

## Scheme of Work

# Cambridge International AS & A Level Accounting

9706

For examination from 2016

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## Introduction

This scheme of work for AS and A Level Accounting (9706) has been developed to help provide ideas for teachers about how to construct and deliver this course. It does this by breaking down the syllabus into an accessible number of AS and A Level topics, with suggested teaching activities, resources and teaching notes for each. This scheme of work also provides a suggested teaching order for use or adaptation, and an indication of the amount of teaching time you might want to allow for each topic. At A Level all the topics need to be covered, but the AS topics have been kept separate from the A Level topics to support teaching to either award. The activities provided for each topic are only suggestions and there are many other useful activities to be found in the materials referred to in the learning resource list.

### Recommended prior knowledge

It is recommended that learners should have previously completed an IGCSE or O Level in Accounting before commencing this course. The A Level subject content in this course builds directly on the work covered in the first (AS) year, so should not be undertaken until the appropriate AS topics have been completed.

### Outline

This scheme of work is divided into the following sections, providing clear and visible coverage of the whole syllabus. At each level (AS and A Level), time has also been set aside in this suggested schedule to allow for revision of the topics covered.

Topic areas	Level	Suggested AS Level time allocation (%)	Suggested A Level time allocation (%)	Suggested total time allocation %
Financial accounting	AS Level	68%	–	34%
Cost and management accounting	AS Level	32%	–	16%
Financial accounting	A Level	–	68%	34%
Cost and management accounting	A Level	–	32%	16%

Within this schedule, it is also advisable to reserve approximately 5% of the timetabled hours to revise the AS and A Level topics with learners before the exams.

Each of these sections is clearly structured into separate topics in line with the syllabus descriptions, and a set of suggesting teaching activities is then provided for each topic. Each suggested activity is itself organised to provide the following four key sets of information:

- learning objectives: what learners should learn and be able to apply at this stage of the course and how it maps to the syllabus content
- suggested teaching activities: ideas to help teach the topic and provide an active approach to stimulate and engage learners
- teacher guidance notes: the key points to focus on when teaching that topic, including which key concepts could naturally be delivered to help build breadth and depth in learning and areas of learning that might require extra time and attention to ensure learners fully understand them before moving on to the next topic

- learning resources – textbooks, website and other resources that teachers might find useful when delivering this topic. These suggestions are by no means comprehensive but are intended as a useful starting point for developing or adding to teachers' own bank of resources.

Developing tailored resources that you can use in the class is a vital aspect of teaching Accounting so you can pace learning to the needs of your learners and as much as possible provide business contexts that are accessible and relevant. The learning resources column in this scheme of work provides suggestions for places where it would be most useful to develop your own worksheets, quiz sheets and other hand-outs – these are in areas of the syllabus where you alone will be aware of the areas causing difficulty and the progress learners are making so you can tailor the content to these specific needs.

For those who new to teaching the subject or this syllabus, or who are looking for additional resource ideas to develop your hand-outs from, the resources list provided at the end of this section indicates a range of useful textbooks and websites, as well as where to access Cambridge past papers and our Teacher Support Site, which provides opportunities to communicate and share ideas with fellow Accounting teachers.

### **Suggested teaching order**

In summary, it is recommended that you:

- commence with the Financial Accounting topics first, then progress to Cost and Management Accounting
- cover the topics in the order set out in this scheme of work
- allow sufficient time for structured and comprehensive revision.

All teachers will have different views about the correct order to teach this syllabus, but this scheme of work provides separate sections for Financial Accounting and Cost and Management Accounting to give a clear learning focus for these topics. Each is then clearly separated into AS and A Level to help clarify the progression required between the two levels and help those Centres with candidates only entering for AS Level. Centres choosing to teach a linear route, with all AS and A Level exams taken at the end of the second year, are also able to use this structure to plan their teaching order.

Financial Accounting starts by looking at the basic accounting skills and knowledge needed for a business to record all its financial transactions. This leads on to the main accounting concepts underpinning the whole subject, which in turn builds naturally onto how to record financial transactions for a business. Initially the emphasis is on recording cash and credit transactions in the books of account for a sole trader, before progressing onto financial statements for sole traders, partnerships, limited companies and other forms of business entities. Collectively, this gives a good range of skills and understanding to help learners prepare for the Cost and Management Accounting sections that follow.

Cost and Management Accounting moves on from the recording of financial data to learning how to use it to help businesses make decisions, determine strategies and understand the cost/benefit of the actions being taken. The AS section focuses on traditional costing methods and profit analysis, while the A Level content looks increasingly at applying this in the context of budgeting, costing and undertaking investment appraisals, helping learners develop a full understanding of the active management role Accounting plays in the business world.

Some teachers may prefer to start with Cost and Management Accounting. However, many learners find it hard to achieve to the same standard in Cost and Management Accounting, so it often helps at both AS and A Level to cover the Financial Accounting content first to help build confidence in the business contexts underpinning this topic, but it is also vital to leave sufficient teaching time to thoroughly cover all the Cost and Management Accounting topics. The suggested time

allocation in the previous section is a vital guide in this respect. Many Centres successfully deliver both topics concurrently in separate lessons, but this works best when one teacher takes responsibility for co-ordinating what is to be covered each week.

Delivering Accounting as a linear course is more challenging than taking the AS examination at the end of their first year due to the progressive nature of the syllabus. However, again there are many successful examples of this, and working through the syllabus in the order it is set out in this scheme of work should ensure that learners cover all the required topics and are able to build on their learning as they do so. As linear candidates approach exam time, it is also important to structure revision and practice papers to build progression and breadth of understanding and not to place too much emphasis on one paper at the expense of the other.

For all candidates (AS only, modular and linear A Level) leaving sufficient time at the end of the studies for structured and comprehensive revision is hugely beneficial to help learners pull together all the strands of knowledge and understanding and develop from this an enhanced ability to analyse and evaluate.

### Teaching approach

Research undertaken by Cambridge has shown that an active teaching approach enables learners to become more confident, assured and engaged in their studies, and providing a variety of teaching methods and learner-centred approaches is recognised as a key part of this. So, for every suggested teaching activity in this scheme of work, we have indicated possible approaches by denoting whole class (**W**), group work (**G**), pair (**P**) and individual activities (**I**). Suggestions for homework (**H**) and formative assessment (**F**) are also provided where appropriate.

Opportunities for differentiation are indicated as **basic** and **challenging**; there is the potential for differentiation by resource, length, grouping, expected level of outcome, and degree of support by teacher, throughout the scheme of work. Length of time allocated to a task is another possible area for differentiation.

### Key concepts

Underpinning the whole teaching of the subject is a number of key concepts, as set out on page 5 of the syllabus. These are the basic rules that apply in recording transactions and preparing financial statements and they also provide a framework within which the wider course can be delivered. They are set out in a logical sequence and can be used to set the scene for learners when they first start studying the course, help learners better understand the nature of the subject and enable them to appreciate the ideas and theories they will encounter throughout their studies in greater breadth and depth. The key concepts for A Level Accounting are:

- **Business Entity** – every business is regarded as having its own existence separate from that of its owner. It is important to emphasise that we are recording the transactions of the business and not its owner(s).
- **Money Measurement** – every transaction the business undertakes will be recorded in monetary terms. It is impossible to record non-monetary items such as the ability of the workforce.
- **Consistency** – This follows on naturally from duality as it is essential that transactions and the treatment of certain items are recorded the same way every financial year, unless there are valid reasons to change the approach.
- **Duality (Double-entry)** – this is perhaps the most important concept. It is the principle on which double entry is based and is the cornerstone of recording business transactions. It recognises that every single transaction the business undertakes has two aspects to it, represented by debit and credit entries in the accounts.

- **True and fair view** – if all the key concepts referred to above are followed then the result will be a true and fair view of the performance of the business from one accounting period to the next.

Suitable opportunities for using these to draw together learning are provided throughout this scheme of work, and you can also develop your own ideas for doing this. There are also other important accounting principles which need to be considered, such as prudence, and opportunities for using these to underpin the teaching of the subject are also noted. However, the key concepts are the ones considered to be essential to providing the learners with a solid foundation of how to approach the subject of Accounting and for you as teachers to help structure the lessons you teach.

You should consider building in and expanding on key concepts in your teaching of Accounting in two ways:

- **explicitly** – you will no doubt expect questions to be asked of learners either to explain or identify in a given situation one or other key concept. Thus you will need to ensure that your learners can do both these things. Indeed, with the very first lesson in the scheme of work it is suggested that the first three concepts are fully explained and how they fit in with every other aspect of teaching the subject to learners. They can be used to not only set the scene but also to motivate and encourage learners to think in greater depth about the subject as they study the various topics.
- **implicitly** – as you progress through the scheme you will continually keep making use of them without necessarily referring to them by name. For example duality will form a part of virtually every topic taught. They can be used to consolidate learning.

Not only will the key concepts be invaluable in studying the subject, they are essential for those learners intending to study accounting at a more advanced level, either at university, or through a professional accountancy qualification. They will also help in the teaching of life skills and showing a complete view of the business environment.

### Teacher support

Teacher Support ([teachers.cie.org.uk](http://teachers.cie.org.uk)) is a secure online resource bank and community forum for Cambridge teachers, where you can download specimen and past question papers, mark schemes and other resources. There is also a discussion forum on A Level Accounting that you can join, where topics, issues and areas of difficulty can be discussed and shared with fellow teachers. We also offer details of online and face-to-face training on this site, and this scheme of work is available here as a PDF and an editable version in Microsoft Word format. If you don't have Microsoft Word, download Open Office free of charge from [www.openoffice.org](http://www.openoffice.org).

### Resources

This scheme of work provides ideas for useful resources to accompany each suggested activity in column 4 of the topic tables. In addition, an up-to-date resource list for this subject can be found at [www.cie.org.uk](http://www.cie.org.uk) and at [teachers.cie.org.uk](http://teachers.cie.org.uk).

### Endorsed textbooks

Textbooks which are endorsed by Cambridge cover the syllabus for which they were written and have been through a quality assurance process to ensure they meet our required standards. The endorsed textbooks for A Level Accounting at the time of writing are:

Harold Randall and David Hopkins, *Cambridge International AS and A Level Accounting* Cambridge University Press, 2012 ISBN: 978-1107690622

An up-to-date list of endorsed textbooks for each subject can be found at [www.cie.org.uk](http://www.cie.org.uk) and at [teachers.cie.org.uk](http://teachers.cie.org.uk).

**Other textbooks referenced in this scheme of work**

Frank Wood and Alan Sangster, *Business Accounting Volume*, 12<sup>th</sup> Edition Financial Times Press, 2012 ISBN: 978-0273759188

**Websites**

This scheme of work includes website links providing direct access to internet resources. Cambridge International Examinations is not responsible for the accuracy or content of information contained in these sites, nor can we guarantee their ongoing availability. The inclusion of a link to an external website should not be understood to be an endorsement of that website or the site's owners (or their products/services). Other aspects of the sites were not checked, and only the particular resources cited in the activities are recommended.

[www.bized.co.uk/learn/accounting](http://www.bized.co.uk/learn/accounting) – teaching resources for financial and management accounting, including presentations, lesson plans and exercises

[www.osbornebooks.co.uk](http://www.osbornebooks.co.uk) – free downloadable material including exemplar and pro-forma financial documents, day books, ledger accounts and cash books

[www.inkling.com](http://www.inkling.com) – sample material for viewing and sharing on a range of cost and management accounting topics. Free registration may be required.

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## Financial accounting (AS Level)

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### Recommended prior knowledge

At the start of this course, it is recommended that learners should have previously undertaken IGCSE or O Level Accounting or equivalent programmes. To help make the transition to A Level study, this section starts with a number of topics to provide a solid foundation, including double entry, accounting concepts and principles and books of account, before focusing specifically on the AS syllabus content.

### Context

In this section learners develop an understanding of the accurate recording of financial information. The approach is practical and learners should be made aware that accuracy is essential. Recording and verifying the accuracy of financial data in the journals and ledgers forms the first part of this section. Learning then progresses to transferring data to the ledger and eventually to the financial statements. The ability of learners to interpret and analyse financial and other data to make real-life judgements and management decisions comes next. This allows learners to think 'outside the box' and suggest ideas which will help an organisation achieve its objectives. Underpinning this throughout are the key concepts, which learners should regularly keep in sight to help their skills progress. There are also opportunities throughout to prepare accounts in a variety of business scenarios both to underpin learning in realistic contexts and to translate skills into real workplace practice.

### Outline

The AS Level topics covered in this section are:

- the accounting cycle
- accounting for non-current assets
- reconciliation and verification
- preparation of financial statements (sole traders, partnerships and private limited companies) – note that Adjustments is covered at the appropriate stage of each
- analysis and communication of accounting information to stakeholders.

### Teaching time

It is recommended that this unit should take approximately 68% of the teaching time for the AS Level course (34% of the whole AS and A Level teaching programme).



Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>The accounting cycle</b>			
Understand the principles of the double entry system for recording business transactions within an accounting environment	<p>Put learners in groups to do a mind map of:</p> <ul style="list-style-type: none"> <li>• why a business needs to record its transactions</li> <li>• which transactions it will record</li> <li>• how it might record them <b>(G)</b></li> </ul> <p>Staying in groups, get learners to play a team game in which:</p> <ul style="list-style-type: none"> <li>• one learner starts a business of their choice and makes the ledger entries for its opening capital on the board or a flip chart</li> <li>• that learner then chooses other members of the group with whom to conduct cash transactions (e.g. purchases of assets and goods for resale, sales etc.)</li> <li>• each learner involved in a transaction records it on the board, indicating which side of the transaction they are referring to. <b>(G)</b></li> </ul> <p>On completion, ask learners to suggest how these transactions are recorded in the ledger accounts of a business. <b>(W)</b></p>	<p>Emphasise here:</p> <ul style="list-style-type: none"> <li>• a business is its own entity, separate from the owner. The accounts therefore record transactions as they affect the business, not the owner</li> <li>• all transactions are measured in monetary value</li> <li>• the two-fold aspect of every transaction</li> <li>• the duality key concept, which covers the concepts of debit and credit entries in ledger accounts.</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> </ul>	Randall & Hopkins, ch 1 Wood & Sangster Vol 1, ch 2 & 10
Understand the accounting concepts underpinning the preparation of accounts	<p>Either as individuals or pairs, ask learners to 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> <li>• money measurement</li> <li>• going concern</li> <li>• consistency</li> <li>• prudence</li> <li>• realisation</li> </ul>	<p>Give particular attention here to identifying the circumstances in which each accounting term covered applies, giving specific examples for each.</p> <p>The Accounting Simplified website is one useful resource learners can use for this activity.</p>	Randall & Hopkins, ch 9 Wood & Sangster Vol 1, ch 10  <a href="http://www.accounting-simplified.com/financial-accounting/accounting-concepts-and-principles/">www.accounting-simplified.com/financial-accounting/accounting-concepts-and-principles/</a>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<ul style="list-style-type: none"> <li>duality (double-entry)</li> <li>materiality</li> <li>matching</li> <li>substance over form. <b>(I or P)</b></li> </ul> <p>On completion, issue a pre-prepared quiz to consolidate learning of these terms. Follow this up with a class discussion on the need for and purpose of these accounting principles. <b>(W)</b></p> <p>Set the following question as a class or homework task: “Before the next session, prepare a note on any three/four/five of the principles covered today. Clearly identify the principle for each and give an example of how you would apply it.” <b>(I or H) (F)</b></p>	<p>The suggested homework task will help ensure learners understand the need and content of the key accounting terms as well as providing useful preparation for the next activity. This is also an excellent opportunity to introduce all five key concepts.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Business Entity</b></li> <li><b>Money Measurement</b></li> <li><b>Consistency</b></li> <li><b>Duality (Double-entry)</b></li> <li><b>True and Fair View</b></li> </ul>	<p>Pre-prepared quiz sheet on key accounting principles and concepts</p>
<p>Record cash and bank transactions in the cash book and post them to the appropriate ledger account</p>	<p>Issue learners with a pre-prepared sheet containing four or five simple transactions. Alongside each one indicate the account which will be debited and the account which will be credited.</p> <p>Now issue them with blank pro-forma accounts and ask learners to record cash transactions in the cash book and postings to ledger accounts, ensuring that each entry has:</p> <ul style="list-style-type: none"> <li>the date for each transaction</li> <li>the legend for each entry which must name the account in which the double entry is completed</li> <li>the uses of the following terms: sales, sales returns, purchases, purchase returns. <b>(I)</b></li> </ul> <p>NB On no account must an inventory (stock) account be used for this activity.</p> <p>As some of the class may have previous knowledge of this work</p>	<p>You may want to start by recapping on the key concept of duality at the start of the lesson.</p> <p>This topic underpins the whole subject and the skills developed here are vital. When learners start recording cash transactions, insist on neat work with figures entered in columns with units under units, tens under tens, hundreds under hundreds, etc.</p> <p>Learners should also get used to the discipline that errors in figures work should be corrected by deleting the whole amount involved and entering the correct amount above the crossed-out figure.</p>	<p>Randall &amp; Hopkins, ch 3</p> <p>Wood &amp; Sangster Vol 1, ch 2</p> <p><a href="http://www.osbornebooks.co.uk">www.osbornebooks.co.uk</a></p> <p>Blank pro-forma accounts (use ledger paper or ruled-up blank paper)</p> <p>Pre-prepared worksheet containing 4–5 simple transactions</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>from IGCSE or O Level Accounting:</p> <ul style="list-style-type: none"> <li>include more advanced transactions on the hand-out sheet for this group and/or</li> <li>pair learners up so those with previous experience can mentor those new to the subject. <b>(P) (Challenging)</b></li> </ul> <p>On completion, as an extension activity, ask learners to add up everything entered on the debit side of the accounts and everything entered on the credit side of the accounts and see if the two totals agree. If the totals do not agree, ask them to identify the cause of imbalance. <b>(I) (Challenging)</b></p>	<p>The Osborne Books website is one useful source for the downloadable blank pro-formas.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Duality (Double-entry)</b></li> <li><b>Business Entity</b></li> <li><b>Money Measurement</b></li> </ul>	
Record credit transactions and settlements and post them to the ledger account	<p>Put learners in groups to do a mind map of how credit transactions differ from cash transactions. <b>(G)</b></p> <p>Then go through this with the whole class to ensure learners understand the concept of credit customers and credit suppliers, and how the accounts for these take the place of the cash book until the payments are made or received. <b>(W)</b></p> <p>Issue a sheet containing both cash and credit transactions and put learners into groups to identify the account to be debited and the account to be credited for each transaction. Doing this as a game or competition will help learners maintain an active interest in the topic and consolidate the learning process. <b>(G)</b></p> <p>Set questions such as those in the Randall &amp; Hopkins Chapter 2 Additional Exercises to consolidate learning. <b>(I) (f)</b></p>	<p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>the terms ‘credit customer’ and ‘credit supplier’</li> <li>credit customers’ and credit suppliers’ accounts</li> <li>using the sales and purchase journals for credit transactions</li> <li>ensuring learners distinguish between the books of the seller and the books of the buyer</li> <li>the distinction between cash and credit transactions.</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Duality (Double-entry)</b></li> </ul>	<p>Randall &amp; Hopkins, ch 2</p> <p>Wood &amp; Sangster Vol 1, ch 2 &amp; 4</p> <p>Pre-prepared worksheet containing cash and credit transactions</p>
Distinguish between trade, cash and settlement	<p>Start with a teacher-led discussion on the difference between trade discounts and cash or settlement discounts. <b>(W)</b></p>	<p>Emphasise here that:</p> <p>trade discount is never recorded in</p>	<p>Randall &amp; Hopkins, ch 2 &amp; 3</p> <p>Wood &amp; Sangster Vol 1, ch 2</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<p>discounts and record the treatment of settlement discounts in the books of account.</p>	<p>Then put learners in pairs or small groups. One learner will ‘sell’ something to the other learners (perhaps a textbook or pen). The seller will quote:</p> <ul style="list-style-type: none"> <li>• a gross price for the product</li> <li>• an amount of trade discount (say 10%)</li> <li>• the price after trade discount</li> <li>• a settlement discount which will be taken into account if payment is received early.</li> </ul> <p>You could also ask the seller to draft an invoice for the product being sold.</p> <p>Each learner in the group then identifies the double entry and the amount to be recorded for:</p> <ul style="list-style-type: none"> <li>• the sale/purchase of the item</li> <li>• the receipt of money by the seller</li> <li>• the payment of money by the buyer, both of which take into account the settlement discount. <b>(P or G)</b></li> </ul> <p>Learners should then record this in their own book of accounts.</p>	<p>books of account, but cash discount is always recorded calculations of discounts must be accurate.</p> <p>Ensure learners check that the entries in the books of the seller mirror those in the accounts of the buyer, and that they can identify the causes/reasons for any difference.</p> <p>The Osborne Books website is one useful source for the downloadable blank pro-formas.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>Business Entity</b></li> </ul>	<p>&amp; 4</p> <p><a href="http://www.osbornebooks.co.uk">www.osbornebooks.co.uk</a></p> <p>Pro-forma books of account to hand out for learners to use</p>
<p>Identify the correct book of prime entry for sales and purchase transactions, and post transactions and totals to the correct ledger accounts</p>	<p>Start by explaining the books of prime entry and their use in recording transactions according to type. Stress that they facilitate reference back to original documents (invoices etc.) and simplify postings to nominal accounts. <b>(W)</b></p> <p>Then put learners in pairs or small groups and use the ‘In box’ game (the incoming post an accountant might find in their in-tray at the start of the day) to reinforce learning:</p> <ul style="list-style-type: none"> <li>• give each pair a set of documents, ensuring that it contains</li> </ul>	<p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>• how the double entry is completed from the books of prime entry to the relevant ledger accounts</li> <li>• emphasising that the sales, sales returns, purchases and purchase returns journals are not part of the double entry system</li> </ul>	<p>Randall &amp; Hopkins, ch 3 Wood &amp; Sangster Vol 1, ch 11 &amp; 13–18</p> <p><a href="http://www.osbornebooks.co.uk">www.osbornebooks.co.uk</a></p> <p>Pro-forma day books and ledger accounts to hand out to learners for recording transactions</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>invoices and credit notes from suppliers, and invoices and credit notes sent to customers</p> <ul style="list-style-type: none"> <li>ask them to sort these into appropriate piles</li> <li>hopefully each pair sorts all the documents into piles by type so that they can be processed in an orderly fashion. <b>(P or G)</b></li> </ul> <p>Explain that this is the function the books of prime entry perform.</p> <p>Then ask learners to identify the ledger accounts to which the books of prime entry are posted. Issue pro forma day books and ledger accounts so learners can record the transactions you have given them. <b>(I)</b></p>	<ul style="list-style-type: none"> <li>looking at the limitations of the books of prime entry.</li> </ul> <p>The Osborne Books website is one useful source for the downloadable blank pro-formas.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Duality (Double-entry)</b></li> </ul>	<p>Pre-prepared sample invoices from suppliers and credit notes sent to customers for learners to sort</p>
<p>Understand the functions of the cash book for prime and double entry</p>	<p>Building on the 'In-box' exercise in the previous activity, give learners details of payments made and received by the business in respect of invoices sent and received, ensuring that any settlement discount is properly adjusted and accounted for in the relevant books of account in each case.</p> <p>In their pairs or small groups, learners should then identify the ledger accounts and the book of prime entry (cash book). <b>(I,G)</b></p> <p>Then issue learners with pro-forma cash book and ledger accounts to record the receipts, payments, discounts allowed and received. <b>(I)</b></p>	<p>Emphasise here that:</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>The Osborne Books website is one useful source for the downloadable blank pro-formas.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Duality (Double-entry)</b></li> </ul>	<p>Randall &amp; Hopkins, ch 3</p> <p>Wood &amp; Sangster Vol 1, ch 2, 4, 11 &amp; 13–18</p> <p><a href="http://www.osbornebooks.co.uk">www.osbornebooks.co.uk</a></p> <p>Pro-forma cash books and ledger accounts, together with details of payments made and received that learners can record</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<p>Balance ledger accounts and the cash book correctly, carrying down the balances as appropriate</p>	<p>Start by explaining to the class the purpose of balancing accounts and when balancing is necessary. As part of this, demonstrate how to close an account (for example a customer account) and bring down the balance to the next accounting period. <b>(W)</b></p> <p>Then using the work developed in the previous activities, get learners in their pairs or small groups to identify:</p> <ul style="list-style-type: none"> <li>• how accounts should be closed</li> <li>• how the balance on an account should be calculated</li> <li>• what legend should be inserted against an item when closing an account. <b>(P or G)</b></li> </ul> <p>On completion, ask the learners to suggest the effects that might result from omitting to bring balances down on accounts (e.g. opening balances for the next period will be incorrect, the trader will lose sight of amounts owed, assets will cease to be represented in the books, etc.). <b>(W)</b></p>	<p>Emphasise here that:</p> <ul style="list-style-type: none"> <li>• the balance on an account is the difference between the two sides of the account</li> <li>• the full correct legend must be written against items when closing an account and bringing down the balances</li> <li>• the total of the account has little or no relevance to the balance on the account and nothing should ever be written against the total</li> <li>• the cash and bank columns of the cash book must be balanced separately</li> <li>• balances carried down on accounts must be shown as balances brought down on the accounts on the next day.</li> </ul> <p>Remind learners that marks may be lost if this is not done.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Duality (Double-entry)</b></li> </ul>	<p>Randall &amp; Hopkins, ch 4</p> <p>Wood &amp; Sangster Vol 1, ch 6</p> <p>The pro-forma cash books and ledger accounts started in previous activity</p>
<p>Understand the different classes of ledger account and the advantages of using separate ledgers for each</p>	<p>Start with a teacher-led recap and explanation of the classification of accounts to ensure this is thoroughly understood in preparation for the final accounts topics which follow. <b>(W)</b></p> <p>Then put learners in groups, select various accounts for each from the work completed in the previous activities, and ask them to:</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</li> </ul>	<p>Randall &amp; Hopkins, ch 5</p> <p>Wood &amp; Sangster Vol 1, ch 2 &amp; 4</p> <p>The pro-forma cash books and ledger accounts started</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<ul style="list-style-type: none"> <li>name the classes to which they belong, and</li> <li>the ledger in which they will be kept. <b>(G)</b></li> </ul>	<p>nominal accounts (for revenue or expenses)</p> <ul style="list-style-type: none"> <li>how and why the ledger is divided into sections.</li> </ul>	used in the previous two activities
Prepare trial balances from the ledger accounts and correct errors which do not affect the trial balance	<p>Ask learners to use the internet to research the following:</p> <ul style="list-style-type: none"> <li>the purpose of a trial balance</li> <li>the way a trial balance is prepared</li> <li>the types of accounting errors that can occur</li> <li>their effect on the trial balance. <b>(I)</b></li> </ul> <p>To reinforce learning from this research, put learners into groups and issue a sheet containing a number of accounting errors. Ask each group to identify:</p> <ul style="list-style-type: none"> <li>those errors which affect the trial balance causing it not to balance</li> <li>those which don't have an effect on the trial balance. <b>(G)</b></li> </ul> <p>Conclude with a whole class session to consolidate learning:</p> <ul style="list-style-type: none"> <li>ensure that learners have a clear understanding why some errors do not affect the trial balance.</li> <li>give the class examples of errors and ask them to state whether they would affect the trial balance. The errors that would affect the trial balance should be identified according to type. <b>(W)</b></li> </ul>	<p>The Education Project video clip AS Level Accounting: Correction of Errors on YouTube is a good starting point for this activity.</p> <p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>explaining the purpose and limitations of trial balances</li> <li>ensuring learners have a firm grasp of the six types of error which do not affect trial balances</li> <li>how the correction of errors will affect the trial balance.</li> </ul>	<p>Randall &amp; Hopkins, ch 6</p> <p>Wood &amp; Sangster Vol 1, ch 6</p> <p><a href="http://www.youtube.com/watch?v=MOhETvODRo">www.youtube.com/watch?v=MOhETvODRo</a></p> <p>Pre-prepared hand-out sheet containing deliberate accounting errors, some of which affect the trial balance, some of which don't</p>
Make appropriate journal entries, use a suspense account to correct errors	Review of the previous activity and lead a whole class discussion to recap with examples the correction of errors and the six types of error which do not affect trial balances.	<p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>how to open a suspense account</li> <li>the six types of error that do not</li> </ul>	<p>Randall &amp; Hopkins, ch 15</p> <p>Wood &amp; Sangster Vol 1, ch 32–33</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<p>which do not affect the trial balance, prepare journal entries for corrections, and amend profit and other accounts/statements</p>	<p>Then demonstrate to the class the preparation of journal entries to correct errors/amend accounts.</p> <p>Follow this up by putting suspense account questions on the board and inviting individual learners to work through them in front of the class, explaining the corrections they make as they go. <b>(W)</b></p>	<p>affect trial balances</p> <ul style="list-style-type: none"> <li>• how to make journal entries to correct errors</li> <li>• how to post journal entries to the suspense account</li> <li>• emphasising a suspense account should balance after all postings to it have been made correctly</li> <li>• the correction of gross and net profits and working capital</li> <li>• ensuring learners can distinguish between a requirement to correct profit and a requirement to state the effect of errors on net profit.</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>Business Entity</b></li> </ul>	

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Accounting for non-current assets</b>			
<p>Understand the causes of depreciation and the methods for recording it in the books of account</p>	<p>Ask learners to use the internet to research the following:</p> <ul style="list-style-type: none"> <li>• the term ‘depreciation’</li> <li>• why it is calculated</li> <li>• how it is calculated, including the methods of its calculation</li> <li>• how it is recorded in the books of account. <b>(I)</b></li> </ul> <p>Follow this up with a class discussion on learners’ findings,</p>	<p>The Home Learning College YouTube video clip on Depreciation is a good starting point for this activity.</p> <p>Make sure you emphasise here:</p> <ul style="list-style-type: none"> <li>• the treatment of and distinction between capital and revenue</li> </ul>	<p>Randall &amp; Hopkins, ch 11</p> <p>Wood &amp; Sangster Vol 1, ch 26–27</p> <p><a href="http://www.youtube.com/watch?v=gFfKDyQTXBY">www.youtube.com/watch?v=gFfKDyQTXBY</a></p>



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	<p>focussing in particular on the relevant merits of straight line and reducing balance methods of depreciation. This should include:</p> <ul style="list-style-type: none"> <li>discussion of which method is appropriate for each occasion and class of non-current assets</li> <li>what learners understand by net book value</li> <li>explaining to learners that capital expenditure on non-current assets is a kind of “deferred” revenue expenditure and should be spread over the life of the assets on an equitable basis. <b>(W)</b></li> </ul> <p>Complete this activity by putting the class into groups and giving them a missing word test sheet where they select the correct answer from a list of terms or questions. <b>(P or G) (f)</b></p> <p>Consolidate learning by setting Question 2 from Cambridge Past Paper 22 May/June 2014 as a class test or homework. <b>(I or H) (F)</b></p>	<p>income and expenditure</p> <ul style="list-style-type: none"> <li>the difference between straight line, reducing balance and revaluation methods of depreciation</li> <li>that the purpose of depreciation is to spread expenditure on non-current assets over the periods of their useful lives</li> <li>that the purpose of depreciation is <i>not</i> to provide funds for their replacement</li> <li>the wider accounting principles of materiality, prudence and going concern.</li> </ul>	<p>Pre-prepared ‘missing word’ test sheet on depreciation</p> <p>Cambridge Past Paper 22 May/June 2014 and accompanying mark scheme is available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>
<p>Calculate the annual charges for depreciation using the most appropriate method</p>	<p>Ask learners to consider a valuable item from home that they use regularly, such as a games console or their parents’ motor car, and note down how long they have owned it for:</p> <ul style="list-style-type: none"> <li>get them to calculate how much it cost when they bought it and research how much they could sell it for now</li> <li>explain that the drop in price is due to depreciation</li> <li>develop this by asking them how they would record this loss in value each year</li> <li>then relate this to a business asset. <b>(I)</b></li> </ul> <p>Using the business asset example you have developed, introduce the relevant accounts used to record the annual charge for depreciation in the ledger and the different depreciation methods the business may use. Then:</p>	<p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>the purpose of the provision for depreciation accounts</li> <li>the treatment of the disposals of fixed assets</li> <li>the difference in the way depreciation is recorded in the income statement and the statement of financial position</li> <li>the use of the terms ‘at cost’, ‘depreciation provided to date’ (accumulated depreciation) and ‘net book value’</li> </ul>	<p>Randall &amp; Hopkins, ch 11</p> <p>Wood &amp; Sangster Vol 1, ch 26–27</p>

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	<ul style="list-style-type: none"> <li>ask a learner to come up to the board and record the loss in value in the first year in the appropriate account</li> <li>ask a second learner to do the same for the second year, etc.</li> <li>suggest a selling price for the item and ask learners to consider how to record the disposal, discussing responses with the whole class. <b>(W)</b></li> </ul> <p>After this discussion, ask learners to:</p> <ul style="list-style-type: none"> <li>record the annual charge in the journal and relevant ledger accounts</li> <li>calculate the profit or loss on disposal</li> <li>show the impact of all transactions in the income statement and statement of financial position. <b>(I)</b></li> </ul>	<ul style="list-style-type: none"> <li>the wider accounting principles of prudence and matching</li> </ul> <p>This is a tricky and important topic. Ensure learners have a thorough understanding before moving on.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Duality (Double-entry)</b></li> <li><b>Business Entity</b></li> </ul>	

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Reconciliation and verification</b>			
Update the cash book and prepare a bank reconciliation statement	<p>Start by showing learners the YouTube video on how to prepare a bank reconciliation which explains the reasons why the balance in the cashbook and the balance on the bank statement rarely, if ever, agree. <b>(W)</b></p> <p>To consolidate learning from the video, follow this up with:</p> <ul style="list-style-type: none"> <li>a class quiz in which learners identify items which will cause an imbalance</li> <li>a demonstration for the class on how to prepare a bank</li> </ul>	<p>Make sure you emphasise that:</p> <ul style="list-style-type: none"> <li>three steps are required to reconcile the cash book with the bank statement</li> <li>overdraft positions must be identified</li> <li>adjustments to the cash book balance must result in adjustments to other balances in</li> </ul>	<p>Randall &amp; Hopkins, ch 13</p> <p>Wood &amp; Sangster Vol 1, ch 30</p> <p><a href="http://www.youtube.com/watch?v=-UhQ92wzk-w">www.youtube.com/watch?v=-UhQ92wzk-w</a></p> <p>Pre-prepared quiz questions on items that imbalance the</p>

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	<p>reconciliation statement.</p> <p>After this, ask learners to:</p> <ul style="list-style-type: none"> <li>identify and correct, using journal entries, errors discovered whilst preparing the bank reconciliation statement</li> <li>show the effect of these errors on the financial statements <b>(W)</b></li> </ul>	<p>the trial balance.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Business Entity</b></li> </ul>	<p>cash book and bank reconciliation statement</p>
<p>Prepare and correct control and other ledger accounts and adjust profit and working capital</p>	<p>Start with a class quiz to recap and consolidate learning from previous activities on posting from the books of prime entry. <b>(W)</b></p> <p>Then ask learners to identify and use journal entries to correct the errors which might occur between the sales and purchase ledgers and the control accounts in the nominal ledger. Learners should then show the effect of these errors on the financial statements. <b>(I)</b></p> <p>Follow this up by showing the class how to correct control accounts and reconcile them with the appropriate ledger. <b>(W)</b></p> <p>Consolidate learning by setting questions such as those in the Randall &amp; Hopkins Chapter 14 Additional Exercises. <b>(I) (f) (Challenging)</b></p>	<p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>the need for and the use of control accounts for sales and purchase ledgers</li> <li>the errors which will affect both the control accounts and the sales and purchase ledger and errors which will only affect one of the two</li> <li>how to prepare a reconciliation of the two sets of data</li> <li>how to measure the impact of the corrections made on the profit and balances to be used in the statement of financial position.</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Duality (Double-entry)</b></li> </ul>	<p>Randall &amp; Hopkins, ch 14</p> <p>Wood &amp; Sangster Vol 1, ch 31–33</p> <p>Pre-prepared quiz sheet on posting from the books of prime entry</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Preparation of financial statements: sole traders</b>			
<p>Understand the need for and purpose of financial statements</p>	<p>Issue learners with a sheet containing a number of items of income and expenditure. Ask them to identify which are used to determine the profit or loss earned by the business in a trading period. <b>(I, P or G)</b></p> <p>To relate this to the work done in previous activities on the trial balance and ledger accounts, follow up this exercise with a class discussion on the question “Where does a business obtain the information relating to income and expenditure?” As part of this, ask learners to suggest what will happen to those items they excluded from the profit calculation on the worksheet. <b>(W)</b></p> <p>Then ask learners to use the internet to research the structure of an income statement and a statement of financial position for a sole trader. <b>(I) (Challenging)</b></p> <p>Consolidate learning by setting suitable questions or question elements from Paper 2 Past Papers as a class test or homework. <b>(I or H) (F)</b></p>	<p>This is a vital topic. It links with every aspect of accounting concepts and completes the cycle of posting transactions at the start of a business and everything else covered so far.</p> <p>Give particular attention here to clearly distinguishing between income, expenditure, assets and liabilities.</p> <p>The income statement template provided in the Microsoft Office website link is one useful starting point for the research task in this activity.</p>	<p>Randall &amp; Hopkins, ch 7</p> <p>Wood &amp; Sangster Vol 1, ch 7–10</p> <p><a href="http://www.office.microsoft.com/en-gb/templates/income-statement-1-year-TC001113238.aspx">www.office.microsoft.com/en-gb/templates/income-statement-1-year-TC001113238.aspx</a></p> <p>Pre-prepared income and expenditure sheet</p> <p>Cambridge Paper 2 Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>
<p>Produce a basic income statement and statement of financial position for a sole trader</p>	<p>Go through the structure and content of the income statement and statement of financial position for a sole trader with the class. Then issue learners with:</p> <ul style="list-style-type: none"> <li>• a trial balance</li> <li>• a blank pro forma income statement</li> <li>• a blank pro forma statement of financial position.</li> </ul> <p>Ask them to enter the items from the trial balance where they think they should go in the two statements. <b>(I)</b></p> <p>On completion, show the correct version and discuss where errors</p>	<p>The Osborne Books website is one useful source for downloadable blank pro-formas.</p> <p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>• explaining that capital is increased by profit but is reduced by a loss</li> <li>• the calculation of gross profit and net profit (or loss) using statements of affairs</li> </ul>	<p>Randall &amp; Hopkins, ch 7</p> <p>Wood &amp; Sangster Vol 1, ch 7</p> <p><a href="http://www.osbornebooks.co.uk">www.osbornebooks.co.uk</a></p> <p>Pre-prepared trial balance and pro-forma income statement and statement of financial position for a sole trader</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>were made. <b>(f)</b></p>	<ul style="list-style-type: none"> <li>the accurate preparation of the income statement and statement of financial position.</li> </ul> <p>Also see the International Accounting Standards Booklet regarding the layout of the income statement and statement of financial position. While this is not formally required for sole traders or partnerships, it is good practice to make this link so learners are aware.</p>	<p>For more support on IAS standards, see our <b>International Accounting Standards Booklet</b> at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>
<p>Make adjustments for irrecoverable and doubtful debts</p>	<p>Using the set of accounts developed in the previous activity, ask learners to identify reasons why the full amount invoiced to credit customers may not be received from them. <b>(W)</b></p> <p>Lead on from this to:</p> <ul style="list-style-type: none"> <li>explain about the need for a provision for doubtful debts</li> <li>introduce the need for a provision for doubtful debts of, say, 5% of trade receivables</li> <li>invite a learner to illustrate to the class how this will be recorded in the income statement and statement of financial position</li> <li>ask the class to identify which accounts would be needed in the ledger to record the provision in this and subsequent years. <b>(W)</b></li> </ul>	<p>Make sure you emphasise here:</p> <ul style="list-style-type: none"> <li>the difference between bad debts and doubtful debts</li> <li>how to provide for doubtful debts</li> <li>only the increase or decrease in the provision is adjusted in the income statement</li> <li>how to treat bad debts when they are recovered</li> <li>trade receivables are shown in the statement of financial position at their full value less the provision for doubtful debts.</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Consistency</b></li> <li><b>True and Fair View</b></li> </ul>	<p>Randall &amp; Hopkins, ch 12</p> <p>Wood &amp; Sangster Vol 1, ch 25</p> <p>Pre-prepared trial balance, pro-forma income statement and statement of financial position started in previous activity</p>
<p>Make adjustments in the financial</p>	<p>Link back to first activity in this section on the income statement and statement of financial position by inviting learners individually</p>	<p>Give particular attention here to</p>	<p>Randall &amp; Hopkins, ch 10</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<p>statements for accruals, pre-payments, depreciation and inventory</p>	<p>to write on the board:</p> <ul style="list-style-type: none"> <li>expenses where a balance may be owed or prepaid at the end of an accounting period</li> <li>how this will affect the income statement and statement of financial position</li> <li>how the accrual/prepayment will be recorded in the appropriate ledger account. <b>(W)</b></li> </ul> <p>Then review the work previously covered on depreciation with the class and recap how it is treated in financial statements. Ask learners to consider the valuation of inventory, especially cost and net realisable value, and summarise the key points to ensure full understanding of this topic. <b>(I)</b></p> <p>Consolidate learning by choosing appropriate elements from past paper questions on preparing income statements/statements of financial position for a sole trader and the effects of making adjustments (usually part of Question 1 in Papers 21–23) and/or those such as Randall &amp; Hopkins Chapter 10 Additional Exercises for learners to work through in pairs or small groups. <b>(P or G) (f)</b></p>	<ul style="list-style-type: none"> <li>the difference between an accrual and a prepayment</li> <li>the impact of each on the income statement and statement of financial position</li> <li>how to include provision for depreciation</li> <li>the valuation of inventory at both cost and net realisable value</li> <li>the wider accounting principle of matching.</li> </ul> <p>Also see the International Accounting Standards Booklet regarding IAS2 Inventory Valuation for more support on this topic.</p>	<p>Wood &amp; Sangster Vol 1, ch 25 &amp; 28</p> <p>For more support on IAS standards, see our <b>International Accounting Standards Booklet</b> at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p> <p>Cambridge Past Papers and accompanying mark schemes are also available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>
<p>Produce an income statement and statement of financial position for a sole trader with adjustments</p>	<p>To consolidate learning on preparing financial statements so far, lead a class discussion on the structure and content of the income statement and statement of financial position for a sole trader. <b>(W)</b></p> <p>Then issue learners with another:</p> <ul style="list-style-type: none"> <li>trial balance for a sole trader</li> <li>adjustments to be made to that trial balance</li> <li>blank pro-forma income statement</li> <li>blank pro-forma statement of financial position.</li> </ul>	<p>The Osborne Books website is one useful source for downloadable blank pro-formas.</p> <p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>explaining that capital is increased by profit but is reduced by a loss</li> <li>the calculation of gross profit and profit (or loss) for the year using</li> </ul>	<p>Randall &amp; Hopkins, ch 7–12</p> <p>Wood &amp; Sangster Vol 1, ch 7–9</p> <p><a href="http://www.osbornebooks.co.uk">www.osbornebooks.co.uk</a></p> <p>Pre-prepared trial balance, adjustments sheet and pro-forma income statement and statement of financial</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>Ask them to enter the items from the trial balance where they think they should go in the two statements. <b>(I)</b></p> <p>On completion, show the correct solution and discuss where errors were made. <b>(W)</b></p> <p>Consolidate learning by setting appropriate elements from past paper questions on preparing income statements/statements of financial position for a sole trader from given data (usually part of Question 1 in Papers 21–23) as class or homework. <b>(I or H) (f)</b></p>	<p>statements of affairs</p> <ul style="list-style-type: none"> <li>the need for accurate preparation of the income statement and statement of financial position</li> <li>the need for accurate treatment of adjustments for inventory, accruals, prepayments, provision for doubtful receivables and any other items affecting the financial statements.</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Duality (Double-entry)</b></li> <li><b>Business Entity</b></li> <li><b>Money Measurement</b></li> </ul>	<p>position for a sole trader</p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>
<p>Produce an income statement and statement of financial position for a sole trader from incomplete information</p>	<p>Start by asking learners to:</p> <ul style="list-style-type: none"> <li>suggest types of businesses that might not have complete records</li> <li>name the assets and liabilities which might be found in those businesses. <b>(W)</b></li> </ul> <p>Then put learners into pairs and using the sole trader information they worked on in the previous activity, ask them to write down how they might:</p> <ul style="list-style-type: none"> <li>calculate the opening capital for that business</li> <li>calculate the sales and purchases for that business</li> <li>prepare from that data, an income statement and statement of financial position for that business. <b>(P)</b></li> </ul> <p>Then give learners the necessary data to prepare the final</p>	<p>Make sure you emphasise here:</p> <ul style="list-style-type: none"> <li>that capital is increased by profit but is reduced by a loss</li> <li>how to calculate profit (or loss) using statements of affairs</li> <li>how to prepare a cash account</li> <li>how to calculate stock lost by fire or theft – this is an important topic which learners should practise.</li> </ul> <p>Ensure that learners can calculate margin and mark-up and use their knowledge of control accounts to find the missing figures.</p>	<p>Randall &amp; Hopkins, ch 16</p> <p>Wood &amp; Sangster Vol 1, ch 35</p> <p>Pre-prepared statements started in the previous activity, together with the data needed to prepare the final accounts.</p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>accounts and ask them to prepare an income statement and statement of financial position. On completion, hand out the correct solution and discuss where errors were made and how they should be corrected. <b>(I)</b></p> <p>Consolidate learning by choosing appropriate elements from past paper questions on the areas of learning covered by this activity (usually part of Question 1 in Papers 21–23) to set as class or homework. <b>(I or H) (f)</b></p>	<p>Overall, this is a very important topic – ensure that learners have a thorough understanding of it before moving on.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> </ul>	

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Preparation of financial statements: partnerships</b>			
<p>Prepare income statements, appropriation, current and capital accounts and statements of financial position for a partnership from either full or incomplete accounting records</p>	<p>Ask learners to use the internet to research:</p> <ul style="list-style-type: none"> <li>• the nature of a partnership and when it is a viable business structure</li> <li>• the advantages and disadvantages of a partnership</li> <li>• the circumstances in which the Partnership Act 1890 applies</li> <li>• the main terms/features of partnership agreements. <b>(I)</b></li> </ul> <p>To consolidate, follow this up with a class discussion and ask learners to write on the board the additional accounts needed by a partnership and the contents of each. <b>(W)</b></p> <p>Then, issue learners with a trial balance for a partnership and ask them to complete the:</p> <ul style="list-style-type: none"> <li>• income statement</li> <li>• appropriation account</li> <li>• capital and current accounts</li> </ul>	<p>The Future Accountant website is a useful starting place for the first task. For the final task, the Osborne Books website is one useful source for downloadable blank pro-formas.</p> <p>Give particular attention here 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 income statement</li> <li>• showing that profit for the year is</li> </ul>	<p>Randall &amp; Hopkins, ch 21–22</p> <p>Wood &amp; Sangster Vol 1, ch 41</p> <p><a href="http://www.futureaccountant.com/partnership-accounts/">www.futureaccountant.com/partnership-accounts/</a></p> <p><a href="http://www.osbornebooks.co.uk">www.osbornebooks.co.uk</a></p> <p>Pre-prepared trial balance and pro-forma income statement and statement of financial position for a partnership</p>



Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<ul style="list-style-type: none"> <li>statement of financial position. <b>(I) (f)</b></li> </ul> <p>On completion, show the correct solution and discuss where errors were made.</p>	<p>always the profit after charging the interest</p> <ul style="list-style-type: none"> <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><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Duality (Double-entry)</b></li> </ul>	
<p>Deal with goodwill, revaluation of assets and changes of partnership arising from the introduction of new partners and/or retirement of existing partners or the dissolution of the partnership</p>	<p>Discuss the circumstances in which a partnership may change its make-up of partners and how this needs to be treated in accounting terms, and then suggest learners use the internet to research the meaning and treatment of:</p> <ul style="list-style-type: none"> <li>goodwill</li> <li>revaluation of assets. <b>(I)</b></li> </ul> <p>To consolidate this, invite learners to write on the board the accounts required to record the change in constitution of a partnership. <b>(W)</b></p> <p>Then issue learners with a pre-prepared scenario based on changes to the constitution of a partnership and ask them to complete the relevant:</p> <ul style="list-style-type: none"> <li>accounts</li> <li>income statement</li> </ul>	<p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>stressing that a partnership change involves the termination of one partnership and the commencement of another</li> <li>explaining the procedure for adjusting partners' capital accounts for goodwill when no goodwill is to be shown in the books of account</li> <li>how to prepare income statements and appropriation accounts split between the periods before and after the partnership change</li> <li>the revaluation of assets and goodwill on a change of</li> </ul>	<p>Randall &amp; Hopkins, ch 21-22</p> <p>Wood &amp; Sangster Vol 1, ch 42-44</p> <p><a href="http://www.futureaccountant.com/partnership-accounts/">www.futureaccountant.com/partnership-accounts/</a></p> <p>Pre-prepared scenario of a partnership change with the information required to complete the relevant accounts and statements</p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<ul style="list-style-type: none"> <li>appropriation account</li> <li>capital and current accounts</li> <li>statement of financial position. <b>(I)</b></li> </ul> <p>On completion, show the class the correct answers and discuss where errors were made. <b>(W)</b></p> <p>Consolidate learning by choosing appropriate elements from past paper questions on revaluation of assets and dissolution of partnerships (usually part of Paper 41–43) and/or those such as Randall &amp; Hopkins Chapter 22 Additional Exercises to set as class or homework. <b>(I or H) (f)</b></p>	<p>partnership</p> <ul style="list-style-type: none"> <li>the preparation of a dissolution account and revaluation account on a change of partnership.</li> </ul> <p>When looking at past papers for suitable question elements on partnerships, this was an A2 paper topic in syllabuses up to and including 2015, and an AS topic from 2016 on.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Business Entity</b></li> </ul>	

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Preparation of financial statements: limited companies</b>			
Understand the structure and content of limited company accounts	<p>Put learners into pairs, and issue them with a pre-prepared pro-forma set of financial statements for a limited company. Ask them to:</p> <ul style="list-style-type: none"> <li>identify the new terms they come across in relation to limited company published accounts and write them on the board</li> <li>carry out further internet research to find their meaning. <b>(P)</b></li> </ul> <p>Then lead a class discussion on:</p> <ul style="list-style-type: none"> <li>the new terms limited company accounts introduce and what they mean</li> <li>the advantages and disadvantages of trading as a limited company compared to sole trader or partnership. <b>(W)</b></li> </ul>	<p>Give particular attention here 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>the basic outlines of limited company income statements, statements of changes in equity and statements of financial position</li> <li>the difference between the income statement and statement of financial position of a sole</li> </ul>	<p>Randall &amp; Hopkins, ch 23 &amp; 25</p> <p>Wood &amp; Sangster Vol 1, ch 45</p> <p>Pre-prepared pro-forma set of financial statements for a limited company</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
		<p>trader/ partnership and a limited company</p> <ul style="list-style-type: none"> <li>ensuring that learners fully understand the difference between shares and debentures, and between provisions and reserves.</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Business Entity</b></li> </ul>	
<p>Prepare income statement, statement of financial position, share issue ledger accounts and statement of changes in equity for limited companies from full or incomplete accounting records</p>	<p>Issue learners with a simple trial balance for a limited company, and instruct them using the data in the published accounts they downloaded in the previous activity to prepare the:</p> <ul style="list-style-type: none"> <li>income statement</li> <li>statement of changes in equity</li> <li>statement of financial position</li> <li>simple cash flow in a good form. <b>(I or P) (f)</b></li> </ul> <p>On completion, go through these and discuss where errors were made. <b>(W)</b></p> <p>Then move the focus onto shares and debentures:</p> <ul style="list-style-type: none"> <li>invite learners to write on the board the accounting entries required to issue shares and debentures for a limited company</li> <li>issue details of a share and debenture issue</li> <li>ask learners to complete the ledger accounts in respect of these details.</li> </ul> <p>Again, on completion, go through the correct solution and discuss</p>	<p>Make sure you emphasise here:</p> <ul style="list-style-type: none"> <li>the correct format for the income statement, statement of changes in equity and statement of financial position</li> <li>that debentures must be shown as non-current liabilities unless they are redeemable within one year, never as part of share capital and reserves</li> <li>how to distinguish between liabilities, provisions and reserves, and between capital reserves and revenue 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>the accounting entries required to record bonus and rights issues</li> </ul>	<p>Randall &amp; Hopkins, ch 23</p> <p>Wood &amp; Sangster Vol 1, ch 45</p> <p>Pre-prepared example trial balance for a limited company</p> <p>Pre-prepared details of a share and debenture issue</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	where errors were made. <b>(W)</b>	<ul style="list-style-type: none"> <li>that proposed dividends are shown as a note to the accounts, not as a current liabilities in the statement of financial position.</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Duality (Double-entry)</b></li> <li><b>Business Entity</b></li> <li><b>Money Measurement</b></li> </ul>	

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Analysis and communication of accounting information to stakeholders</b>			
Use profitability, liquidity and efficiency ratios to make calculations and comments, understanding their limitations	<p>Ask learners to use the internet to research the pyramid of ratios, the relationships between them and their method of calculation. <b>(I)</b></p> <p>Go through this as a class discussion to consolidate their research and ensure understanding of the models and uses of ratio analysis. <b>(W)</b></p> <p>Then using the limited company accounts downloaded during the previous activities, ask learners in pairs to calculate ratios from the information obtained from these accounts. <b>(P)</b></p> <p>On completion, lead a class discussion where learners discuss the reliability of the ratios they have calculated. What further information do they require? Where may they find it? What are the benefits and limitations of such analysis? <b>(W)</b></p>	<p>For a full list of the profitability, liquidity and efficiency ratios that need to be covered at AS Level, see pages 25–26 of the 2016–18 syllabus.</p> <p>The CPA website link on financial ratios is a good starting point for the initial research task in this activity.</p> <p>Give particular attention here 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>how to work backwards to prepare</li> </ul>	<p>Randall &amp; Hopkins, ch 28</p> <p>Wood &amp; Sangster Vol 1, ch 47</p> <p><a href="http://www.cpaclass.com/fsa/ratio-01a.htm">www.cpaclass.com/fsa/ratio-01a.htm</a></p> <p>The 2016–18 Cambridge International AS and A Level Accounting (9706) syllabus is available at <a href="http://www.cie.org.uk">www.cie.org.uk</a> and <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
		<p>income statements and statements of financial position from given ratios</p> <ul style="list-style-type: none"> <li>• how to write comments on the performance of the business from the calculated ratios. Ensure learners know to use words such as 'better', 'worse', 'improved' or 'deteriorated', <b>not</b> 'higher' or 'lower'</li> <li>• the differing information needs of different user groups.</li> </ul> <p><b>Note:</b> While it might be useful to extend more able learners, only the profitability, liquidity and efficiency ratios stated on page 17 of the syllabus will be set for examination at AS Level.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Consistency</b></li> <li>• <b>Money Measurement</b></li> <li>• <b>True and Fair View</b></li> </ul>	

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## Cost and management accounting (AS Level)

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### Recommended prior knowledge

This topic covers unfamiliar subjects and terms even for those who took IGCSE or O Level Accounting. Prior study of the AS Financial Accounting section is therefore recommended to help develop a firm grasp of the core underlying accounting concepts in a range of different company contexts first. For those Centres teaching both areas simultaneously, it is recommended that thought is put into the lessons plans for each to ensure they co-ordinate as much as possible with the pace and level of learning in the previous section. Those who have taken IGCSE or O Level Business Studies will have some familiarity with the terms and concepts covered in this topic.

This AS Cost and Management Accounting section focuses on using financial and other information as a decision-making tool. The subsequent A Level sections add further material on preparing financial statements for different types of organisation and identifying the ethical and accounting standards underpinning financial data, as well as providing more emphasis on the use of accounting and financial data as a planning and control tool within an organisation.

### Context

This section will move learners on from the mechanical exercise of recording financial data to being able to use it in a decision-making situation. In a large organisation, the Cost and Management Accounting department usually sits alongside the Financial Accounting department. So, the data prepared by the Financial Accountant will be examined and modified by the Cost Accountant to present Management with data which can be used by the organisation to determine future courses of action (e.g. should new products be introduced or old ones abandoned?) and the cost/benefit to the organisation of the chosen course of company planning. If Financial Accounting is like looking at a history book, Cost and Management Accounting is more about how to move the organisation to where it wants to be in the future.

All the various elements of cost are covered, including materials, labour, overheads and their interaction with each other. Learners will also find out how each element is calculated and classified, and how each one changes as a direct result of a Management decision. Many learners find it harder to work to the same standard in this topic as they achieve for Financial Accounting. This might be because there is less procedural logic and because of the requirement to apply learning more broadly to provide effective analysis and evaluation in different contexts. It is therefore essential to keep to the suggested teaching time for this topic, use formative assessment to monitor learner progress and use the full range of company types to practise the skills learned.

### Outline

The AS Level topics covered in this section are:

- costing for materials and labour
- traditional costing methods – absorption costing
- traditional costing methods – marginal costing
- traditional costing methods – cost-volume profit analysis
- the application of accounting to business planning.

**Teaching time**

It is recommended that this unit should take approximately 32% of the teaching time for the AS Level course (16% of the whole AS and A Level teaching programme).

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Costing for materials and labour</b>			
Identify the difference between direct and indirect materials	<p>Ask learners to write down the materials from which something in their possession is made – for example a calculator, mobile phone or textbook – and put a possible cost on these materials.</p> <p>Then ask them to write down other materials which may be needed and used in making the product – for example cloths to wipe the product or cleaning materials to clean it – and put a possible cost on these. <b>(I)</b></p> <p>Ask learners to discuss in pairs which of these material costs will increase or decrease exactly in line with an increase or decrease in production. On completion ask one or two pairs to write their findings on the board as a table separating costs which they think do and don't directly increase in line with production. <b>(P)</b></p> <p>Go over these and conclude by leading a class discussion about the relationship between the increase/decrease in production and the cost of materials. <b>(W)</b></p>	<p>To help bring the accounting principles involved here to life, make sure learners choose an object they are familiar with or bring in something suitable for them to discuss, such as a loaf of bread.</p> <p><b>Note:</b> Direct materials should be treated as a variable cost – see the <i>Traditional costing methods</i> sections below for more coverage on fixed, variable and semi-variable costs.</p>	<p>Randall &amp; Hopkins, ch 30</p> <p>A familiar everyday object suitable for estimating direct and indirect material costs</p>
Calculate the value of the closing inventory using FIFO	<p>Ask learners to use the internet to research and investigate the FIFO method of valuing inventory. <b>(I or P)</b></p> <p>Then go through with the whole class how to value the inventory (direct material) using the FIFO (first in first out) method of calculation. <b>(W)</b></p> <p>Follow this up by issuing learners with a pre-prepared inventory and receipts worksheet and ask them to complete it using the</p>	<p>The YouTube clip on the difference between FIFO and AVCO approaches to inventory calculation is a good starting point for the research task and will help learners understand how FIFO and AVCO differ from LIFO (questions on LIFO will not be set in the exam).</p> <p>Focus here on using the FIFO method</p>	<p>Randall &amp; Hopkins, ch 20</p> <p><a href="http://www.youtube.com/watch?v=GabvYBugH0">www.youtube.com/watch?v=GabvYBugH0</a></p> <p>Pre-prepared worksheet containing data for five months, including an opening inventory for the</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>FIFO valuation method. <b>(I)</b></p> <p>On completion, go through the answers and discuss where errors were made. <b>(W)</b></p> <p>Consolidate learning by setting questions such as those in Randall &amp; Hopkins Chapter 20 Review Questions as pair or individual work. <b>(I or P) (f)</b></p>	<p>to work through the process of:</p> <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><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> <li>• <b>Consistency</b></li> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>True and Fair View</b></li> </ul>	<p>beginning of the period and receipts and issues for the remainder of the period.</p>
<p>Calculate the value of the closing inventory using AVCO</p>	<p>Ask learners to use the internet to research and investigate the AVCO method of valuing inventory. <b>(I or P)</b></p> <p>Then go through with the whole class how to value the inventory (direct material) using the AVCO (average cost) method of calculation. <b>(W)</b></p> <p>Follow this up by asking learners to return to the worksheet used in the previous activity and this time complete it using the AVCO valuation method. <b>(I)</b></p> <p>On completion, go through the answers and discuss where errors were made. <b>(W)</b></p> <p>Consolidate learning by choosing appropriate elements from past paper questions on different methods of calculating inventory (usually part of Question 3 in Papers 21–23) and/or those such as Randall &amp; Hopkins Chapter 20 Review Questions to set as class or homework. <b>(I or H) (f)</b></p>	<p>Again, the YouTube clip on FIFO and AVCO is a good starting point for the research task.</p> <p>Focus here on using the AVCO method to work through the process of:</p> <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>A common error is recalculating the average cost of the inventory after every receipt <b>and</b> issue of material, rather than simply after every receipt of the new inventory.</p> <p><b>KEY CONCEPTS:</b></p>	<p>Randall &amp; Hopkins, ch 20</p> <p><a href="http://www.youtube.com/watch?v=GabvIYBugH0">www.youtube.com/watch?v=GabvIYBugH0</a></p> <p>Worksheet started in previous activity</p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>



Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
		<ul style="list-style-type: none"> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> <li>• <b>Consistency</b></li> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>True and Fair View</b></li> </ul>	
Understand the effect of different inventory valuation methods on profit	<p>Start with a class discussion to consolidate the learning from the previous two activities on FIFO and AVCO, and then show the class the effect of the two different methods of inventory valuation on profit. <b>(W)</b></p> <p>Then ask learners to return to the worksheet used in the previous two activities and this time use it to analyse the effect on profit of the two different inventory valuation methods. <b>(I) (f)</b></p> <p>On completion, go through the answers and discuss where errors were made. <b>(W)</b></p> <p>Consolidate learning by setting questions such as those in Randall &amp; Hopkins Chapter 20 Review Questions as pair or individual work. <b>(I or P) (f)</b></p>	<p>Again, the YouTube clip on FIFO and AVCO is a good starting point for the research task.</p> <p>Make sure learners can use both the FIFO and AVCO methods of valuing inventory to calculate profit accurately.</p> <p><b>Note:</b> It may also be useful to mention the LIFO method of valuing inventory at this point. However, no questions will be set on this method in the exam.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Consistency</b></li> </ul>	<p>Randall &amp; Hopkins, ch 20 and accompanying review questions</p> <p><a href="http://www.youtube.com/watch?v=GabvIYBugH0">www.youtube.com/watch?v=GabvIYBugH0</a></p> <p>Worksheet used in previous activity</p>
Calculate labour costs using different methods of remuneration	<p>Take the same product used for the initial class discussion on direct and indirect material costs at the start of this topic and ask learners to:</p> <ul style="list-style-type: none"> <li>• identify the different types of work which have been performed to make the product</li> <li>• the methods by which the labour would be remunerated</li> <li>• whether these labour costs should be treated as direct or indirect. <b>(I or P)</b></li> </ul> <p>Discuss and clarify learners' findings with the class to consolidate</p>	<p>Give particular attention here 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</li> </ul>	<p>Randall &amp; Hopkins, ch 30</p> <p>The same familiar object(s) used for the direct and indirect materials activity at the start of this section</p> <p>Pre-prepared worksheet on amounts payable for labour under different payment methods</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>learning and then issue a worksheet on calculating the amount payable to workers using a variety of payment methods. <b>(I) (f)</b></p> <p>On completion, go through the answers and discuss where errors were made. <b>(W)</b></p>	<p>time.</p> <p><b>Note:</b> Direct labour should always be treated as a variable cost – see the <i>Traditional costing methods</i> sections below for more coverage on fixed, variable and semi-variable costs.</p>	

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Traditional costing methods – absorption costing</b>			
<p>Identify and calculate fixed, variable, semi-variable and stepped costs</p>	<p>Using the information gathered during the previous activity on direct and indirect material and labour costs:</p> <ul style="list-style-type: none"> <li>put learners in pairs to research the various classification of costs on the internet <b>(P)</b>, or</li> <li>play the YouTube video to show learners the where the various classification of costs are defined. <b>(W)</b></li> </ul> <p>Then put the class into two teams and ask one to classify the labour costs from the information given, the other to classify the material costs. <b>(G)</b></p> <p>Follow with a class discussion to consolidate learning, and then issue a worksheet on calculating the different costs an organisation can incur (e.g. fixed/stepped, variable/semi-variable). As part of this, also ask learners to look at other classifications, such as by department or function. <b>(I) (f) (Challenging)</b></p> <p>On completion, go through the answers and discuss where errors</p>	<p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>linking this with the earlier activity on direct and indirect costs</li> <li>how to analyse by variable/fixed/semi-variable and other classifications such as department or function.</li> </ul> <p>The most common error is failing to separate out the fixed and variable elements of a semi-variable cost and then failing to include them with the other relevant costs in the further calculations.</p>	<p>Randall &amp; Hopkins, ch 30</p> <p><a href="http://www.youtube.com/watch?v=aBSSuOHls3o">www.youtube.com/watch?v=aBSSuOHls3o</a></p> <p>Pre-prepared worksheet for calculating different types of organisational costs, including fixed/stepped and variable/semi-variable</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	were made <b>(W)</b>		
Identify and define different cost centres	<p>Hand out or display a map of the school showing the classrooms, kitchen/refectory, playground, etc., or a drawing of a simple factory with 4-5 cost centres (e.g. two production centres, a canteen and a maintenance department).</p> <p>Using coloured stickers, ask learners to indicate on the diagram which are the 'production' and 'service' cost centres. <b>(I or G) (Basic)</b></p> <p>Conclude with a class discussion to consolidate learning. <b>(W)</b></p>	<p>Cost centres are an important element of the activities that follow in this topic. Use this activity to ensure that learners recognise the difference between production and service cost centres and understand the importance of each.</p>	<p>Randall &amp; Hopkins, ch 30</p> <p>Map or drawing of school or a simple factory layout for identifying production and service cost centres</p>
Allocate and apportion overhead expenditure between production and service departments	<p>Go through the different methods of allocating costs using the pre-prepared worksheet and invite learners to identify the best method of allocating costs to cost centres. <b>(W)</b></p> <p>Then ask learners to complete the worksheet either individually or in pairs to consolidate learning. <b>(I or P) (f)</b></p> <p>On completion, go through the answers and discuss where errors were made. <b>(W)</b></p>	<p>Ensure that learners know how to:</p> <ul style="list-style-type: none"> <li>• select the most appropriate method for allocation and apportionment</li> <li>• reapportion the total costs for service cost centres to production cost centres.</li> </ul> <p>The most common errors here 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 double-checking the cross-cast of total allocated overheads at the completion of the allocation process.</li> </ul>	<p>Randall &amp; Hopkins, ch 30</p> <p>Pre-prepared worksheet containing:</p> <p>a list of methods of allocating costs to cost centres</p> <p>a task with a series of total costs so learners can be guided through their correct allocation.</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
		<p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Consistency</b></li> </ul>	
Calculate overhead absorption rates	<p>Put learners in pairs and ask them to use the internet to research the reasons for calculating an overhead absorption rate and the basis on which it should be calculated. <b>(P)</b></p> <p>Then, using the worksheet started in the previous activity, give learners sufficient data to enable them to calculate a suitable absorption rate for each production department on the worksheet. <b>(I)</b></p>	<p>The YouTube clip on the allocation, apportionment and absorption of overheads is a useful starting point for the research task.</p> <p>Ensure here that learners:</p> <ul style="list-style-type: none"> <li>• use the most appropriate basis to calculate the overhead absorption rate (the most common are direct labour hours and machine hours)</li> <li>• work to two decimal places.</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Consistency</b></li> </ul>	<p>Randall &amp; Hopkins, ch 30</p> <p><a href="http://www.youtube.com/watch?v=VvT9TvcCMhY">www.youtube.com/watch?v=VvT9TvcCMhY</a></p> <p>Worksheet started in previous activity plus additional data sheet to enable absorption rate calculation</p>
Calculate and explain the causes of under and over absorption of overheads	<p>Give learners an additional data sheet so they can complete the worksheet from the previous activity by calculating the actual hours worked and overheads incurred by the business. While doing this, ask them to suggest how an over/under absorption could be calculated. <b>(I) (Challenging)</b></p> <p>On completion, go through in detail the correct method for calculating over and under absorption to consolidate learning. <b>(W)</b></p> <p>To consolidate learning, set questions such as those in Randall &amp; Hopkins Chapter 30 Additional Exercises on the areas of learning covered by the completed worksheet. <b>(I or H) (f)</b></p>	<p>Give particular attention here to the correct method for calculating over/under absorption – this is a key topic.</p> <p>The most common error is 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.</p>	<p>Randall &amp; Hopkins, ch 30</p> <p>Worksheet started in previous activity plus additional data sheet to enable calculation of actual hours and overheads incurred</p>
Prepare absorption	Ask learners to use the internet to research the structure of	The Inklings website link provides a	Randall & Hopkins, ch 33

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
costing statements	<p>costing statements. <b>(I or P)</b></p> <p>Follow this with a class discussion to correct mistakes and consolidate learning. <b>(W)</b></p> <p>Then set questions by choosing appropriate elements from past paper questions on preparing absorption costing statements (usually part of Question 3 in Papers 21–23) and ask learners to complete them in pairs. <b>(P) (f)</b></p> <p>On completion, go through the answers and discuss where errors were made. <b>(W)</b></p>	<p>useful starting point for the initial research task in this activity.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> <li>• <b>Consistency</b></li> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>True and Fair View</b></li> </ul>	<p><a href="http://www.inkling.com/read/man-agerial-accounting-ray-garrison-14th/chapter-6/variable-and-absorption">www.inkling.com/read/man-agerial-accounting-ray-garrison-14th/chapter-6/variable-and-absorption</a></p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>
Explain the uses and limitations of absorption costing	<p>Ask learners to suggest ideas on the uses and limitations of absorption costing, and jot down their responses on the board. <b>(W)</b></p> <p>Review this as the basis for leading a class-wide discussion on the use and limitations of the techniques covered in the previous activities. <b>(W)</b></p> <p>Consolidate learning by choosing appropriate elements from past paper questions on absorption and marginal costing (usually part of Question 3 in Papers 21–23) to set as class or homework. <b>(I or H) (f)</b></p>	<p>During the class discussion, make sure you ask questions that require learners to explain the uses and limitations of absorption costing, not just doing the calculations.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Consistency</b></li> </ul>	<p>Randall &amp; Hopkins, ch 30</p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Traditional costing methods – marginal costing</b>			
Identify the different types of costs that	This is a good point to refresh/recap and consolidate the learning undertaken so far on costing. Discuss and ask questions on all the	Much of the knowledge requirement for this topic has been covered in the	Randall & Hopkins, ch 33

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
organisations incur	<p>key areas to assess progress. <b>(W)</b></p> <p>Follow this up by issuing a worksheet where learners indicate against each cost given whether it is fixed, variable or semi-variable. <b>(I or P) (f)</b></p> <p>On completion, go through the answers and discuss where errors were made. <b>(W)</b></p>	<p>previous sections on materials and labour and absorption costing. This recap will help determine which areas might need further consolidation during the following activities.</p> <p>Ensure at this point 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>	Pre-prepared costing worksheet
Calculate from data for a given product the contribution, break-even point, margin of safety and contribution to sales ratio	<p>Ask learners to use the internet to identify and define the key terms of product contribution, break-even, margin of safety and contribution to sales ratio. <b>(I or P)</b></p> <p>Follow up with a class discussion and quiz to consolidate this research. <b>(W)</b></p> <p>Then go through with the class how to do each type of calculation and issue a pre-prepared worksheet containing a variety of different products with costs broken down between fixed, variable and semi-variable elements. Learners complete the contribution, break-even, margin of safety and contribution to sales ratio individually or in pairs. <b>(I or P) (f)</b></p> <p>On completion, go through the answers and discuss where errors were made. <b>(W)</b></p>	<p>The YouTube clip on break-even analysis is a good starting point for the internet research activity.</p> <p>Make sure here that learners:</p> <ul style="list-style-type: none"> <li>• present the terms clearly in their worked solutions</li> <li>• do calculations in both \$ and %</li> <li>• can manipulate the data to calculate the output required to achieve a desired level of profit.</li> </ul> <p>This and the two later activities on marginal costing statements and profit are structured the same to emphasise to learners their inter-relatedness. One considers the impact of cost changes at product level, the second the impact of changes in the product mix, and the third compares and contrasts the difference on costs and profit between</p>	<p>Randall &amp; Hopkins, ch 33</p> <p><a href="http://www.youtube.com/watch?v=Csl2q3TWvaU">www.youtube.com/watch?v=Csl2q3TWvaU</a></p> <p>Pre-prepared quiz on key marginal cost terms</p> <p>Pre-prepared worksheet containing fixed, variable and semi-variable cost data for a range of products from which to calculate contribution, break-even, margin of safety and contribution to sales ratio. This worksheet will also be used for the next activity.</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
		marginal and absorption costing.  <b>KEY CONCEPTS:</b> <ul style="list-style-type: none"> <li>• <b>Money Measurement</b></li> </ul>	
Prepare break-even charts and profit-volume charts from given data	<p>Draw on the board a basic graph with an x and y axis. Then, using the information from the worksheet started in the previous activity, ask learners to copy the graph and plot and notate on it break-even and profit-volume lines, correctly labelling the axes. <b>(I)</b></p> <p>On completion, discuss with the class the direction and position of the lines resulting. <b>(W)</b></p> <p>Set follow-up questions requiring learners to use graph paper to practise plotting these two graphs by choosing appropriate elements from past paper questions (usually part of Question 3 in Papers 21–23) to consolidate learning. <b>(I)</b></p> <p>Then ask learners to use the same data to develop a profit/volume chart response to each question. <b>(I)</b></p> <p>Follow this with a class discussion on the differences between the two and on the benefits and limitations of the use of break-even charts. <b>(W)</b></p>	<p>Ensure that learners:</p> <ul style="list-style-type: none"> <li>• label the charts correctly with all the appropriate notation</li> <li>• can clearly distinguish between a break-even chart and a profit-volume chart</li> <li>• understand the importance of maintaining a high degree of accuracy in their presentation work.</li> </ul> <p><b>Note:</b> Also see the following cost-volume-profit section of this scheme of work for more on profit/volume charts.</p>	Randall & Hopkins, ch 33  Worksheet started in previous activity  Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a>
Prepare marginal costing statements	<p>Ask learners to use the internet to research the structure of costing statements. <b>(I or P)</b></p> <p>Follow this with a class discussion on their findings to correct and consolidate learning. <b>(W)</b></p> <p>Then set questions by choosing appropriate elements from past paper questions on preparing marginal costing statements (usually part of Question 3 in Papers 21–23) and ask learners to</p>	<p>The Inkling website link on variable and absorption costing provides a good starting point for the research task.</p> <p>Make sure that learners know how to treat fixed costs in the statement correctly – this is a common error.</p> <p><b>KEY CONCEPTS:</b></p>	Randall & Hopkins, ch 33  <a href="http://www.inkling.com/read/managerial-accounting-ray-garrison-14th/chapter-6/variable-and-absorption">www.inkling.com/read/managerial-accounting-ray-garrison-14th/chapter-6/variable-and-absorption</a>  Cambridge Past Papers and accompanying mark

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>complete them in pairs. <b>(P) (f)</b></p> <p>On completion, go through the answers and discuss where errors were made. <b>(W)</b></p>	<ul style="list-style-type: none"> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> <li>• <b>Consistency</b></li> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>True and Fair View</b></li> </ul>	<p>schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>
<p>Analyse the difference in profit resulting from marginal and absorption costing methods</p>	<p>Ask learners to use the internet to research the structure of costing statements. <b>(I or P)</b></p> <p>Follow this with a class discussion on their findings to correct and consolidate learning. <b>(W)</b></p> <p>Then set questions by choosing appropriate elements from past paper questions on the profit difference resulting from absorption and marginal costing methods (usually part of Question 3 in Papers 21–23) and ask learners to complete them in pairs. <b>(P) (f)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	<p>The InKling website link on variable and absorption costing provides a good starting point for the research task.</p> <p>Pay particular attention here to the difference in profit that results from using marginal and absorption costing methods to value the inventory.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Money Measurement</b></li> </ul>	<p>Randall &amp; Hopkins, ch 33</p> <p><a href="http://www.inkling.com/read/managerial-accounting-ray-garrison-14th/chapter-6/variable-and-absorption">www.inkling.com/read/managerial-accounting-ray-garrison-14th/chapter-6/variable-and-absorption</a></p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>
<p>Use marginal costing techniques to evaluate and make recommendations</p>	<p>Using a pre-prepared tick list, ask learners to identify the types of decision that marginal costing techniques could and should not be used for. <b>(I or G)</b></p> <p>Then hand out a pre-prepared worksheet containing various situations of businesses changing their product mix and the impact on costs arising from this. Ask learners to work through the scenarios in pairs. <b>(P)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p> <p>Then set questions on evaluating and recommending decisions using marginal costing techniques such as those in Randall &amp; Hopkins Chapter 33 Additional Exercises for learners to complete in pairs. <b>(P)</b></p>	<p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>• is it better to make or buy?</li> <li>• accepting orders at a special price</li> <li>• the use of scarce resources to maximise profit</li> <li>• calculating the effect of limiting factors on profit and production</li> <li>• the impact that closing a department or product line has on fixed costs (a common area of confusion).</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Business Entity</b></li> </ul>	<p>Randall &amp; Hopkins, ch 33</p> <p>Pre-prepared tick list on the type of decisions marginal costing techniques can be used for</p> <p>Pre-prepared worksheet on the cost impact of changing the product mix</p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>



Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>Extend learning by choosing appropriate elements from past paper questions on the impact of limiting factors on production (usually part of Question 3 in Papers 21–23) to set as class or homework. <b>(I or H) (Challenging) (f)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	<ul style="list-style-type: none"> <li>• <b>Money Measurement</b></li> <li>• <b>Consistency</b></li> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>True and Fair View</b></li> </ul>	
Identify the uses and limitations of marginal costing	<p>Invite learners to write on the board the advantages and disadvantages they can see in both marginal and total absorption costing methods. Use this to lead into a class discussion on the uses and limitations of marginal costing. <b>(W)</b></p> <p>Consolidate learning by choosing appropriate elements from past paper questions on the advantages/disadvantages of marginal and absorption costing methods and when to use which method (usually part of Question 3 in Papers 21–23) and/or those such as Randall &amp; Hopkins Chapter 33 Additional Exercises to set as class or homework. <b>(I or H) (f)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	Make sure that learners are able to develop a clear line of reasoning and argument when answering questions related to this topic.	<p>Randall &amp; Hopkins, ch 33</p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Traditional costing methods – cost-volume-profit analysis</b>			
Evaluate and interpret cost-volume-profit data	<p>Using worked examples, recap for the class how profit is sensitive to changes in both production/sales volumes and fixed/variable costs. <b>(W)</b></p> <p>Then set questions by choosing appropriate elements from past</p>	Make sure that learners are able to discuss the advantages and limitations of cost-volume-profit analysis as well as interpreting the data.	<p>Randall &amp; Hopkins, ch 31 and 33</p> <p>Cambridge Past Papers and accompanying mark</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>paper questions on profit sensitivity (usually part of Question 3 in Papers 21–23) and ask learners to complete them in pairs. <b>(P)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	<p>Measuring the impact that closing a department or product line has on fixed costs is a common area of difficulty.</p> <p>Focus on the application of costing methods to making business decisions, not just on understanding the data.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> <li>• <b>Consistency</b></li> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>True and Fair View</b></li> </ul>	<p>schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>
<p>Prepare costing statements using unit, job and batch costing principles</p>	<p>Ask learners to use the internet to identify and define the key terms of unit costing, job costing and batch costing. <b>(I or P)</b></p> <p>Follow this up with a class quiz sheet on unit, job and batch costing methods to consolidate their research and learning. <b>(W)</b></p> <p>Consolidate learning by choosing appropriate elements from past paper questions on unit, job and batch costing (usually part of Question 3 in Papers 21–23) and/or those such as Randall &amp; Hopkins Chapter 31 Additional Exercises for learners to complete in pairs. <b>(P)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	<p>Make sure that learners understand the differences between job, unit and batch operations and how the costs of each type are calculated.</p> <p>Focus on the application of costing methods to making business decisions, not just on understanding the data.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Money Measurement</b></li> </ul>	<p>Randall &amp; Hopkins, ch 31</p> <p><a href="http://www.google.co.uk">www.google.co.uk</a> – type in the terms ‘unit costing’, ‘job costing’ and ‘batch costing’ in the images search tab</p> <p>Pre-prepared quiz sheet on unit, job and batch costing methods</p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>The application of accounting to business planning</b>			
<p>Explain the importance of business planning, the benefits that budgets bring to this process and the advantages/disadvantages of budgetary control</p>	<p>Set three questions covering the key syllabus areas of:</p> <ul style="list-style-type: none"> <li>• business planning</li> <li>• how budget preparation supports the planning process</li> <li>• the advantages/disadvantages of budgetary control.</li> </ul> <p>Then break the class into three groups, and allocate each group one of these topics. With support and guidance from you, each group then:</p> <ul style="list-style-type: none"> <li>• researches their allocated topic</li> <li>• prepares a short presentation on it which they give to the rest of the class</li> <li>• sets a short quiz to ensure the rest of the class also understands the topic. <b>(G)</b></li> </ul> <p>On completion, consolidate learning by devising appropriate exam-style questions covering all three key syllabus areas for this topic for learners to work through in pairs or small groups. <b>(P or G) (f)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	<p>This can be a difficult topic to retain learners' attention, so engaging them in peer tutoring and group research activities can provide a useful stimulus.</p> <p>This activity is also a useful place to link learning back to all the key concepts for this subject.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> <li>• <b>Consistency</b></li> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>True and Fair View</b></li> </ul>	<p>Randall &amp; Hopkins, ch 34</p> <p>Wood &amp; Sangster Vol 1, 48</p>

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## Financial accounting (A Level)

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### Recommended prior knowledge

This section builds on AS Financial Accounting so learners should complete that first. It is not necessary to have taken the AS examination if you are running this as a linear course with all exams sat at the end of the second year, but it is advisable to cover the whole AS syllabus (Financial Accounting and Cost and Management Accounting) before starting the A Level topics.

### Context

This section completes the Financial Accounting requirements of the syllabus, and with the following Cost and Management Accounting section will help prepare learners fully for the A Level exams and give them a solid grounding for further study of Accounting, Finance or Business and Accounting subjects at higher education or professional body level. The topics cover how to prepare financial statements for different types of organisations (e.g. manufacturing, not-for-profit, limited company) but also how to develop skills in analysing, interpreting and presenting completed financial statements. The role and use of computerised accounting is also looked at, as is the overall financial stewardship responsibilities of company directors. Finally, the growing international role of financial accounting in a global economy is addressed through coverage of consignment and joint venture accounts.

### Outline

The A Level topics covered in this section are:

- preparation of financial statements – manufacturing businesses
- preparation of financial statements – not-for-profit organisations
- preparation of financial statements – limited companies
- preparation of financial statements – auditing and stewardship of limited companies
- business purchase and merger
- consignment and joint venture accounts
- computerised accounting systems
- analysis and communication of accounting information.

Please note that additional support on the International Accounting Standards requirements of the syllabus is provided in our separate *International Accounting Standards Booklet* available for you to download at [teachers.cie.org.uk](http://teachers.cie.org.uk)

### Teaching time

It is recommended that this unit should take approximately 68% of the teaching time for the A Level course (34% of the whole AS and A Level teaching programme).

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Preparation of financial statements – manufacturing businesses</b>			
<p>Prepare a manufacturing account and calculate the unrealised profit</p>	<p>Start with a class quiz to refresh previous learning on the definition of and difference between direct and indirect costs. <b>(W)</b></p> <p>Then ask learners individually or in pairs to use the internet to research the content and format of a manufacturing account. Follow this up with a class discussion to consolidate learners' findings. <b>(I or P)</b></p> <p>Consolidate learning by selecting appropriate questions on the preparation of basic manufacturing accounts (from Past Papers 21–23) and on the calculation and treatment of profit on transferring goods from manufacturing to selling (from Past Papers 41–43) for class or homework. <b>(I or H) (f)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	<p>The manufacturing statement is prepared before the income statement and statement of financial position, hence why it should be taught first.</p> <p>The Slideshare website is a good starting place for the research task.</p> <p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>• how to calculate prime cost</li> <li>• the treatment of stocks of work in progress</li> <li>• the correct treatment of factory profit (this is a common area of misunderstanding)</li> <li>• how to account for the unrealised profit of finished goods in the inventory</li> <li>• how to transfer cost of manufacture to the income statement</li> <li>• the treatment of the inventory of raw materials, work in progress and finished goods in the statement of financial position</li> <li>• identifying the conditions which will result in buying in the product rather than making it in-house.</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Money Measurement</b></li> </ul>	<p>Randall &amp; Hopkins, ch 19</p> <p>Wood &amp; Sangster Vol 1, ch 37</p> <p>Pre-prepared quiz sheet on the difference between direct and indirect costs</p> <p><a href="http://www.slideshare.net/samcat57/manufacturingaccount1">www.slideshare.net/samcat57/manufacturingaccount1</a></p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
		This activity also links with the wider accounting principle of 'prudence'.	

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Preparation of financial statements – not-for-profit organisations</b>			
Prepare financial statements for not-for-profit organisations	<p>Start with a class quiz to refresh previous learning on the preparation of accounts from incomplete records. <b>(W)</b></p> <p>Then ask learners individually or in pairs to use the internet to:</p> <ul style="list-style-type: none"> <li>identify the terminology used when preparing accounts for not-for-profit organisations</li> <li>compare and contrast the accounts used by a trading organisation and a not-for-profit organisation</li> <li>identify the trading activities of a not-for-profit organisation and how they are recorded in the accounts</li> <li>structure and content of an income and expenditure account. <b>(I or P)</b></li> </ul> <p>Follow this up with a class discussion on learners' findings, and as part of this invite learners individually to the board to calculate the:</p> <ul style="list-style-type: none"> <li>accumulated fund for a club or society</li> <li>subscriptions account</li> <li>non-current asset disposal account. <b>(W)</b></li> </ul> <p>Consolidate learning by setting questions requiring the preparation of accounts for not-for-profit organisations from Past Papers 21–23 and/or those such as Randall &amp; Hopkins Chapter</p>	<p>Preparing accounts for not-for-profit organisations is something learners often find difficult. Spend sufficient time on this to ensure they have a thorough grasp. In particular, cover:</p> <ul style="list-style-type: none"> <li>the special features of not-for-profit organisations (new terminology)</li> <li>how to use incomplete records to prepare the variety of accounts used by not-for-profit organisations (e.g. trading accounts) – this is a common source of errors</li> <li>how to treat subscriptions in arrears and advance (this often causes confusion), donations and life memberships</li> <li>reminding learners that the income and expenditure account does <b>not</b> include the purchase or sale of non-current assets, but only the profits or losses arising</li> <li>how to calculate the accumulated fund</li> </ul>	<p>Randall &amp; Hopkins, ch 17</p> <p>Wood &amp; Sangster Vol 1, ch 36</p> <p><a href="http://www.google.co.uk">www.google.co.uk</a> – type in the term 'club accounts' in the images search tab</p> <p>Pre-prepared quiz sheet on preparing accounts from incomplete records</p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>17 Additional Exercises for learners to complete individually or in pairs. <b>(I, P or H)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	<ul style="list-style-type: none"> <li>• how to prepare the statement of financial position for a not-for-profit</li> <li>• the importance of clear, high-standard presentation in all income and expenditure accounts work.</li> </ul> <p><b>Note:</b> Not-for-profit accounting standards are underpinned by guidelines such as the UK Charity Commission Statement of Recommended Practice (SORP) rather than the International Accounting Standards. These do not need to be covered for this syllabus.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>Consistency</b></li> <li>• <b>Business Entity</b></li> </ul>	

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Preparation of financial statements – limited companies</b>			
Understand the nature and purpose of the financial statements of limited companies	<p>Put learners in pairs and ask them to use the internet to:</p> <ul style="list-style-type: none"> <li>• download a set of published accounts for a limited company</li> <li>• identify the new terms they come across</li> <li>• carry out further research to clarify their meaning. <b>(P)</b></li> </ul> <p>Then ask learners individually to write up one of the new terms</p>	It is important that learners develop a confident and methodical approach to the topics covered in this section. To help with this, many of the activities provided follow a similar format to help embed this approach.	<p>Randall &amp; Hopkins, ch 27</p> <p>Wood &amp; Sangster Vol 1, ch 45</p> <p>Financial statements section from limited company annual</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>they researched on the board and go through with the class to ensure everything has been covered. <b>(W)</b></p> <p>Broaden this class work into a wider discussion about the advantages and disadvantages of trading as a limited company compared to sole trader or partnership. <b>(W)</b></p>	<p>For the research task, most major international companies put their annual reports on the internet, and the financial statements section can be copied and downloaded from there.</p> <p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>• the advantages/disadvantages of trading as a limited company compared to sole trader/partnership</li> <li>• the difference between shares and debentures, and provisions and reserves</li> <li>• the basic outlines of income statements, statements of changes in equity and statements of financial position for limited companies</li> <li>• the difference between the income statement and statement of financial position for a limited company and a sole trader/partnership</li> <li>• the structure of financial statements for limited companies as set out in IAS1.</li> </ul> <p><b>Note:</b> The structure and terms used in limited company accounts differ when done to IAS1 requirements. It is vital that learners are adept at presenting income statements and statements of financial position in line with IAS1.</p> <p><b>KEY CONCEPTS:</b></p>	<p>reports</p> <p>For more support on IAS 1, see our <b>International Accounting Standards Booklet</b> at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>



Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<p>Prepare the basic income statement and statement of financial position for limited companies in line with IAS1</p>	<p>Issue learners with a pre-prepared simple trial balance for a limited company. Using this with the limited company accounts downloaded in the previous activity, ask learners to prepare the income statement, statement of changes in equity and statement of financial position, in line with IAS1. <b>(I)</b></p> <p>On completion, go through and highlight where errors were made. <b>(W)</b></p> <p>Broaden the class discussion by inviting an individual learner to write on the board the accounting entries required to issue shares and debentures for a limited company. Then hand out pre-prepared details of a share and debenture issue and ask them to complete the ledger accounts. <b>(I) (f)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	<p>• <b>Business Entity</b></p> <p>Make sure you emphasise here:</p> <ul style="list-style-type: none"> <li>• the correct format for publishing the income statement, statement of changes in equity and statement of financial position</li> <li>• that debentures must be shown as non-current liabilities unless redeemable within one year, <b>never</b> as part of share capital and reserves</li> <li>• how to distinguish between liabilities, provisions and reserves, and capital and revenue reserves</li> <li>• that the premium on the issue of shares must be credited to the share premium account, <b>never</b> the share capital account (a common error)</li> <li>• proposed dividends must be shown as a note to the accounts, not as current liabilities in the statement of financial position</li> <li>• the required accompanying notes for limited company financial statements done in line with IAS1.</li> </ul> <p><b>Note:</b> It is vital that learners know how to present income statements and statements of financial position in line with IAS1.</p> <p><b>KEY CONCEPTS:</b></p>	<p>Randall &amp; Hopkins, ch 27</p> <p>Wood &amp; Sangster Vol 1, ch 45</p> <p>Pre-prepared limited company trial balance for learners to work with</p> <p>Pre-prepared details of accompanying share and debenture issue for learners to use to complete the ledger accounts</p> <p>For more support on IAS 1, see our <b>International Accounting Standards Booklet</b> at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
		<ul style="list-style-type: none"> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> </ul>	
<p>Prepare additional schedules to the income statement and statement of financial position for limited companies</p>	<p>Ask learners individually or in pairs to use the internet to research the various schedules which accompany an income statement and statement of financial position for a limited company. Follow this up with a class discussion on their findings to consolidate learning. <b>(I or P)</b></p> <p>Consolidate learning by setting questions on the preparation of accompanying schedules for a limited company from Past Papers 41–43 and/or those such as Randall &amp; Hopkins Chapter 27 Additional Exercises. <b>(I, P or H)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	<p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>• the statement of changes in equity</li> <li>• how to reconcile net debt</li> <li>• the non-current asset schedule</li> <li>• how to prepare the notes in respect of events after the accounting date and proposed dividends.</li> </ul> <p><b>Note:</b> The requirements for additional schedules for limited companies are set through the IFRS standards and this has been made implicit in the wording of IAS1. Learners are not expected to learn about IFRS but the website link provided offers further information.</p>	<p>Randall &amp; Hopkins, ch 27</p> <p>Wood &amp; Sangster Vol 1, ch 45</p> <p><a href="http://www.iasplus.com/en/resources/ifrsf/iasb-ifrs-ic/iasb">www.iasplus.com/en/resources/ifrsf/iasb-ifrs-ic/iasb</a></p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>
<p>Understand the nature and purpose of the Directors' report in limited company accounts</p>	<p>Ask learners individually or in pairs to use the internet to research the contents of the Directors' report for a limited company. <b>(I, P)</b></p> <p>Follow up with a class discussion and a pre-prepared quiz to consolidate learning of this topic. <b>(W)</b></p>	<p>Make sure that learners develop knowledge of the items which may be found in this report and the ability to briefly describe them.</p> <p>Most major international companies put their annual reports on the internet, and the Directors' report can be copied and downloaded from there.</p> <p><b>Note:</b> The standards for Directors' reports are set by national Companies Act and are not covered through the International Accounting Standards.</p>	<p>Randall &amp; Hopkins, ch 27</p> <p>Wood &amp; Sangster Vol 1, ch 45</p> <p>The Directors' report section of annual reports from major international limited companies</p> <p>Pre-prepared quiz sheet on the content of limited company Directors' reports</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
		<p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> </ul>	
<p>Prepare a statement of cash flows and statement of financial position in line with IAS7</p>	<p>Start by recapping learning on cash flows and statements of financial position for sole traders, partnerships and limited companies from AS Level Financial Accounting. <b>(W)</b></p> <p>Then ask learners individually or in pairs to use the internet to research the content and structure of the statement of cash flows for a limited company. <b>(I or P)</b></p> <p>Follow up with a class discussion on this, and have a specimen statement of cash flow, income statement and statement of financial position already downloaded that can be used as reference. As part of this work, invite learners to the board individually to enter an item each on the statement of cash flow from the information you have provided. <b>(W)</b></p> <p>Then issue blank a pro-forma statement of cash flow, income statement, statement of financial position and accompanying notes, together with the required financial data. Ask learners to complete these individually or in pairs from the data provided. <b>(I or P)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p> <p>Consolidate learning by setting questions on preparing statements of cash flows and preparing statements of financial position from cash flows and other information from Past Papers 41–43 and/or those such as Randall &amp; Hopkins Chapter 24 Additional Exercises. <b>(I, P or H)</b></p>	<p>Remind learners that they must be able to apply the principles taught here to sole traders and partnerships as well as limited companies. Usually, however, only listed companies are required to follow IAS standards.</p> <p>The website article will help learners make a start on the research task.</p> <p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>• how cash inflows and outflows are found by comparing a statement of financial position with an earlier one</li> <li>• the format required for statements of cash flows in <b>IAS7</b></li> <li>• the correct treatment of non-cash items in the income statement</li> <li>• the distinction between profitability and liquidity</li> <li>• how to work in reverse and prepare a statement of financial position from the statement of cash flows and other information, such as the published notes to the accounts in respect of non-current assets</li> </ul>	<p>Randall &amp; Hopkins, ch 24</p> <p>Wood &amp; Sangster Vol 1, ch 39</p> <p><a href="http://www.ijstr.org/final-print/july2013/Preparation-Of-The-Statement-Of-Cash-Flows-In-Accordance-With-IAS-7.pdf">www.ijstr.org/final-print/july2013/Preparation-Of-The-Statement-Of-Cash-Flows-In-Accordance-With-IAS-7.pdf</a></p> <p>Statements of cash flow from annual reports of major international limited companies</p> <p>Example limited company cash flow statement, income statement and statement of financial position</p> <p>Blank pro-forma statement of cash flow, income statement, statement of financial position and accompanying notes, together with appropriate financial data for learners to work from</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
		<ul style="list-style-type: none"> <li>• using 'T' accounts as workings</li> <li>• the ability to discuss the usefulness of statements of cash flow and how they may be used by stakeholders.</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> </ul>	<p>For more support on IAS 7, see our <b>International Accounting Standards Booklet</b> at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p> <p>Cambridge Past Papers and accompanying mark schemes are also available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>
<p>Explain and apply the main provisions of the stated International Accounting Standards</p>	<p>Ask learners individually or in pairs to use the internet to research the contents of the following International Accounting Standards:</p> <ul style="list-style-type: none"> <li>• Inventories (IAS 2)</li> <li>• Accounting policies (IAS8)</li> <li>• Events after the reporting period (IAS10)</li> <li>• Property, plant and equipment (IAS16)</li> <li>• Impairment of assets (IAS 36)</li> <li>• Provisions, contingent liabilities and contingent assets (IAS 37)</li> <li>• Intangible assets (IAS38). <b>(I or P)</b></li> </ul> <p>Follow this up with a class discussion on the key points of each standard to consolidate learning. Then ask learners to:</p> <ul style="list-style-type: none"> <li>• download copies of the published accounts of different companies (specify which)</li> <li>• study the formats and the notes accompanying the Income Statement and Statement of Financial Position</li> <li>• look at how these relate to the requirements of the Companies Act and IAS standards. <b>(I)</b></li> </ul>	<p>The link to the International Accounting Standards Board website is a good starting point for the research task. Give particular attention here to:</p> <ul style="list-style-type: none"> <li>• the requirements for the form of accounts and disclosures</li> <li>• what information can be gained from the standards and how they can be used to: <ul style="list-style-type: none"> <li>– support the financial statements</li> <li>– clarify items not explicit in the financial statements.</li> </ul> </li> </ul> <p>Make sure you also give learners plenty of opportunity to practise answering discursive questions on this topic.</p> <p><b>Note:</b> More support on IAS Standards is available through our <i>International Accounting Standards Booklet</i>.</p>	<p>For more support on IAS standards, see our International Accounting Standards Booklet at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p> <p>Randall &amp; Hopkins, ch 24</p> <p><a href="http://www.iasplus.com/en/standards/standards/#international-accounting-standards">www.iasplus.com/en/standards/standards/#international-accounting-standards</a></p> <p>Pre-prepared quiz sheet on the content of the IAS standards specified in the syllabus</p> <p>For more support on IAS standards, see our <b>International Accounting Standards Booklet</b> at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

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	<p>Consolidate with a quiz on the contents of each IAS standard. <b>(W)</b></p> <p>Then devise and set discursive questions on the International Accounting Standards to ensure learners know how to explain and apply the main provisions. <b>(I or H) (f)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	<p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> <li>• <b>Consistency</b></li> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>True and Fair View</b></li> </ul>	
<p>Explain the need for an ethical framework in accounting</p>	<p>Ask learners individually or in pairs to use the internet to research the requirements for a true and fair view of the accounts a business prepares. <b>(I or P)</b></p> <p>Follow this up with a class discussion to consolidate learning on this topic and include in this a class quiz on the need for ethics in respect of accounting. <b>(W)</b></p> <p>Then devise suitable discursive questions on accounting ethics to ensure learners can explain the need for accounting to have an ethical framework. <b>(I or H) (f)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	<p>The article on ethics on the CIMA Global website may be too advanced for most learners, but encourage them to scan for key terms that they can use for a wider internet search.</p> <p>Make sure you give learners plenty of opportunity to practise answering discursive questions on this topic.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> <li>• <b>Consistency</b></li> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>True and Fair View</b></li> </ul>	<p><a href="http://www.cimaglobal.com/Thought-leadership/Newsletters/Regional/The-CIMA-Edge-South-Asia-and-Middle-East/2011/July--August-2011/The-role-of-ethics-in-accounting/">www.cimaglobal.com/Thought-leadership/Newsletters/Regional/The-CIMA-Edge-South-Asia-and-Middle-East/2011/July--August-2011/The-role-of-ethics-in-accounting/</a> (the role of ethics in accounting)</p> <p>Pre-prepared quiz sheet on ethics in accounting</p>
<p>Progress check – the sources and uses of different types of company financing</p>	<p>This is a useful point to consolidate learning by looking at the methods of company financing and business financing more generally.</p> <p>Ask learners individually or in pairs to use the internet to research the types and sources of long- and short-term financing a business can use. <b>(I or P)</b></p> <p>Follow this up with a class discussion and quiz on which types of</p>	<p>The website on sources of finance is one starting point for the research task, but tailor searches to your own country.</p> <p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>• the uses of short-, medium- and long-term sources of finance</li> <li>• the circumstances in which each is</li> </ul>	<p>Randall &amp; Hopkins, ch 29</p> <p><a href="http://www.unitedkapital.co.uk/business_finance.html">www.unitedkapital.co.uk/business_finance.html</a></p> <p>Pre-prepared quiz sheet on when to use different financing methods</p>

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	<p>financing are best for which purposes. <b>(W)</b></p> <p>Then devise suitable discursive questions on business financing using question elements from Past Papers 41–43 (e.g. investment appraisal is sometimes part of a larger question) to consolidate learning of this topic. <b>(I or H) (f)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	<p>used</p> <ul style="list-style-type: none"> <li>the relative costs/benefits and advantages/disadvantages of each source of finance</li> <li>why ‘window dressing’ the value of forecasts and budgets is dishonest.</li> </ul> <p>Make sure you give learners plenty of opportunity to practise answering discursive questions on this topic.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Business Entity</b></li> <li><b>Money Measurement</b></li> <li><b>Consistency</b></li> <li><b>Duality (Double-entry)</b></li> <li><b>True and Fair View</b></li> </ul>	<p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Preparation of financial statements – auditing and stewardship of limited companies</b>			
<p>Understand the purpose and content of audit reports and the importance of giving a true and fair view</p>	<p>Ask learners individually or in pairs to use the internet to:</p> <ul style="list-style-type: none"> <li>research why limited company audits are needed</li> <li>find out what the requirements are and what limited company audits cover</li> <li>download examples of unqualified and qualified audit reports of limited companies</li> <li>discuss the nature of what is meant by ‘true and fair view’.</li> </ul> <p><b>(I or P)</b></p>	<p>The Slideshare presentation is a useful starting place for the research task, as is a general search on ‘audit reports’.</p> <p>Give particular attention here 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> </ul>	<p><a href="http://www.slideshare.net/shaonermegh/audit-report-17914789">www.slideshare.net/shaonermegh/audit-report-17914789</a></p> <p><a href="http://www.google.co.uk">www.google.co.uk</a> – type in the term ‘audit reports’ in the images search tab</p> <p>Pre-prepared quiz sheet on the purpose and content of</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>Follow this up with a class discussion and quiz to consolidate learning. <b>(W)</b></p> <p>Then issue learners with a set of published accounts and ask them to:</p> <ul style="list-style-type: none"> <li>• list which items they would want to know background information on (e.g. title deeds to property, vehicle log books)</li> <li>• write their own audit report for the given accounts and what this indicates to the following audiences: <ul style="list-style-type: none"> <li>– directors</li> <li>– shareholders</li> <li>– auditors (how much reliance each can place on the audit opinion expressed). <b>(I or H) (f)</b></li> </ul> </li> </ul> <p>Go through afterwards and highlight the key learning points. <b>(W)</b></p>	<ul style="list-style-type: none"> <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 that there is any indication that the company may become a non-going concern (often referred to as a ‘gone concern’)?</li> </ul> <p>This is a good opportunity to impress on learners 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.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> <li>• <b>Consistency</b></li> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>True and Fair View</b></li> </ul>	<p>audit reports</p>
<p>Explain the roles and responsibilities of internal and external auditors</p>	<p><b>Ask learners individually or in pairs to research what an auditor does and doesn’t do. (I or P)</b></p> <p>Follow this up with a class discussion and quiz to consolidate learning. <b>(W)</b></p> <p>Then to consolidate learning, 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 or H) (f)</b></p>	<p>The GRDCPA website is a good resource to use for the research task.</p> <p>Give particular attention here 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;</li> </ul>	<p><a href="http://www.grfcpa.com/resources/publications/auditor-responsibilities/">www.grfcpa.com/resources/publications/auditor-responsibilities/</a></p> <p><a href="http://www.google.co.uk">www.google.co.uk</a> – type in the terms ‘external auditor’ and ‘internal auditor’ in the images search tab</p> <p>Pre-prepared quiz sheet on</p>



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	Go through afterwards and highlight where errors were made. <b>(W)</b>	<p>external auditors do more checking of the data</p> <ul style="list-style-type: none"> <li>the employment status of auditors (internal auditors are employed by the company, external auditors by shareholders).</li> </ul> <p>Make sure you give learners plenty of opportunity to practise answering discursive questions on this topic.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Business Entity</b></li> <li><b>Money Measurement</b></li> <li><b>Consistency</b></li> <li><b>Duality (Double-entry)</b></li> <li><b>True and Fair View</b></li> </ul>	the role of internal and external auditors
Explain the role of directors and their responsibility to shareholders	<p>Show the class the suggested YouTube video on the role and responsibilities of the directors of a limited company or ask learners to use the internet to research this. <b>(I, P or W)</b></p> <p>Follow this up with a class discussion and quiz to consolidate learning. <b>(W)</b></p> <p>Then devise suitable discursive questions on the role and responsibilities of directors in limited companies and their responsibility to shareholders for learners to answer as class or homework. <b>(I or H) (f)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	<p>Recap learning on the Director's report for the preparation of financial statements for limited companies from the previous section to provide context.</p> <p>Give particular attention here 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> <p>Make sure you give learners plenty of opportunity to practise answering discursive questions on this topic.</p>	<p><a href="http://www.youtube.com/watch?v=2hrhwFjdlg">www.youtube.com/watch?v=2hrhwFjdlg</a></p> <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> <ol 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 is also an employee of the</li> </ol>



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		<p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> <li>• <b>Consistency</b></li> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>True and Fair View</b></li> </ul>	company?
Understand the role and responsibilities of shareholders	<p>To provide some useful context for the previous activity on directors' responsibilities to shareholders, ask learners to research the role and responsibilities shareholders have themselves. <b>(I or P)</b></p> <p>Follow this up with a class discussion and quiz to consolidate learning. <b>(W)</b></p> <p>Then 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 as class or homework. <b>(I or H) (f)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	<p>The website links provided offer a few useful starting points for the research task, but also encourage learners to do their own searches.</p> <p>Give particular attention here to the relationship between shareholders, directors and external auditors</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> <li>• <b>Consistency</b></li> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>True and Fair View</b></li> </ul>	<p><a href="https://en.wikipedia.org/wiki/Shareholder">https://en.wikipedia.org/wiki/Shareholder</a></p> <p><a href="http://www.investopedia.com/terms/s/shareholder.asp">www.investopedia.com/terms/s/shareholder.asp</a></p> <p><a href="http://www.uksa.org.uk/">www.uksa.org.uk/</a></p> <p>Pre-prepared quiz sheet on the role and responsibilities of shareholders with simple Yes/No questions such as:</p> <ol style="list-style-type: none"> <li>1. are shareholders managers of the company?</li> <li>2. are shareholders owners of the company?</li> <li>3. do shareholders appoint the auditors?</li> </ol>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Business purchase and merger</b>			
<p>Understand the different types of business purchase and merger, their advantages/disadvantages, and how to prepare ledger accounts, income statements and statements of financial position</p>	<p>Start with a quiz on the different types of mergers which can occur and the advantages and disadvantages of each. <b>(W)</b></p> <p>Then 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? <b>(W)</b></li> </ul> <p>Then put a statement of financial position from a sole trader/partnership on the board and put learners into pairs to:</p> <ul style="list-style-type: none"> <li>identify which assets and liabilities can be transferred to the acquiring company</li> <li>answer questions such as those in Randall &amp; Hopkins Chapter 26 Additional Exercises on how to record the closing of the accounts of the business being sold <b>(P)</b></li> </ul> <p>Go through errors, and follow with a quiz on the accounts required to close the accounts of the business being sold/acquired. <b>(W)</b></p> <p>Then put the class back into pairs and:</p> <ul style="list-style-type: none"> <li>hand out suitable questions for them 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> </ul>	<p>This is a challenging and important topic – make sure learners have a thorough understanding before moving on. Give particular attention here 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> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Duality (Double-entry)</b></li> <li><b>Business Entity</b></li> </ul>	<p>Randall &amp; Hopkins, ch 26</p> <p>Wood &amp; Sangster Vol 1, ch 46</p> <p>Pre-prepared quiz sheet on the pros and cons of different types of merger</p> <p>Downloaded statement of financial position for a sole trader/partnership</p> <p>Pre-prepared quiz on how to close the accounts of a business sold/acquired</p> <p>Pre-prepared data to enable the preparation of income statements and statements of financial position for one or more types of merger</p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>(typically Question 1 or 2 in Past Papers 41–43)</p> <ul style="list-style-type: none"> <li>from given data, ask them to prepare income statements and statements of financial position for a newly formed business created by a limited company acquiring a partnership. <b>(P) (f)</b></li> </ul> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>		

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Consignment and joint venture accounts</b>			
Understand what consignments are and how to prepare ledger accounts for consignment transactions	<p>Ask learners individually or in pairs to research what a consignment is, the environment in which it operates and how it is accounted for. <b>(I or P)</b></p> <p>Go through the key points in class and issue a class quiz on how to account for consignments to ensure learners have grasped the key points. <b>(W)</b></p> <p>Then hand out and explain a pre-prepared worksheet containing the relevant data on a consignment between two firms in different countries for learners to complete individually or in pairs. <b>(I or P)</b></p> <p>On completion, go through and highlight where errors arose. <b>(W)</b></p> <p>Consolidate learning by setting questions on preparing the ledger account, calculating the closing inventory valuation and calculating the profit on consignments such as those in Wood &amp; Sangster Vol 1 Chapter 40. <b>(I or H) (f)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	<p>This is a new syllabus topic and learners will benefit from being able to practise this thoroughly.</p> <p>Due to the similarity in approach between consignment and joint venture accounts, the activities provided for these two topics follow a similar format to help embed the overall approach.</p> <p>The Future Accountant website link on consignment accounting is a good starting point for the research task.</p> <p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>the nature of consignments and the environment in which they operate</li> <li>how to prepare the ledger accounts for consignments</li> </ul>	<p>Wood &amp; Sangster Vol 1, ch 40</p> <p><a href="http://www.futureaccountant.com/consignment-accounting">www.futureaccountant.com/consignment-accounting</a></p> <p>Pre-prepared quiz on consignment and how it is accounted for</p> <p>Pre-prepared worksheet containing the relevant data on a consignment between two firms in different countries</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
		<ul style="list-style-type: none"> <li>the valuation of the closing inventory of a consignment</li> <li>the calculation of profit (or loss) on a consignment.</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Duality (Double-entry)</b></li> <li><b>Business Entity</b></li> </ul> <p>This activity can also links with the wider accounting principle of prudence.</p>	
Understand the purpose of joint ventures and prepare ledger accounts, closing accounts and profit and loss statements	<p>Ask learners individually or in pairs to research what a joint venture is, the environment in which it operates and how it is accounted for. <b>(I or P)</b></p> <p>Go through the key points in class and issue a class quiz on how to account for joint ventures to ensure learners have grasped the key points. <b>(W)</b></p> <p>Then hand out and explain a pre-prepared worksheet containing data on transactions between two firms in connection with a joint venture for learners to complete individually or in pairs. <b>(I or P)</b></p> <p>On completion, go through and highlight where errors arose. <b>(W)</b></p> <p>Consolidate learning by devising suitable questions on preparing ledger accounts, closing accounts and calculating the profit for joint ventures for learners to answer as class or homework. <b>(I or H) (f)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></p>	<p>This is a new syllabus topic, and learners will benefit from the opportunity to practise this thoroughly.</p> <p>Due to the similarity in approach between consignment and joint venture accounts, the activities provided for these two topics follow a similar format to help embed the overall approach.</p> <p>The About.com Entrepreneurs website link on joint ventures is a good starting point for the research task.</p> <p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>the nature of joint ventures and the environment in which they operate</li> <li>the preparation of the ledger accounts for the joint venture</li> <li>the calculation of the profit (or loss)</li> </ul>	<p><a href="http://entrepreneurs.about.com/od/beyondstartup/a/jointventures.htm">http://entrepreneurs.about.com/od/beyondstartup/a/jointventures.htm</a></p> <p>Pre-prepared quiz on joint ventures and how they are accounted for</p> <p>Pre-prepared worksheet containing data on transactions between two parties in connection with a joint venture</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
		<p>on the joint venture</p> <ul style="list-style-type: none"> <li>the accounts in the books of both parties to the joint venture should be identical and have identical balances</li> <li>the transfer of funds from one party in the venture to the other.</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li><b>Duality (Double-entry)</b></li> <li><b>Business Entity</b></li> </ul> <p>This activity can also link with the wider accounting principle of prudence.</p>	

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Computerised accounting systems</b>			
Understand the need for and the process of computerising accounts, and the ways of ensuring data integrity during the transition	<p>Start by putting the class into groups and giving them a quiz on the advantages and disadvantages of computerising the accounting system. <b>(G)</b></p> <p>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. <b>(W)</b></p> <p>Consolidate learning by setting suitable questions on computerised accounting systems such as those in from Wood &amp; Sangster Vol 1 Chapter 22 for learners to answer individually or in pairs. <b>(I or P) (f)</b></p>	<p>This is a new syllabus topic, and learners will benefit from the opportunity to practise this thoroughly. Give particular attention here 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>	<p>Wood &amp; Sangster Vol 1, ch 22</p> <p>Pre-prepared quiz on the advantages and disadvantages of computerised accounting systems</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	Go through afterwards and highlight where errors were made. <b>(W)</b>	<p><b>Note:</b> Learners are not required to use ICT or computerised accounts systems in the exam, but give them plenty of chance to practise discursive questions.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Business Entity</b></li> <li>• <b>Money Measurement</b></li> <li>• <b>Consistency</b></li> <li>• <b>Duality (Double-entry)</b></li> <li>• <b>True and Fair View</b></li> </ul>	

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Analysis and communication of accounting information</b>			
Understand how to analyse financial data, calculate ratios and evaluate them to make appropriate recommendations	<p>Start by recapping learning on the profitability, liquidity and efficiency ratios studied in the AS Analysis and Communication of Accounting Information topic. <b>(W)</b></p> <p>Then introduce the new ratios specified in the A Level section of the syllabus and ask learners to research the relationships between them and their method of calculation. <b>(I)</b></p> <p>Go through this as a class discussion to consolidate their research and ensure learners have a full understanding of the models and uses of ratio analysis. <b>(W)</b></p> <p>Then using previously downloaded limited company accounts, ask learners in pairs to calculate ratios from the information obtained</p>	<p>For a full list of the additional ratios that need to be covered at A Level, see pages 26–27 of the 2016–18 syllabus.</p> <p><b>Note:</b> Remember that questions on the ratios introduced at AS as well as A Level can be set in the A Level exam.</p> <p>The Tutor2U website link on the main financial ratios is a good starting point for the research task.</p> <p>Give particular attention here to:</p>	<p>Randall &amp; Hopkins, ch 28</p> <p>Wood &amp; Sangster Vol 1, ch 47</p> <p><a href="http://www.tutor2u.net/business/accounts/main_ratios.htm">www.tutor2u.net/business/accounts/main_ratios.htm</a></p> <p>Set of published company accounts already used in earlier A Level Financial Accounting activities</p> <p>The 2016–18 Cambridge</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>from these accounts. <b>(P)</b></p> <p>On completion, lead a class discussion where learners discuss the reliability of the ratios they have calculated. What further information do they require? Where may they find it? What are the benefits and limitations of such analysis? <b>(W)</b></p> <p>Consolidate learning by setting questions on using ratios and writing resulting recommendations such as those in Randall &amp; Hopkins Chapter 28 Additional Exercises for class or homework. <b>(I or H)</b></p> <p>Go through afterwards and highlight where errors were made. <b>(W)</b></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 income statements and statements of financial position from given ratios</li> <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' <b>not</b> 'higher' and 'lower'.</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Consistency</b></li> <li>• <b>Money Measurement</b></li> <li>• <b>True and Fair View</b></li> </ul>	<p>International AS and A Level Accounting (9706) syllabus is available at <a href="http://www.cie.org.uk">www.cie.org.uk</a> and <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

## Cost and management accounting (A Level)

### Recommended prior knowledge

This section builds on AS Cost and Management Accounting so learners should complete that first. It is not necessary to have taken the AS examination if you are running this as a linear course with all exams sat at the end of the second year, but it is advisable to cover the whole AS syllabus before starting the A Level topics.

### Context

This section looks at how to analyse and evaluate financial and non-financial data as a means of planning and controlling a business and helping it develop effective strategies for the future. Planning is covered by looking at the need for and preparation of different budgets within an organisation. For control, the activities focus on evaluating the comparison between the actual and budgeted results and how to interpret this. ABC costing and investment appraisal develop skills in areas that add management value, the first by providing an alternative method of pricing products, the second by evaluating the impact of a major capital purchase. Collectively, this provides an excellent grounding in how Accounting helps organisations develop towards the future by improving efficiency, profitability and management information.

In conjunction with A Level Financial Accounting, this section will help prepare learners fully for the A Level exams and give them a solid grounding for further study of Accounting, Finance or Business and Accounting subjects at higher education or professional body level.

### Outline

The A Level topics covered in this section are:

- activity based costing (ABC)
- budgeting and budgetary control
- standard costing
- investment appraisal.

### Teaching time

It is recommended that this unit should take approximately 32% of the teaching time for the A Level course (16% of the whole AS and A Level teaching programme).

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Activity based costing (ABC)</b>			
Understand and apply activity based	Start by recapping the learning undertaken at AS Level on absorption, marginal and cost-value-profit methods of costing. Then	Give particular attention here to:	<a href="http://www.youtube.com/watch?v=Ir4n6t64Ca8">www.youtube.com/watch?v=Ir4n6t64Ca8</a>



Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
costing (ABC) techniques, recognising their uses and limitations	<p>show the ACCA YouTube video clip on ABC costing to introduce the process and method of activity based costing (ABC). <b>(W)</b></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>Then 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 or P)</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. <b>(W)</b></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 or P) (f)</b></p> <p>On completion, go through and highlight where errors arose. <b>(W)</b></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> <li>• making relevant business decisions using the ABC costing method.</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Consistency</b></li> </ul>	<p>Pre-prepared quiz on apportioning overheads to cost centres and cost units</p> <p>Pre-prepared worksheet containing data enabling the calculation of overheads and inventory by absorption and ABC methods (this could be adapted from one of the AS costing hand-outs)</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Budgeting and budgetary control</b>			
Understand the	Start by recapping the learning undertaken at AS Level on the	Give particular attention here to:	Randall & Hopkins, ch 34

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<p>need for and the benefits of budgetary control, prepare operational and master budgets, identify limiting factors and make business decisions with supporting data</p>	<p>application of accounting to business planning. Use this to highlight the purpose and importance of budgeting within an organisation, and consolidate with a quiz where learners write on the board the different types of budget that an organisation might prepare. <b>(W)</b>.</p> <p>Then put learners into pairs and give them a pre-prepared hand-out containing the data needed to prepare the following budgets (if there is not time to do all of them, tell each pair which to focus on):</p> <ul style="list-style-type: none"> <li>• sales (volume and value)</li> <li>• production</li> <li>• purchases (volume and value)</li> <li>• trade receivables and payables</li> <li>• expenditure</li> <li>• cash</li> <li>• income statement and statement of financial position. <b>(P)</b></li> </ul> <p>On completion, go through and highlight where errors arose. <b>(W)</b></p> <p>Then provide data on actual levels of output and sales and ask learners to flex the budgets they prepared in the previous task and prepare a report sheet comparing the actual data to the flexed budget data. <b>(P)</b></p> <p>On completion, go through and highlight where errors arose. <b>(W)</b></p> <p>Follow this with a whole class discussion on the advantages and disadvantages and uses of budgeting and budgetary control, including the behavioural aspects of budgeting, to ensure learners understand how to make informed business decisions from the prepared data. <b>(W)</b></p> <p>Consolidate learning by setting questions on budgeting and budgetary control which require learners to flex budgets, prepare</p>	<ul style="list-style-type: none"> <li>• the importance of using columnar formats when preparing budgets</li> <li>• the difference between a fixed and flexed budget</li> <li>• the various methods of budgeting, including incremental and zero-based</li> <li>• the advantages and disadvantages of budgeting and budgetary control</li> <li>• the correct sequence for preparing budgets taking the limiting factors into account (e.g. materials, labour)</li> <li>• the correct phasing of revenue and cost</li> <li>• how to prepare budgeted income statements and statements of financial position from the cash budget</li> <li>• how to prepare a budget statement showing the actual/flexed budget and variance for each item.</li> </ul> <p>While much of this topic is by its nature arithmetical, give learners plenty of opportunity to practise answering discursive questions here as well.</p> <p>Question 3 in Past Papers 41–43 and Randall &amp; Hopkins Chapter 34 Additional Exercises are good sources of question elements for inclusion in the homework exercise.</p>	<p>Pre-prepared quiz on types of budget within an organisation</p> <p>Pre-prepared hand-out with the required data to enable budget preparation of sales, purchases, production, trade receivable/payables, expenditure, cash, income statement and statement of financial position.</p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	budget statements comparing actual and budget data, identify variances and prepare income statements/statements of financial position from budget data (especially the cash budget). <b>(I or H) (f)</b>	<b>KEY CONCEPTS:</b> <ul style="list-style-type: none"> <li>• Consistency</li> <li>• Money Measurement</li> </ul>	

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Standard costing</b>			
Flex budgets, calculate variances and understand the advantages/ disadvantages of a standard costing system	<p>This topic builds on budgeting and budgetary control. Start by putting the class into teams for a quiz on how to flex a budget. <b>(G)</b></p> <p>Then invite learners to come to the board to write down:</p> <ul style="list-style-type: none"> <li>• the reasons why actual and flexed budgeted figures may differ</li> <li>• possible formula to calculate the value of the difference between actual and flexed budget figures. <b>(W)</b></li> </ul> <p>Go through afterwards to check understanding, and then hand out a pre-prepared worksheet containing budgeted and actual data so learners can separate fixed and variable overheads and calculate the following variances:</p> <ul style="list-style-type: none"> <li>• sales price and volume</li> <li>• direct material price and usage</li> <li>• direct labour rate and efficiency</li> <li>• fixed overhead expenditure, capacity, efficiency and volume. <b>(I or P)</b></li> </ul> <p>On completion, go through and highlight where errors arose. <b>(W)</b></p> <p>Consolidate learning by setting discursive questions on the</p>	<p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>• how to flex budgets</li> <li>• the formulae used to calculate the different types of variance</li> <li>• how to show variances in monetary terms and indicate whether they are favourable or adverse (the ability to identify clearly this is essential).</li> </ul> <p>Make sure you also give learners the opportunity here to practise answering discursive questions on the advantages and disadvantages of a standard costing system.</p> <p>Question 3 in Past Papers 41–43 and Randall &amp; Hopkins Chapter 34–35 Additional Exercises are good sources of question elements for inclusion in the homework exercise.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• Consistency</li> </ul>	<p>Randall &amp; Hopkins, ch 34–35</p> <p>Pre-prepared quiz on flexing budgets</p> <p>Pre-prepared worksheet containing budgeted and actual data enabling learners to separate fixed and variable overheads and calculate variances</p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	advantages and disadvantages of a standard costing system for learners to complete as class or homework. <b>(I or H) (f)</b>	<ul style="list-style-type: none"> <li>• <b>Money Measurement</b></li> </ul>	
Reconcile actual cost and profit and flexed budget cost and profit	<p>Using the variance data from the worksheet completed in the previous activity, invite learners to come to the board to complete a reconciliation of actual and flexed budget cost and profit. Each learner enters one variance into the calculation. <b>(I)</b></p> <p>Consolidate this with a class discussion to ensure learners understand the key principles and steps. <b>(W)</b></p> <p>Then re-issue the worksheet you handed out for the previous exercise. Working individually or in pairs, ask learners to prepare a statement reconciling the budgeted profit and actual profit, clearly identifying the reason for the difference in terms of material labour and fixed overhead cost variances. <b>(I, P)</b></p> <p>On completion, go through with the class and highlight where errors arose. <b>(W)</b></p> <p>Consolidate learning by setting suitable questions on reconciling actual and flexed budget cost and profit for learners to complete as class or homework. <b>(I or H) (f)</b></p>	<p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>• how to reconcile standard cost to actual cost</li> <li>• how to reconcile standard profit to actual profit.</li> </ul> <p>Question 3 in Past Papers 41–43 and Randall &amp; Hopkins Chapter 35 Additional Exercises are good sources of question elements for inclusion in the homework exercise.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Consistency</b></li> <li>• <b>Money Measurement</b></li> </ul>	<p>Randall &amp; Hopkins, ch 35</p> <p>Budget, actual and variance worksheet used in the previous activity</p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>
Explain the causes of variances, their relationship to each other and how standard costing can be used as an aid to business performance	<p>Start by putting the class into teams for a quiz on the causes of variances and the inter-relationship between variances. <b>(G)</b></p> <p>Go through this afterwards to consolidate learning. <b>(W)</b></p> <p>Then ask learners individually or in pairs to research the advantages and disadvantages of standard costing and how it can be used to improve business performance. <b>(I or P)</b></p> <p>On completion go through with the class to ensure that all the key</p>	<p>Make sure you give learners plenty of opportunity to discuss how standard costing can be used to improve business performance.</p> <p>The Accounting Tools website link provides one useful starting point for the research task on the advantages and disadvantages of standard costing.</p>	<p>Randall &amp; Hopkins, ch 35</p> <p>Pre-prepared quiz on the causes and inter-relationship of variances</p> <p><a href="http://www.accountingtools.com/standard-costing">http://www.accountingtools.com/standard-costing</a></p> <p>Cambridge Past Papers and</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>points on standard costing and how it can be used to improve business performance have been covered. <b>(W)</b></p> <p>Consolidate learning by setting suitable questions on standard costing and its use in improving performance for learners to complete as class or homework. <b>(I or H) (f)</b></p> <p>Go through afterwards with the whole class and highlight where errors were made. <b>(W)</b></p>	<p>Question 3 in Past Papers 41–43 and Randall &amp; Hopkins Chapter 35 Additional Exercises are good sources of question elements for inclusion in the homework exercise.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Consistency</b></li> <li>• <b>Money Measurement</b></li> </ul>	<p>accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
<b>Investment appraisal</b>			
Analyse capital investment projects using Payback, NPV, ARR and IRR techniques	<p>Start by inviting learners to come to the board individually to write:</p> <ul style="list-style-type: none"> <li>• occasions when capital expenditure may be desirable, or even necessary</li> <li>• the costs and revenues associated with a capital investment project. <b>(W)</b></li> </ul> <p>Consolidate with a class discussion on how to ascertain the net cash inflows and outflows arising from capital projects, including how to treat working capital. <b>(W)</b></p> <p>Then ask learners individually or in pairs to research the principle ways in which capital projects can be evaluated. <b>(I or P)</b></p> <p>Go through this with the class to make sure all the appraisal techniques specified below have been covered. <b>(W)</b></p> <p>Then issue a pre-prepared worksheet containing the required data</p>	<p>Investment appraisal is an important topic, and learners should develop a thorough knowledge of it.</p> <p>The ACCA YouTube clip on investment appraisal is a good starting point for the research task.</p> <p>Give particular attention to:</p> <ul style="list-style-type: none"> <li>• sunk costs and opportunity costs</li> <li>• how to ascertain future net cash inflows and outflows arising from the project, including the treatment of working capital</li> <li>• the difference between cash and profit in the calculations</li> <li>• Payback, NPV, IRR and ARR</li> </ul>	<p>Randall &amp; Hopkins, ch 36</p> <p><a href="http://www.youtube.com/watch?v=TTuogD0dwy8">www.youtube.com/watch?v=TTuogD0dwy8</a></p> <p>Pre-prepared worksheet containing data on capital cost, annual cash flows and company depreciation policy for a given capital investment</p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>on capital cost, annual cash flows and company depreciation policy for learners in groups to assess the project by the following techniques (allocate a different one to each group):</p> <ul style="list-style-type: none"> <li>• payback</li> <li>• net present value (NPV)</li> <li>• internal rate of return (IRR)</li> <li>• accounting rate of return (ARR). <b>(G)</b></li> </ul> <p>On completion, each group presents its findings and explains the method they used. Go through and correct any errors made. <b>(W)</b></p> <p>Consolidate learning by setting suitable questions on investment appraisal techniques for learners to complete as class or homework. <b>(I or H) (f)</b></p>	<p>investment appraisal techniques and using them to undertake calculations</p> <ul style="list-style-type: none"> <li>• ensuring learners understand that ARR is the only technique based on profitability, while payback, NPV and IRR are calculated on incremental cash flows</li> <li>• the idea that in capital investment terms, money has a time rather than inflation value (discounting is based on the cost of capital, not the rate of inflation).</li> </ul> <p>Question 3 in Past Papers 41–43 and Randall &amp; Hopkins Chapter 35 Additional Exercises are good sources of question elements for inclusion in the homework exercise.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Money Measurement</b></li> </ul>	
<p>Use Payback, NPV, ARR and IRR techniques to make investment decisions, and understand the advantages/disadvantages of each method</p>	<p>Start by putting the class into teams for a quiz on the advantages and disadvantages of each method of capital investment appraisal covered in the previous activity. <b>(G)</b></p> <p>Go through with the class afterwards to consolidate learning. <b>(W)</b></p> <p>Then using the worksheet started in the previous activity, put learners back in their groups and ask them to use their analysis to provide recommendations on whether or not the project should be accepted or rejected for investment. <b>(G)</b></p> <p>On completion, each group presents its findings and</p>	<p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>• the advantages and disadvantages of each method used to evaluate capital investment proposals</li> <li>• how to make investment decisions and recommendations using supporting data.</li> </ul> <p>Question 3 in Past Papers 41–43 and Randall &amp; Hopkins Chapter 36 Additional Exercises are good sources</p>	<p>Randall &amp; Hopkins, ch 36</p> <p>Pre-prepared quiz on the advantages and disadvantages of each capital investment appraisal technique</p> <p>Capital project worksheet started in the previous activity</p>

Learning objectives	Suggested teaching activities	Teacher guidance notes and key concepts	Learning resources
	<p>recommendations to the whole class, explaining the rationale behind their investment decisions. Go through afterwards and correct any errors made. <b>(W)</b></p> <p>Consolidate learning by setting discursive questions on capital investment appraisal techniques and how to use them to make investment decisions for learners to complete as class or homework. <b>(I or H) (f)</b></p> <p>Go through with the class afterwards and highlight any errors. <b>(W)</b></p>	<p>of question elements for inclusion in the homework exercise.</p> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Money Measurement</b></li> </ul>	<p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>
<p>Evaluate and apply sensitivity analysis techniques to capital investment proposals</p>	<p>Start by putting the class into teams for a quiz on the factors that can change in respect of outlay and returns, and the actions that can be taken to address them. <b>(G)</b></p> <p>Go through with the class afterwards to consolidate learning. <b>(W)</b></p> <p>Then hand out and explain a pre-prepared worksheet containing the results of a capital investment project. This should include data about what changes (costs/revenues) occurred under what circumstances and the impact these changes had on the profit and viability of the project.</p> <p>Working individually or in pairs, learners then calculate the effect of the changes and discuss their impact on the viability of the proposed changes for the organisation. <b>(I or P)</b> On completion, go through and highlight where errors arose. <b>(W)</b></p> <p>Consolidate learning for the topic as a whole by setting questions from past papers on the A Level Cost and Management Accounting topics covered in this scheme of work. <b>(I or H) (f)</b></p> <p>On completion go through with the class and highlight any errors made. <b>(W)</b></p>	<p>Give particular attention here to:</p> <ul style="list-style-type: none"> <li>• how to calculate sensitivity</li> <li>• the causes for changes and the actions which can be taken to overcome them.</li> </ul> <p><b>KEY CONCEPTS:</b></p> <ul style="list-style-type: none"> <li>• <b>Money Measurement</b></li> </ul>	<p>Randall &amp; Hopkins, ch 36</p> <p>Pre-prepared quiz on changes in capital outlay and returns and appropriate resulting actions</p> <p>Pre-prepared worksheet on the results of a capital investment project, including data on costs/revenue changes, the circumstances that caused them and their impact on the profit and viability of the project as a whole.</p> <p>Cambridge Past Papers and accompanying mark schemes are available at <a href="http://teachers.cie.org.uk">teachers.cie.org.uk</a></p>

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Cambridge International Examinations  
1 Hills Road, Cambridge, CB1 2EU, United Kingdom  
tel: +44 1223 553554 fax: +44 1223 553558  
email: [info@cie.org.uk](mailto:info@cie.org.uk) [www.cie.org.uk](http://www.cie.org.uk)

