


**GCE Subject Level
Conditions and
Requirements for Accounting**

April 2016

Ofqual/16/5954



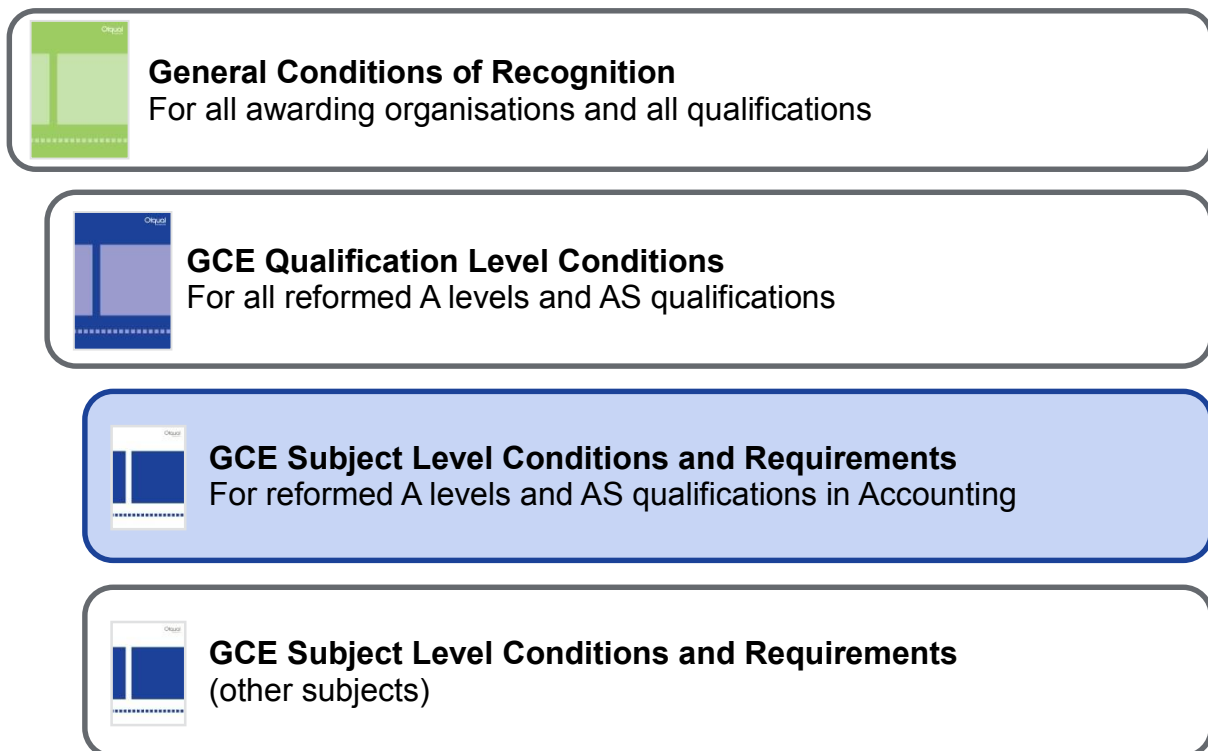
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Introduction

About this document

This document (highlighted in the figure below) is part of a suite of documents which sets out the regulatory requirements for awarding organisations offering reformed A levels and AS qualifications.



We have developed all our requirements for GCE qualifications with the intention that AS and A level qualifications should fulfil the purposes set out in the table below:

A levels	AS qualifications
<ul style="list-style-type: none"> ■ define and assess achievement of the knowledge, skills and understanding which will be needed by students planning to progress to undergraduate study at a UK higher education establishment, particularly (although not only) in the same subject area; ■ set out a robust and internationally comparable post-16 academic course of study to develop that knowledge, skills and understanding; 	<ul style="list-style-type: none"> ■ provide evidence of students' achievements in a robust and internationally comparable post-16 course of study that is a sub-set of A level content; ■ enable students to broaden the range of subjects they study.

<ul style="list-style-type: none">■ permit UK universities to accurately identify the level of attainment of students;■ provide a basis for school and college accountability measures at age 18; and■ provide a benchmark of academic ability for employers.	
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Requirements set out in this document

This document sets out the GCE Subject Level Conditions for Accounting. These conditions will come into effect at 5.01pm on Friday 22 April 2016 for the following qualifications:

- all GCE A levels in Accounting awarded on or after 1 April 2019; and
- all standalone GCE AS qualifications in Accounting awarded on or after 1 April 2018.

It also sets out our requirements in relation to:

- assessment objectives – awarding organisations must comply with these requirements under Condition GCE(Accounting)1.2; and
- assessment – awarding organisations must comply with these requirements under Condition GCE(Accounting)2.1.

Appendix 1 reproduces the subject content requirements for Accounting, as published by the Department for Education.¹ Awarding organisations must comply with these requirements under Condition GCE(Accounting)1.1.

With respect to the qualifications listed above, awarding organisations must also comply with:

- our *General Conditions of Recognition*,² which apply to all awarding organisations and qualifications;

¹ www.gov.uk/government/publications/gce-as-and-a-level-accounting

² www.gov.uk/government/publications/general-conditions-of-recognition

- our *GCE Qualification Level Conditions and Requirements*,³ and
- All relevant Regulatory Documents.⁴

With respect to all other GCE qualifications in Accounting, awarding organisations must continue to comply with the General Conditions of Recognition, the *GCE Qualification Level Conditions*,⁵ and the relevant Regulatory Documents.

Summary of requirements

Subject Level Conditions	
GCE(Accounting)1	Compliance with content requirements
GCE(Accounting)2	Assessment

Assessment objectives
Assessment objectives – GCE Qualifications in Accounting

Assessment requirements
Assessment requirements – GCE Qualifications in Accounting

Appendix 1 – Subject content (published by Department for Education)
Accounting GCE AS and A level subject content

³ www.gov.uk/government/publications/gce-qualification-level-conditions-and-requirements

⁴ www.gov.uk/guidance/regulatory-document-list

⁵ www.gov.uk/government/publications/gce-qualification-level-conditions-for-pre-reform-qualifications

Subject Level Conditions

GCE Subject Level Conditions for Accounting

Condition

Compliance with content requirements

GCE(Accounting)1

- GCE(Accounting)1.1 In respect of each GCE Qualification in Accounting which it makes available, or proposes to make available, an awarding organisation must –
- (a) comply with the requirements relating to that qualification set out in the document published by the Secretary of State entitled 'Accounting GCE AS and A level subject content',⁶ document reference DFE-00040-2016,
 - (b) have regard to any recommendations or guidelines relating to that qualification set out in that document, and
 - (c) interpret that document in accordance with any requirements, and having regard to any guidance, which may be published by Ofqual and revised from time to time.
- GCE(Accounting)1.2 In respect of each GCE Qualification in Accounting which it makes available, or proposes to make available, an awarding organisation must comply with any requirements, and have regard to any guidance, relating to the objectives to be met by any assessment for that qualification which may be published by Ofqual and revised from time to time.

⁶ www.gov.uk/government/publications/gce-as-and-a-level-accounting

Condition

Assessment

GCE(Accounting)2

GCE(Accounting)2.1 An awarding organisation must ensure that in respect of each assessment for a GCE Qualification in Accounting which it makes available it complies with any requirements, and has regard to any guidance, which may be published by Ofqual and revised from time to time.

Assessment objectives

Assessment objectives – GCE Qualifications in Accounting

Condition GCE(Accounting)1.2 allows us to specify requirements relating to the objectives to be met by any assessment for GCE Qualifications in Accounting.

The assessment objectives set out below constitute requirements for the purposes of Condition GCE(Accounting)1.2. Awarding organisations must comply with these requirements in relation to all GCE Qualifications in Accounting they make available.

	Objective	Weighting (A level)	Weighting (AS)
AO1	Demonstrate knowledge and understanding of accounting principles, concepts and techniques.	20-30%	30-40%
AO2	Apply knowledge and understanding of accounting principles, concepts and techniques.	25-35%	35-45%
AO3	Analyse and evaluate accounting data to: <ul style="list-style-type: none">■ present information■ make judgements■ draw conclusions.	35-45%	25-35%

Assessment requirements

Assessment requirements – GCE Qualifications in Accounting

Condition GCE(Accounting)2.1 allows us to specify requirements in relation to assessments for GCE Qualifications in Accounting.

We set out below our requirements for the purposes of Condition GCE(Accounting)2.1. Awarding organisations must comply with these requirements in relation to all GCE Qualifications in Accounting they make available.

Double entry accounting

The subject content for GCE Qualifications in Accounting is set out in the document published by the Secretary of State entitled 'Accounting GCE AS and A level subject content', document reference DFE-00040-2016 (the 'Content Document').

Paragraphs 11 to 14 of the Content Document specify the knowledge and understanding of double entry accounting which Learners will be required to demonstrate and apply in GCE Qualifications in Accounting.

In designing and setting the Assessments by Examination for a GCE A level Qualification in Accounting which it makes available, or proposes to make available, an awarding organisation must ensure that, in each set of assessments⁷ –

- (a) between 25 and 30 per cent of the total marks for the qualification reward the demonstration and application of Learners' knowledge and understanding of double entry accounting, and
- (b) within those marks, no more than 10 per cent of the total marks for the qualification are allocated to completing double entry accounting tasks.

In designing and setting the Assessments by Examination for a GCE AS Qualification in Accounting which it makes available, or proposes to make available, an awarding organisation must ensure that, in each set of assessments –

- (a) between 30 and 35 per cent of the total marks for the qualification reward the demonstration and application of Learners' knowledge and understanding of double entry accounting, and
- (b) within those marks, no more than 15 per cent of the total marks for the qualification are allocated to completing double entry accounting tasks.

⁷ For the purposes of these requirements, a 'set of assessments' means the assessments to be taken by a particular Learner for a GCE Qualification in Accounting. For clarity, the assessments taken by Learners may vary, depending on any possible routes through the qualification.

Quantitative skills

Paragraph 9 of the Content Document specifies the quantitative skills which Learners will be required to use and apply in GCE Qualifications in Accounting (the 'Quantitative Skills').

In designing and setting the Assessments by Examination for a GCE Qualification in Accounting which it makes available, or proposes to make available, an awarding organisation must ensure that –

- (a) questions and tasks rewarding the use of Quantitative Skills assess those skills within the context of other areas of the subject content, and not in isolation,
- (b) in each set of assessments for a GCE A level qualification in Accounting, at least 20 per cent of the total marks for the qualification reward the use of Quantitative Skills at a Level of Demand which is not lower than that which is expected of Learners in assessments for the higher tier in a GCSE Qualification in Mathematics,
- (c) in each set of assessments for a GCE AS qualification in Accounting, at least 15 per cent of the total marks for the qualification reward the use of Quantitative Skills at a Level of Demand which is not lower than that which is expected of Learners in assessments for the higher tier in a GCSE Qualification in Mathematics, and
- (d) without prejudice to the above requirements and those outlined in the Content Document, in each set of assessments Quantitative Skills are assessed across a range of Levels of Demand which supports effective differentiation in relation to the qualification.

Subject content (published by Department for Education)



Department
for Education

Accounting

GCE AS and A level subject content

February 2016

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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
- 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 income statements (trading and profit and loss accounts) and balance sheets
- 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 double-entry records
- how to correct errors in double entry records
- 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

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

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

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 cost 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 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 double entry and other accounting techniques are applied in the preparation and analysis of financial statements for a business with incomplete records
 - the benefits and limitations of maintaining accounting records using different systems including single and double entry models
- partnership accounts
 - prepare and comment on the end of year financial statements of 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
- 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 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 financial statements for partnerships
- 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 statements of cash flow
- 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.

Double entry accounting

11. 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 types and in particular, at A level, in the preparation of financial statements for organisations with incomplete records.

12. Students are required to demonstrate knowledge and understanding of double entry accounting through the completion of double entry bookkeeping tasks such as assigning accounting entries to appropriate ledger accounts, transferring accounts to income statements, balancing accounts and preparing statements of financial position.

13. Students are also required to apply their technical knowledge of double entry bookkeeping by, for example, identifying incorrect entries in financial information, preparing income statements (trading and profit and loss accounts), balance sheets and bank reconciliation statements.

14. Double entry tasks are not a sub-set of the quantitative skills outlined in paragraph 9 above. However, the use quantitative skills may be required to calculate some figures that are subsequently used to complete double entry tasks.



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About this publication:

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Reference: DFE-00040-2016



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