



Department
for Education

Accounting

Draft GCE AS and A level subject content

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The content for AS and A level accounting

Introduction

1. AS and A level subject content sets out the knowledge, understanding, skills and assessment objectives common to all AS and A level specifications in a given subject and provide the framework within which the awarding organisation creates the detail of the specification.

Aims and objectives

2. AS and A level specifications in accounting should encourage students to develop their knowledge and understanding of the subject. Specifications should enable students to apply their knowledge of accounting theory and practice to develop their commercial acumen and financial awareness. In addition they should facilitate students' development of key transferable skills such as communication, critical thinking, decision making and problem solving using a methodical and organised approach. AS and A level specifications in accounting should encourage students to be motivated and challenged by the subject and prepare them to make informed decisions about further educational opportunities and career pathways.

3. AS and A level specifications in accounting must enable students to:

- understand the role and develop the skills of the accountant in developing and evaluating accounting information systems and in preparing financial and management accounting information
- apply the principles and techniques of accounting in the preparation of financial and management accounting information including using the double entry model to: record transactions; prepare financial statements for different types of organisations; and prepare management accounting information to enable management to plan, control and make decisions
- analyse and evaluate a range of financial and management information and communicate the outcomes numerically and verbally
- evaluate the impact of ethical considerations on the accountant and the duty to be truthful and accurately represent the facts when preparing and presenting accounting information, undertaking financial decision making and addressing the concerns of stakeholders
- develop the ability to solve problems logically, analyse data methodically, make reasoned and justified decisions and use different reporting methods to communicate these to stakeholders

Subject content

Knowledge and understanding

4. AS and A level specifications in accounting must require students to develop knowledge and understanding of fundamental accounting concepts and practices as outlined in the areas of study identified below.
5. At both AS and A level this would cover:

An introduction to the role of the accountant in business

- the responsibilities of the accountant within business
- the difference between financial accounting and management accounting and the purpose of each
- the role of the accountant in developing and overseeing accounting information systems to provide reliable and relevant information for both financial and management purposes

Types of business organisation

- types of business organisations including different business ownership models, the associated benefits and risks and the impact on financial reporting. Models must include sole traders, partnerships and limited liability companies
- sources of finance for different forms of business organisation and the risks related to these

The double entry model

- the double entry accounting system including: the recording of transactions from source documents in books of prime entry and ledger accounts; transferring accounts to income statements; balancing accounts and the preparation of statements of financial position
- the recording of adjustments in ledger accounts and in financial statements
- the use of the double entry model in the preparation of financial statements for a range of business organisations and in particular in the preparation of financial statements for organisations with incomplete records
- prepare and understand accounting records based on source documents and use the main subsidiary books and ledger accounts
- prepare income statements (trading and profit and loss accounts) and balance sheets by transferring relevant accounts to the income statements (trading and profit and loss accounts), identifying gross profit and profit (net profit) for the year
- prepare bank reconciliation statements
- prepare income statements (trading and profit and loss accounts) and balance sheets working from trial balances and additional information
- prepare balance sheets with subheadings for non-current (fixed) and current assets, capital, non-current (long-term) and current liabilities

- make entries for simple adjustments for expense prepayments and accruals in ledger accounts and in the income statements (trading and profit and loss accounts) and balance sheet
- make entries for bad debts in the sales ledger and financial statements
- make entries for depreciation in the income statement (trading and profit and loss account) and balance sheet using the straight-line method

Verification of accounting records

- verification of the accuracy of the double-entry records
- how to correct errors in double entry bookkeeping
- the effect of errors on profit calculations and statements of financial position
- the benefits and limitations of verification techniques

Accounting concepts used in the preparation of accounting records

- general accounting concepts including money measurement, duality, cost, going concern, accruals, consistency, prudence, materiality, realisation and business entity
- the use of accounting concepts in a variety of situations including the preparation of financial statements, asset valuation, depreciation of non-current assets, and inventories using cost or net realisable value as the basis of valuation

Preparation of financial statements of sole traders

- the use of accounting concepts in the preparation of financial statements resulting in the recording of items such as: accruals and prepayments; depreciation (straight-line and reducing-balance); disposal of non-current assets; provision for doubtful debts; bad debts and bad debts recovered; income due and received in advance; goods taken for own use; goods on sale or return; inventory valuation
- how to prepare income statements and statements of financial position from ledger accounts including adjustments resulting from the application of accounting concepts
- how to prepare income statements and statements of financial position from a trial balance including adjustments resulting from the application of accounting concepts

Limited company accounts

- how to prepare the internal financial statements of limited companies including income statements, statements of changes in equity and statements of financial position

Budgeting

- the need for budgeting in business organisations, the benefits and limitations of budgeting and budgetary control
- the use of accounting techniques in the preparation and analysis of budgets
- how budgets are used in planning and control and the calculation and interpretation of variances

Marginal costing

- categorisation of costs by behaviour including understanding the terms: direct costs, indirect costs, variable costs, semi-variable costs, fixed costs, marginal cost, contribution and break-even
- calculation and interpretation of the break-even point, interpreting break-even charts and the uses and limitations of different break-even analysis methods
- use of marginal costing in decision making situations such as: make or buy; acceptance of additional work; price setting and optimum use of scarce resources

Analysis and evaluation of financial information

- calculation and interpretation of financial measures and ratios
 - appraising business performance by using financial statements and ratios focusing on the issues of profitability, liquidity, efficiency and capital structure
 - the difference between cash and profits and the effect of transactions on profitability and liquidity
 - the limitations of financial statements and ratio analysis when assessing business performance
6. In addition to the content above, the A level specification would also cover:

Accounting for planning, control and decision making

- standard costing and variance analysis:
 - the purpose, advantages and disadvantages of a standard costing system
 - calculation and interpretation of variances including sales (volume and price), material (usage and price) and labour (efficiency and rate)
 - the interrelationship between variances
 - how to prepare statements and the use of accounting techniques to reconcile budgeted and actual figures
- absorption and activity based costing (ABC):
 - the use of absorption costing to calculate the total cost of a product, including the allocation of direct costs, the apportionment of indirect costs and the calculation and use of overhead absorption rates
 - the use of activity based costing to calculate the total cost of a product including the allocation of direct costs and the use of cost pools and costs drivers to attribute indirect costs to particular products
 - the use absorption costing and activity based costing to calculate the selling price of a product
 - the benefits and limitations of absorption, ABC and marginal costing
- capital investment appraisal:

- the use of cash flows in capital investment appraisal
- payback and net present value (discounted cash flow) of a capital projects
- the benefits and limitations of the payback and net present value methods of capital investment appraisal
- the use of capital investment appraisal measures in the evaluation of projects
- accounting for organisations with incomplete records:
 - the profit of an organisation calculated where there are insufficient records to prepare income statements
 - how accounting techniques are applied in the preparation and analysis of financial statements for a business with incomplete records
 - the benefits and limitations maintaining accounting records using different systems including single and double entry models
- partnership accounts:
 - prepare and comment of the end of year financial statements for partnerships
 - prepare capital and current accounts of partners
 - account for changes in a partnership
- accounting for limited companies:
 - the use of accounting techniques and principles when drafting financial statements for limited companies, to include income statements, statements of changes in equity, statements of financial position and statements of cash flow
 - accounting for the revaluation of non-current assets
 - the difference between an issue of shares, a rights issue and a bonus issue of shares, and recording the effect of such transactions on the financial statements
 - the requirement to publish accounts, the main elements of published accounts and assessing the value and limitations of published accounting records
 - the benefits and limitations of published accounts and how these are used by a variety of stakeholders
 - the purpose and importance of international accounting standards framework

- interpretation, analysis and communication of accounting information:
 - how accounting techniques, measures and ratios are used to analyse and interpret accounting information (both financial and management) and the limitations of using financial statements and ratio analysis when assessing business performance
 - how business performance is evaluated both internally across accounting periods and externally in comparison to competitors focusing on the issues of profitability, liquidity, efficiency and capital structure
 - the difference between cash and profits and the effect of transactions on profitability and liquidity
 - the interests of stakeholders and the importance of the effective communication of accounting information to internal stakeholders (including: employees, management; owners/shareholders) and external stakeholders (including; customers; suppliers; government; lenders; local community)
 - the impact, advantages and disadvantages of systems for recording accounting data
 - the critical assessment of recommendations and their impact on stakeholders, the local and national economy and the environment

The impact of ethical considerations

- the fundamental principles of ethical behaviour including integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and how these principles impact the behaviour of accounting professionals and organisations
- the legal and regulatory requirements which relate to the accounting sector, the importance of working within regulatory guidelines and the consequences of failing to do so
- the role of professional bodies in establishing and enforcing codes of conduct
- how to act ethically when working with clients, suppliers, colleagues and stakeholders and the importance of adhering to organisational and professional values, codes of practice and regulations
- appropriate courses of action to take if there is a suspicion that an unethical or illegal act has been, or may be, committed by an employer, colleague or client

Skills

7. Drawing on the knowledge and understanding above, AS and A level specifications in accounting must require students to:

- record transactions using double entry bookkeeping, verify the accuracy of the bookkeeping and correct any errors, and prepare bank reconciliation statements
- prepare financial statements for sole traders and limited companies, including recording adjustments, by applying knowledge of accounting concepts

- calculate and interpret accounting ratios
- analyse and evaluate business performance using accounting techniques to interpret financial information
- develop a logical and methodical approach to problem solving through the analysis and evaluation of financial and management information
- prepare, analyse and evaluate budgets including the calculation and interpretation of variances
- prepare information using marginal costing techniques to enable managers to make decisions
- present and communicate accounting information, numerically, graphically and in written form, so that it can be understood by non-accountants and can be used by stakeholders for decision making purposes

8. In addition, A level specifications must require students to:

- analyse and evaluate projects through the application of capital investment appraisal measures
- prepare financial statements for businesses with incomplete records
- prepare information to enable managers to plan control and make decisions using a range of accounting techniques such as: absorption costing; activity based costing and standard costing
- evaluate the benefits and limitations of management accounting systems and techniques in providing information to enable managers to plan, control and make decisions
- prepare cash flow statements
- Evaluate the benefits and limitations of financial reporting in communicating information to a range of stakeholders to enable them to reach informed opinions about the organisation.
- analyse situations to identify ethical considerations and suggest appropriate actions

Quantitative skills in accounting

9. In order to develop their skills, knowledge and understanding in accounting, specifications must require students to use the quantitative skills below in the context of accounting:

- calculate, use and understand ratios and fractions
- calculate, use and understand percentages and percentage changes
- interpret, apply and analyse information in written, graphical and numerical forms
- calculate cost, revenue, profit and break-even
- **(calculate investment appraisal outcomes and interpret results)**
- **(calculate and apply payback and net present value including the use of discounting techniques)**
- **(calculate and interpret variances)**
- **(calculate total product cost and selling price using activity based costing and absorption costing)**
- use and interpret quantitative and non-quantitative information in order to make decisions

10. Quantitative skills bracketed and in bold do not form part of the AS core content requirement; however, an awarding organisation may include them in their AS specification.

11. The assessment of quantitative skills will include at least Level 2 mathematical skills as a minimum of 15% of the overall AS marks and a minimum of 20% of the overall A level marks.

12. These quantitative skills may be assessed across the assessment objectives.

Double entry accounting

13. Students are required to apply their technical understanding of the double entry accounting model in the preparation of financial statements for a range of business organisations and in particular in the preparation of financial statements for organisations with incomplete records.

14. The number of marks available for demonstrating double entry computational techniques will be limited to a maximum of 15% of the total marks at AS level and 10% of the total marks at A level. A minimum of 15% and a maximum of 20% of the marks in the assessment at both AS and A level must require students to apply their technical knowledge and understanding of the concepts and techniques. The total percentage of marks available for demonstrating knowledge, understanding and application of double entry accounting will be 30-35% at AS and 25-30% at A level.



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