets ○ Cash flow arising from operating activities ○ Operating profit (starting with retained profit or loss and adding back interest and appropriations of profit) • Calculate net cash flow from operating activities by preparing a reconciliation of
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		<ul style="list-style-type: none"> ○ Depreciation ○ Drawings, including stock taken for owner's own use. ○ Provision for doubtful debts ○ Sale (disposal) of a fixed asset ○ Part exchange of a fixed asset. ○ Capital (adjustments for net profit and drawings) <ul style="list-style-type: none"> • Understand the purpose of a balance sheet • List and group assets and liabilities under the appropriate headings <p>Departmental accounts</p> <ul style="list-style-type: none"> • Understand the purpose of departmental accounts • Prepare trading and profit and loss accounts in columnar format. • Allocate overheads to departments if possible • Apportion overheads to departments using given methods (eg floorspace) in all other cases • Calculate commission payable as a percentage of profit before or after commission • Explain possible courses of action to help improve loss-making departments • Understand how loss making departments may help improve the overall profitability of a business 		<p>operating profit, adjusting for non cash items in the profit and loss account and changes in stocks, debtors and creditors</p> <ul style="list-style-type: none"> • Memorise the format of the cash flow statement and the items to be included under each heading <p>Note: <i>Sometimes exam questions vary the theme and may ask you to either:</i></p> <ul style="list-style-type: none"> • <i>Prepare a current balance sheet for a company given the previous balance sheet, extracts from the latest profit and loss account and the latest cash flow statement.</i> <p><i>or:</i></p> <ul style="list-style-type: none"> • <i>Prepare the previous year's balance sheet for a company given the current balance sheet, extracts from the latest profit and loss account and the latest cash flow statement.</i> <p><i>Neither of these types of question should present too many problems if you have a good understanding of the items appearing in the cash flow statement and the reconciliation of operating profit to cash inflow from operating activities.</i></p>	
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Manufacturing accounts

- Understand when a manufacturing account is used
- Understand the following terminology:
 - Direct material
 - Direct labour
 - Direct expense
 - Prime cost
 - Indirect material
 - Indirect labour
 - Indirect expenses (overheads)
 - Factory overheads
 - Other overheads
 - Work in progress
 - Factory cost of finished goods (cost of production)
 - Factory profit
- Prepare a manufacturing account
- Prepare the trading and profit and loss account of a manufacturer
- Show all closing stocks at correct valuations on the balance sheet
- Understand the purpose of adding a mark up to factory cost (factory profit)
- Calculate factory profit
- Show factory profit in the manufacturing and profit and loss accounts
- Calculate provision for unrealised profit on stocks of finished goods
- Adjust profit and loss account for increase or decrease in unrealised factory profit

Internal final accounts of limited companies.

- *Understand what a limited company is and how it differs from other types of business ownership (eg a partnership)*
- *Explain the following company accounting terms:*
 - *Legal entity*
 - *Articles of association?*
 - *Board of Directors*
 - *Companies act*
 - *Limited liability*
 - *Limited company*
 - *Public limited company*
 - *Private company*
 - *Share capital*
 - *Authorised capital*
 - *Issued capital*
 - *Ordinary Shares*
 - *Preference Shares*
 - *Dividends (proposed and paid)*
 - *Reserves (capital and revenue)*
- *Prepare a profit and loss appropriation account for internal use*
- *Prepare a balance sheet for internal use*

	<p>(b) Partnerships</p>	<p>Goodwill</p> <ul style="list-style-type: none"> • Understand the concept of goodwill. • Understand the treatment of goodwill as it applies to sole traders and companies • Memorise the correct headings and formats of each of the financial statements <p>Partnership Accounts</p> <ul style="list-style-type: none"> • All of the above (except Goodwill), and additionally: • Understand what a partnership is • Remember the terms of a partnership agreement according to the 1890 Partnership Act • Understand the purpose of the profit and loss appropriation account • Apportion profits between partners according to their profit sharing ratio. • Understand the reasons for maintaining separate capital and current accounts for each partner • Calculate partners' salaries, interest on capital and interest on drawings (if applicable) • Prepare the profit and loss appropriation account • Apply the correct treatment for interest on partners' loans to the partnership • Prepare capital, drawings and current accounts for each partner • Prepare the balance sheet for a partnership showing partners' capital and current accounts 		<ul style="list-style-type: none"> • Understand how changes in partnerships can arise (either when there is an agreed change or when a partner joins or leaves) • Calculate an amount for goodwill • Account for goodwill using a goodwill account • Account for goodwill without using a goodwill account (ie by adjusting partners' capital a/cs) • Understand the difference between realised and unrealised profits • Prepare journal entries for the revaluation of assets • Adjust partners' capital accounts following a revaluation of assets • Prepare a revised balance sheet following a change to a partnership • Apportion profit based on assumptions regarding accrual of income and expenditure • Prepare "split year" profit and
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	<p>(c) Non-profit making organisations</p>	<ul style="list-style-type: none"> • Explain the advantages and disadvantages of partnerships • Understand the nature and existence of non-profit-making organisations • Understand the unique terminology used in accounting for non-profit-making organisations (income and expenditure account, surplus, deficit and accumulated fund) • Calculate trading profit using a trading account for any trading activity taking place (eg refreshments) • Group together and “net off” any non-trading activities that give rise to both income and expenditure • Calculate the annual subscriptions amount to be transferred to the income and expenditure account, adjusting for subscriptions in advance and in arrears at beginning and/or end of year • Write off any unpaid subscriptions if necessary • Calculate the amount of life subscriptions to be transferred to the 		<p>loss appropriation accounts</p> <ul style="list-style-type: none"> • Make appropriate adjustments to partners’ capital accounts, etc following the introduction of a new partner • Make appropriate adjustments to partners’ capital accounts, etc following the departure of an existing partner • Preparation of a dissolution account and the closing of partners’ capital accounts 	
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	<p>(d) accounts prepared from incomplete records or where financial records are deficient or erroneous</p>	<p>income and expenditure account</p> <ul style="list-style-type: none"> • Calculate the amount of life subscriptions to be held over in the life membership fund • Deal with donations and legacies correctly • Prepare an opening statement of affairs to calculate accumulated fund at start of the year • Prepare the balance sheet for a non-profit-making organisation <ul style="list-style-type: none"> • Understand what is meant by the term "incomplete records" • Prepare a statement of affairs and calculate capital • Calculate profit or loss by calculating changes in capital after adjusting for drawings and new capital introduced • Understand what is meant by "single entry records" • Prepare a receipts and payments account (or summary bank and cash accounts) • Calculate purchases and sales using control accounts or computations • Adjust other receipts and payments for accruals and prepayments at beginning and end of period • Calculate depreciation, doubtful debts and any other end of year adjustments if necessary • Prepare the profit and loss account and balance sheet • Understand how to calculate mark up and margin 			
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	Stock valuation	<ul style="list-style-type: none">• Understand the relationship between mark up and margin• Understand reasons why stock may be missing• Use mark up or margin to calculate missing stock using a proforma trading account or similar• Use mark up or margin to calculate an unknown cash figure using a proforma trading account, cash account or similar• Understand the importance of valuing stock in accordance with accounting principles• Understand and calculate net realisable value• Value closing stock at the lower of cost or net realisable value• Understand the three methods of valuing closing stock at cost (FIFO, LIFO and AVCO)• Understand the difference between periodic and perpetual methods of stock valuation• Calculate closing stock, given purchases and sales, using each method• Calculate gross profit for each method• Understand the effect of each method of stock valuation on profit and the balance sheet• Explain the advantages and disadvantages of each method of stock valuation			
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	<p>E. Capital The raising of capital</p> <p>At A2 the following: (a) Premium on redemption of shares and the capital redemption reserve. (b) Repayment of share capital. (c) Redemption and purchase of own shares. (d) Repayment of debentures. (e) Convertible loan stock (f) Distributable profits.</p>	<ul style="list-style-type: none"> • Explain the differences between ordinary and preference shares • Understand the following types of share: <ul style="list-style-type: none"> ○ Cumulative ○ Non-cumulative ○ Participating ○ Redeemable • Understand the effect on the balance sheet of a new issue of shares (rights and bonus issues) • Understand the components of a limited company's balance sheet capital and reserves (except capital redemption reserves) • Understand how to maintain reserves in their most flexible form when making a bonus issue of shares • Understand the principles of bank overdrafts; trade credit and factoring; loans and debentures; corporation tax and dividends <p>Note: the <i>preparation</i> of final accounts of limited companies is no longer tested at AS level.</p>		<ul style="list-style-type: none"> • Understand the reasons for making a rights or bonus issue of shares • Understand the legal requirements for capital redemption reserves • Understand the nature of distributable profits • Show the effects on the balance sheet of redemption of shares, including the creation of a capital redemption reserve, if needed • Show the effects on the balance sheet of a new share issue coupled with a redemption of shares • Show the effects on the balance sheet if a company purchases its own shares • Show the effects on the balance sheet of a redemption of debentures • Understand the features of convertible loan stock • Understand the reasons for a capital reduction and reconstruction • Show the effects on the balance sheet of a capital reduction and reconstruction • Prepare journal entries for a capital reduction using a capital reduction account to balance the reduction in asset values • Recalculate the number of
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				shares issued and their nominal value after a scheme of capital reduction.	
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	<p>F. Business Purchase The purchase of an unincorporated business by a limited company. The purchase of assets, and the assumption of liabilities of one business by another, or by a new company which buys one or more existing businesses. Merger of unincorporated businesses to form a partnership. Evaluating a business with a view to acquiring it.</p>			<ul style="list-style-type: none"> • Distinguish between the purchase of the assets of a business and the purchase of a business • Understand how goodwill or negative goodwill may arise on the Calculate the book value of a business • Value a business using the net equity method • Calculate the amount of share premium arising on the purchase of a business where new shares are issued as part of the purchase consideration • Prepare journal entries to record the purchase of a business • Prepare the balance sheet of a business after a merger with or a purchase of another entity • Calculate the amount of debenture needed to be issued in order to provide identical interest to a partner's previous loan arrangements • Calculate the return on capital invested / to be invested in a business 	
	<p>G. Published Company Accounts Principles governing the disclosure requirements of company annual reports covering: (a) Report of the Directors;</p>			<ul style="list-style-type: none"> • Understand how the directors of a company act as stewards of the shareholders' investments in the company • Identify the main components of the Directors' Report • Identify the documents 	

	<p>(b) Profit and Loss Account (Income Statement); (c) Balance Sheet; (d) Cash flow statement. (e) Statement of total recognised gains and losses.</p>			<p>required to be published annually</p> <ul style="list-style-type: none"> • Identify other stakeholder groups with an interest in the company's published accounts (e.g. employees, creditors) • A basic knowledge of the principles and disclosure requirements of the following accounting standards: <ul style="list-style-type: none"> ○ SSAP 9 ○ SSAP 17 ○ FRS 1 (dealt with extensively in part D) ○ FRS 3 ○ FRS 10 ○ FRS 11 ○ FRS 12 ○ FRS 15 ○ FRS 18 	
<p>H-I: Financial Reporting and Interpretation</p>	<p>H. Interpretation and Analysis Users of financial statements Calculation of ratios</p>	<ul style="list-style-type: none"> • Understand why the various user groups of accounting information have different requirements, including: <ul style="list-style-type: none"> ○ Shareholders ○ Employees ○ Potential investors ○ Creditors ○ Government ○ Public and environmental bodies • Calculate the following ratios: <ul style="list-style-type: none"> ○ Return on capital employed ○ Gross profit and net profit as a percentage of turnover ○ Sales to capital employed 		<ul style="list-style-type: none"> • Calculate the following additional ratios: <ul style="list-style-type: none"> ○ Working capital cycle ○ Net working assets/Sales x 100 ○ Income Gearing ○ Gearing ratio ○ Earnings per share ○ Price earnings ratio ○ Dividend yield ○ Dividend cover ○ Dividend per share ○ Operating cash flow/Sales x 100 ○ Operating cash flow/Current liabilities x 100 	

	<p>Analysis and interpretation of accounting information</p> <p>Limitations of accounting information</p>	<ul style="list-style-type: none"> ○ Expense ratios ○ Sales to fixed assets ○ Current ratio ○ Liquid (acid test) ratio ○ Stock turnover (times and days) ○ Debtor collection period (days) ○ Creditor payment period (days) <ul style="list-style-type: none"> ● Analyse and interpret ratios between firms ● Suggest possible reasons for the differences ● Analyse ratios over time and highlight trends <ul style="list-style-type: none"> ● Explain the difficulties of comparing accounting information due to: <ul style="list-style-type: none"> ○ Subjectivity ○ Time lapse ○ Monetary measurement ○ Other external factors (seasonal, economic, political, fashion, etc) 		<ul style="list-style-type: none"> ○ Operating cash flow/Interest expense x 100 ○ Operating cash flow less interest, tax and preference dividend/Ordinary shareholders dividend x 100 <ul style="list-style-type: none"> ● Reconstruct a trading and profit and loss account and/or balance sheet from ratios only 	
	<p>I. Company Financing. Financing of companies including capital gearing, capital structures and loan capital. The bases of modern financial reporting and its limitations.</p>			<p>Show knowledge and understanding of all bullet points listed under section G and, additionally:</p> <ul style="list-style-type: none"> ● Identify the sources of company finance. 	

				<ul style="list-style-type: none"> • Understand the main features of each source of finance including: <ul style="list-style-type: none"> ○ Shares (rights and bonus issues) ○ Debentures ○ Convertible loan stock ○ Bank loans ○ Bank overdrafts ○ Hire purchase ○ Leasing ○ Factoring ○ Creditors • Understand the effect new finance will have on company gearing • Understand the advantages and disadvantages of raising finance through share issues or debentures • Explain the limitations of financial reporting (note the similarities to limitations of inter-firm ratio analysis) • Understand the term “window dressing” of accounting statements • Explain some examples of window dressing techniques (eg income smoothing techniques) 	
J-M: Elements of Managerial Accounting	J. Costing Principles and Systems. Cost accounting for material, labour and overheads.	Marginal costing <ul style="list-style-type: none"> • Understand what marginal cost is and how it is calculated • Understand what contribution is and 		<p>Making the most profitable use of limited resources</p> <ul style="list-style-type: none"> • Understand how to use limited resources most profitably 	

		<p>how it is calculated</p> <ul style="list-style-type: none"> • Calculate the contribution to sales ratio • Understand what the break-even point is and how it is calculated from fixed costs and unit contribution • Calculate margin of safety • Prepare a break-even chart • Prepare a profit/volume chart • Use break-even and profit/volume charts to answer questions relating to cost-volume-profit • Explain the advantages and limitations of break-even charts • Understand how marginal costing can be used in deciding a selling price • Understand when orders may be accepted below normal selling price • Understand the use of marginal cost for “make or buy” decisions • Analyse how differences between estimated and actual costs and revenue may affect profit and break-even point • Understand the uses and limitations of marginal costing <p>Absorption costing</p> <ul style="list-style-type: none"> • Understand the nature and purpose of absorption costing • Understand cost behaviour: fixed, variable, semi variable and stepped costs • Correctly classify direct and indirect material and labour costs, other direct 		<ul style="list-style-type: none"> • Calculate budgeted production and quantify resources needed • Rank products according to contribution per unit of labour or material • Prepare revised production plans making most profitable use of scarce resources <p>Process Costing</p> <p>Understand when process costing is used.</p> <ul style="list-style-type: none"> • Prepare process accounts • Calculate the cost of work in progress based on equivalent units. • Explain joint products, by-products and waste products. • Apportion costs between joint products. • Allow for waste when valuing completed production. 	
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		<p>expenses and overhead expenditure</p> <ul style="list-style-type: none">• Explain what a cost centre is• Distinguish between a production cost centre and a service cost centre• Understand which overheads may be allocated to cost centres• Understand bases for apportioning other overheads• Use appropriate bases to apportion overheads to cost centres• Calculate total cost for each cost centre.• Understand bases for re-apportioning service cost centre overheads• Reapportion service cost centre overheads to production cost centres.• Understand the purpose of an overhead absorption rate• Calculate appropriate overhead absorption rates for cost centres (per direct labour hour or per machine hour)• Understand why actual overheads may differ from absorbed overheads• Explain possible reasons for the under or over-absorption of overheads• Understand the uses and limitations of absorption costing <p>Costing systems</p> <ul style="list-style-type: none">• Understand the difference between continuous and specific order operations• Understand what unit costing is• Explain job costing and give			
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		<p>examples of its use for costing specific orders</p> <ul style="list-style-type: none"> • Explain the difference between job costing and batch costing • Calculate continuous costs, job costs and batch costs • Calculate stock valuations using absorption and marginal costing principles • Prepare profit statements using absorption costing or marginal costing. • Explain why profits differ when using one system or the other 			
	<p>K. Budgeting</p>			<ul style="list-style-type: none"> • Understand the difference between a budget and a forecast • Understand how budgets help management to plan and control • Explain what is meant by a limiting (principal budget) factor. • Understand how a budget may be flexed for different levels of activity • Prepare the following budgets: <ul style="list-style-type: none"> ○ Sales ○ Production ○ Purchases ○ Expenditure ○ Debtors ○ Creditors ○ Cash ○ Master budget (Profit & loss account and Balance Sheet) 	

				<ul style="list-style-type: none"> • Understand behavioural aspects of budgeting • Explain the limitations of budgets 	
	<p>L. Standard Costing. Establishing cost standards for unit costs, and variance analysis involving usage and price variances.</p>			<ul style="list-style-type: none"> • Understand what a standard cost is • Understand what a variance is and how it may arise • Explain the advantages of standard costing • Explain the setting of realistic standards • Understand how to flex a budget to compare like with like • Calculate the following variances (stating whether favourable or adverse): <ul style="list-style-type: none"> ○ Sales volume ○ Sales price ○ Direct materials usage ○ Direct materials price ○ Total direct materials ○ Direct labour rate ○ Direct labour efficiency ○ Total direct labour • Comment on the above variances and suggest possible causes for their occurrence • Prepare a reconciliation of budgeted profit and actual profit 	

	<p>M. Investment Appraisal. The elements of investment appraisal including discounted cash flow statements. Other factors affecting investment decisions. Sensitivity analysis.</p>		<ul style="list-style-type: none"> • Understand what investment appraisal is • Understand the terms “sunk cost” and “opportunity cost” • Understand the importance of profitability and risk in investment and why the time value of money is important • Understand what a discounted cash flow is • Calculate accounting rate of return • Calculate payback period • Calculate net present value • Calculate internal rate of return using interpolation • Understand how sensitivity analysis • Understand what each method shows • Explain the advantages and disadvantages of each method of investment appraisal • Compare future profitability and cash flows with sums invested to estimate risk and margins of error of investment 	
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