



## Course Outline

# AL ACCOUNTING

## Year 13

*Inspiring excellence, empowering global minds*

### Syllabus overview Aims.

The aims are to enable students to understand the role of accounting as an information system for monitoring, problem-solving and decision-making, thereby appreciating the ethical issues that underpin the practice of accounting and their impact on the behaviour of the accountant and of businesses. Students also need to appreciate the place of accounting in managing business change in response to economic, social, and technological developments and develop the ability to apply and evaluate accounting concepts, principles, policies and practices.

### Learning Outcomes Overview

Financial accounting

#### AS Level topics

- 1.1 Types of business entity
- 1.2 The accounting system
- 1.3 Accounting for non-current assets
- 2.1 Costs and cost behaviour

#### A Level topics

- 3.1 Preparation of financial statements
- 3.2 Regulatory and ethical considerations
- 3.3 Business acquisition and merger
- 3.4 Computerized accounting systems

- 1.4 Reconciliation and verification
- 1.5 Preparation of financial statements
- 1.6 Analysis and communication of accounting Information
- 2.2 Traditional costing methods

- 4.1 Activity based costing (ABC)
- 4.2 Standard costing
- 4.3 Budgeting and budgetary control
- 4.4 Investment appraisal

### Ongoing Objectives

The foundation of Business is to understand what happens within a business. At AS Level candidates develop an understanding of what a business is, what it wants to achieve and who is involved. Candidates develop the vocabulary to understand how a business operates and learn how to analyse what the business does. Every business is different, understanding its context is important to be able to understand the decisions that it makes and the motivations of those involved. the AS

### Unit Overview

Term 1

**Unit 1 - Preparation of financial statements****Approximate length: 4 weeks.**

Candidates are expected to use their understanding of the financial accounts of partnerships, clubs and societies, manufacturing businesses and limited companies to evaluate relevant information and make informed business decisions. Candidates will develop the skills established in 1.5 in respect of the preparation of financial statements. This will involve exploring the impact of changes on the composition of a partnership, in addition to extending the range of financial statements and associated notes required for limited companies. Candidates will further encounter the specific requirements for how manufacturing businesses account for the cost of production, and those for non-profit making organisations in the form of clubs and societies.

**Specific National Curriculum Objectives Covered:**

- Financial statements
- Candidates should understand the need for and purpose of financial statements for specific types of business.
- Partnerships
- Candidates should understand goodwill and the difference between purchased goodwill and inherent goodwill and how to prepare partners' capital and current accounts to record changes required in respect of goodwill and revaluation of assets on:
  - a change in the partners' profit-sharing ratio
  - the introduction of a new partner
  - the retirement of an existing partner
  - the dissolution of a partnership
- how to prepare the partnership appropriation account, statement of profit or loss and statement of financial position including changes in a partnership occurring part-way through an accounting year
- how to prepare a realisation account and a revaluation account
- Clubs and societies
- Candidates should have an understanding of the distinction between a receipts and payments account and an income and expenditure account, how to define and calculate the accumulated fund, how to prepare, from full or incomplete accounting records, a receipts and payments account, accounts for trading and revenue-generating activities, a subscriptions account, an income and expenditure account, a statement of financial position
- how to account for other receipts, including life memberships and donations
- how to adjust financial statements (as detailed in 1.5.1)
- how to evaluate possible sources of finance and methods of fundraising
- Manufacturing businesses
- Candidates should have an understanding of how to prepare a manufacturing account, to differentiate between direct and indirect expenses and to include factory profit
- how to prepare, for a manufacturing business, a statement of profit or loss and a statement of financial position

- how to account for manufacturing profit and the elimination of unrealized profit from unsold inventory
- the reasons why a business may account for manufacturing profit.
- Limited companies
- Candidates should understand how to prepare for a limited company in line with the relevant international accounting standards and legal requirements:
- statement of profit or loss
- statement of financial position
- statement of cash flows
- statement of changes in equity
- schedule of non-current assets

## **Unit 2 – Regulatory and ethical considerations**

**Approximate length: 4 weeks**

Candidates will examine the regulatory framework by exploring several International Accounting Standards and how they are applied within a set of financial statements. Candidates will further consider the wider ethical issues which underpin the practice of accounting and the need for accountants and businesses to behave in an appropriate manner. Related to this, candidates will assess the nature of stewardship in the context of a limited company, which will enable candidates to develop a more detailed appreciation of the issues of ownership and control introduced in 1.1.1 and the associated requirement for an independent examination of financial statements by an auditor.

### **Specific National Curriculum Objectives Covered:**

- International Accounting Standards
- Candidates should understand the main provisions of each of the following International Accounting Standards (IAS):
- IAS 1 Presentation of financial statements
- IAS 2 Inventories
- IAS 7 Statement of cash flows
- IAS 8 Accounting policies, changes in accounting estimates and errors
- IAS 10 Events after the reporting period
- IAS 16 Property, plant, and equipment
- IAS 36 Impairment of assets
- IAS 37 Provisions, contingent liabilities, and contingent assets
- IAS 38 Intangible assets
- Note: For guidance on the scope of each IAS that candidates are expected to be familiar with, teachers are
- advised to consult the document *Teacher Guidance for 9706 Accounting* which accompanies this syllabus.
- Ethical considerations
- Candidates should understand the need for an ethical framework in accounting the fundamental principles of:

- integrity
- objectivity
- professional competence and due care
- confidentiality
- professional behaviour
- how the ethical behaviour of accountants and auditors impacts the business and other stakeholders.
- the social implications of decision-making
- Auditing and stewardship of limited companies
- Candidates should understand:
  - the role and responsibilities of the auditor
  - the differences between an external audit and an internal audit
  - the difference between a qualified and unqualified audit report
  - stewardship and the role of directors and their responsibilities to shareholders
  - the importance of a true and fair view in respect of financial statements
- Candidates are expected to use their understanding of ethical considerations and auditing to evaluate relevant.
- information and make informed business decisions.

### **Unit 3 – Business acquisition and merger weeks**

**Approximate length: 4 weeks**

Candidates will investigate reasons why businesses may choose to grow by acquiring or merging with different types of business entity and how to account for the acquisition or merger. This will involve assessing the distinction between the acquisition of a business as a whole and the individual assets of a business, as well as an appraisal of business valuation and types of purchase consideration.

#### **Specific National Curriculum Objectives Covered:**

- the nature and purpose of the merger of different types of businesses to form a new business entity.
- how to prepare journal entries and make entries in the relevant ledger accounts to record the merger of two or more sole trader businesses to form a partnership or a limited company.
- merger of a sole trader's business with an existing partnership to form a new partnership.
- acquisition of a sole trader's business or partnership by a limited company
- how to calculate the value of goodwill on the acquisition of a business by another entity
- how to prepare statements of profit or loss and statements of financial position for the newly formed
- business entity following the acquisition or merger, for example the limited company acquiring the partnership.
- the advantages and disadvantages of the acquisition or merger

### **Unit 4 – Computerised accounting systems**

**Approximate length: 4 weeks**

Candidates will further expand their understanding of accounting systems gained in 1.2 to encompass the specific challenges posed by the introduction of a computerised accounting system. Candidates will explore approaches to managing the transfer of accounting data to a computerised system and the necessary safeguards required to ensure that the manual data is transferred completely and accurately to the new system.

**Specific National Curriculum Objectives Covered:**

- the process of transferring the business accounts to a computerised accounting system
- ways in which the integrity of the accounting data can be ensured during the transfer to a computerised accounting system.

**Unit 5 - Analysis and communication of accounting information**  
**length: 4 weeks**

**Approximate**

Candidates will further enhance their appreciation of the use of accounting ratios by extending knowledge of the range of ratios beyond those introduced in 1.6, with reference to investment ratios applicable to limited companies. Candidates will assess how these ratios may be interpreted with a view to linking performance indicators and providing justified advice to stakeholders, as well as being able to suggest possible measures for improvement.

**Specific National Curriculum Objectives Covered:**

- how to calculate the following ratios:
- working capital cycle (in days)
- net working assets to revenue (sales)
- interest cover
- gearing ratio
- earnings per share
- price/earnings ratio
- dividend per share
- dividend yield
- dividend cover
- Note: Candidates must use the formula given in the appendix to section 3. These are the only formulae accepted in candidate responses.
- how to analyse and evaluate the results of the ratios and draw conclusions
- how to make appropriate recommendations to stakeholders based on the analysis undertaken.
- the interrelationships between ratios

**Unit 6 - Activity based costing (ABC)**  
**weeks**

**Approximate length: 4**

Candidates will explore the application of activity-based costing as a contrast to the traditional costing methods encountered in 2.2. Candidates will gain an insight into how overheads may be allocated to products using measures which are not directly related to traditional overhead

absorption bases, such as direct labour hours, but rather to the activities which cause the costs to be incurred in the production process (cost drivers). Candidates will also assess the uses and limitations of such a system.

**Specific National Curriculum Objectives Covered:**

- the application of activity based costing (ABC)
  - the uses and limitations of ABC
  - what is meant by a cost driver
  - how to use ABC to:
    - identify the appropriate cost driver
    - apportion and allocate overheads
    - calculate the total cost and selling price of a unit
  - the effect of different methods of overhead absorption on cost and profit
  - how to apply ABC costing techniques to make business decisions and recommendations using supporting data

**Term 2**

**Unit 7 - Costs and cost behaviour**

**Approximate length: 4 weeks**

Candidates will examine the classification of costs and the need to distinguish between the ways in which costs may be treated in terms of traceability and behaviour. This will be explored within the context of why businesses need to understand the nature of costs for the purposes of pricing and decision-making, serving as an introduction to examining traditional costing methods (as defined in 2.2).

**Specific National Curriculum Objectives Covered:**

- Materials and labour
- Candidates should understand:
  - accounting for material and labour costs
  - how to identify and calculate fixed costs, variable costs, semi-variable costs, and stepped costs
  - how to identify and calculate the elements of direct and indirect costs
  - how to calculate the value of closing inventory using the first in first out (FIFO) and weighted average cost (AVCO) methods (perpetual and periodic)
  - the principles of just in time (JIT) management of inventory

**Unit 8 - Standard costing**

**Approximate length: 4 weeks**

Candidates will consider how a business may use a system of predetermined values as a basis for comparison with actual costs and revenues to assess performance. Candidates will explore possible reasons for the differences between actual and expected costs and revenues and how there may be

interrelationships between these differences. This will require an evaluation of how such information can be used to improve the budget preparation process and business performance. Candidates will also evaluate non-financial considerations which may have an impact on business decisions.

**Specific National Curriculum Objectives Covered:**

- the meaning of a system of standard costing in an organisation
- the advantages and disadvantages of a standard costing system
- how standard costing can be used as an aid to improve the performance of a business
- how to calculate the following variances:
  - direct material price and usage
  - direct labour rate and efficiency
  - fixed overhead expenditure and volume
  - fixed overhead capacity and efficiency sub-variances
- sales price and volume
- possible causes of favourable or adverse variances and their relationship to each other
- how to make business decisions and recommendations using supporting data
- the significance of non-financial factors

**Unit 8 - Budgeting and budgetary control**

**Approximate length: 4 weeks**

Candidates will investigate the reasons why an organisation uses a system of budgetary control. This will involve exploring the nature, purpose, and contents of budgets and how they may be used for the purposes of planning and control to meet an organization's objectives. Candidates will consider how an organisation may compare expected and actual results and in so doing assess how the budgeting process can affect human responses to the achievement of budget targets. Candidates will also evaluate non-financial considerations which may have an impact on business decisions.

**Specific National Curriculum Objectives Covered:**

- candidates should understand the advantages and disadvantages of a budgetary control system to an organisation, the advantages and disadvantages of preparing budgets using spreadsheets.
- what is meant by a master budget and how to prepare the following budgets:
  - sales
  - production
  - purchases
  - labour
  - trade receivables
  - trade payables
  - cash
- budgeted statement of profit or loss
- budgeted statement of financial position
- the effect of limiting factors on the preparation of budgets

- the benefits of flexible budgeting over fixed budgeting
- how to prepare a flexible budget statement
- possible causes of differences between actual and flexible budgeted data
- how to prepare a statement reconciling the flexible budgeted cost of production with the actual cost of
  - production
- how to prepare a statement reconciling the flexible budgeted profit with the actual profit
- how to make business decisions and recommendations using supporting data
- the behavioural aspects of budgeting, including targets, incentives, and motivation.
- the significance of non-financial factors

### Unit 8 - Investment appraisal

Approximate length: 4 weeks

Candidates will address ways in which a business may decide about a prospective capital investment. This will require an assessment of the strengths and limitations of various investment appraisal techniques, including examining the time value of money and discerning the difference between accounting profits and cash flows. Candidates will also evaluate non-financial considerations which may have an impact on investment decisions.

#### Specific National Curriculum Objectives Covered:

- future net cash inflows and outflows arising from the project.
- how to apply the following capital investment appraisal techniques:
  - payback accounting rate of return ( $ARR = (\text{average profit} / \text{average investment}) \times 100$ )
  - net present value (NPV)
  - internal rate of return (IRR)
- the advantages and disadvantages of these capital investment appraisal techniques
- how to make investment decisions and recommendations using supporting data
- the significance of non-financial factors
- Note: Questions on discounted payback will not be set.
- Note: Questions involving a residual value of an investment at the end of a project will not be set

## Assessment

**Formative:** Cambridge AL Level Accounting, like other Cambridge subjects, is based on a detailed syllabus that outlines the course content and skills to be acquired. Formative assessments are an essential part of the teaching and learning process as they provide ongoing feedback that can be used by instructors to improve their teaching and by students to improve their learning. Incorporating these formative assessments can provide a holistic learning experience for students and offer teachers insights into their students' progress and understanding. We align the assessments with the learning objectives of the syllabus and adjust based on the unique needs of your students. This can include Quizzes and Tests, Topic-wise Quizzes, Case Study Analysis, Interactive Activities like Accounting Journals,

Balance Sheet Puzzle, Group Work, Company Analysis: Assign different companies' financial statements to groups. Let them analyze and present their findings, Accounting Debates, Homework Assignments, Class Participation, Discussion Questions: Pose open-ended questions about real-world accounting scenarios or recent financial news, Peer Teaching, Feedback and Reflection.

Throughout each episode, lesson and within the AL syllabus, feedback is maximized to focus children on exam technique and applying their learning coherently. Formative written feedback, in the copybooks and oral comments given immediately after learning, steer children to more formal examination-based answers and mark schemes. High quality peer feedback is scaffolded and developed, so that children are analytical in their feedback. This can be further reflected on for self-assessment. Children are empowered to make decisions on the direction of their learning. They evaluate and analyse their performance in both practical and theory lessons and activities. The course also provides many opportunities to kinesthetically assess the theory work as well as the practical work. The standard of performance is assessed against the past paper mark schemes and success criteria from the AL specification. This helps children improve their performance as they progress across the course. They are also given the opportunity to use mechanical and technological sports apparatus, which provide a constant stream of immediate feedback for the tracking of assessment. Alongside assessed pieces of work, teachers will carry out ongoing formative assessments and give children regular formative feedback to help them improve.

**Summative:**

1. End-of-Unit Exams: Written Examinations: After completing significant units (e.g., financial accounting, cost, and management accounting), organize an exam to test students' grasp of concepts, theories, and applications.

Question Types: Incorporate a mix of multiple-choice questions, short-answer questions, data response questions, and extended essay questions.

2. Mock Examinations:

Conduct full-length mock exams that simulate the actual Cambridge A Level Accounting exam in terms of content, structure, and timing. This helps students acclimate to the exam format and conditions.