

Edexcel International  
London Examinations  
GCE Advanced Subsidiary/Advanced Level

International Syllabus

London Examinations Advanced Subsidiary GCE in  
Accounting (8011)

**First Examination January 2005**

London Examinations Advanced GCE in Accounting  
(9011)

**First Examination May/June 2005**

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August 2003

Order Code UA014146

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# Introduction

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Candidates who successfully follow this syllabus will have a good knowledge and understanding of the principles, concepts and techniques of accounting. It lays a secure foundation for further study of Accounting or related subjects. In addition, it provides a worthwhile course for candidates who will end their study at the Advanced Subsidiary or Advanced level stage. This syllabus will be particularly suited to candidates who have followed the GCE Ordinary level Accounting (7011) syllabus.

## Key features

- Provides continuity with the previous Advanced level syllabus in Accounting (9011)
- Maintains the GCE Advanced level standards established by the previous syllabus
- Introduces the Advanced Subsidiary Level on completion of unit 1 which may be used as a 'stepping stone' to the award of a full Advanced level or a qualification in its own right
- Provides a smooth transition from the GCE Ordinary level course in Accounting (7011) which has been revised in conjunction with this Advanced level syllabus

The syllabus and specimen papers are available online at [www.edexcel-international.org](http://www.edexcel-international.org) and also from Edexcel International Publications (see later).

## Rationale for the syllabus

Teachers will be reassured to know that the syllabus content and assessment have not altered significantly but that the assessment model has been amended to be more accessible to International candidates.

The main differences between this syllabus and the previous one are listed below.

- The scheme of assessment has been amended. The two-unit scheme of assessment remains. Each unit is now divided into two sections. In section A candidates will be required to attempt two questions from a choice of three. In section B there will be four questions and candidates will be required to attempt three questions. Overall, candidates will answer five questions in each unit, as is the requirement of the current examination papers. This ensures that all candidates have an equal opportunity to demonstrate and apply their knowledge of the syllabus.
- The previous syllabus content concentrated on Financial Accounting in paper 1 and Cost and Management in paper 2. This revised syllabus will require the application of knowledge of both areas to scenarios set in both units.
- Unit 1 will cover the preparation of the financial accounts of unincorporated associations and basic costing. Unit 2 will cover the Limited Company and the legal requirements for disclosure embodied in legislation and recognised practices and more advanced Management Accounting principles.
- Less emphasis will be placed on lengthy essay writing. Section C in both existing papers, requiring the preparation of an essay answer, has now been removed from this specification. Questions set in sections A and B of both units 1 and 2 will contain sub sections requiring the use of continuous prose in the preparation of answers.
- Grade criteria are provided for grades A and E, based on the assessment objectives.

## Prior level of attainment and recommended prior learning

Candidates who have followed the Ordinary Level specification in Accounting (7011) will find the transition to A Level easier as the Accounting (9011) specification builds on the skills developed at O Level. Unit 1 builds upon the basic accounting model. Unit 2 develops Limited Company accounts.

## Progression

GCE A level Accounting lays an appropriate foundation for the future study of vocationally related and occupational qualifications such as the Association of Accounting Technicians (AAT) Foundation, Intermediate and Technician levels. This syllabus also provides a useful grounding for foundation examinations offered by the professional bodies such as the Association of Chartered Certified Accountants (ACCA), the Chartered Institute of Management Accountants (CIMA) and the Chartered Institute of Public Finance and Accountancy (CIPFA).

## Aims

The syllabus aims are to develop:

1. a knowledge and understanding of the purposes of accounting, of accounting concepts and techniques and to develop the application of those techniques;
2. the skills of numeracy, communication, presentation, analysis and evaluation of accounting information;
3. the ability to compile accounting reports in good format and to use them as the basis of informed and rational decision-making;
4. a capacity for logical and objective thought which will serve as an end in its own right, as well as a basis for further study in accounting.

## Assessment objectives

The scheme of assessment will assess candidates' ability to:

1. demonstrate knowledge of accounting procedures and understanding of the principles on which they are based (AO1);
2. select and apply their knowledge and understanding of accounting procedures to a variety of accounting problems (AO2);
3. analyse and present information in appropriate accounting format and communicate reasoned explanations (AO3);
4. evaluate evidence and make informed recommendations and decisions (AO4).

## Weighting of assessment objectives

The assessment objectives for each paper and for the overall scheme of assessment are weighted as follows:

<b>Assessment Objectives</b>	<b>Unit 1 Weighting (%)</b>	<b>Unit 2 Weighting (%)</b>	<b>Overall weighting of assessment objectives (%)</b>
Knowledge and understanding (AO1)	16	12	<b>28</b>
Application (AO2)	17	15	<b>32</b>
Analysis (AO3)	10	12	<b>22</b>
Evaluation (AO4)	7	11	<b>18</b>
<b>Overall weightings of papers (%)</b>	<b>50</b>	<b>50</b>	<b>100</b>

## Unit-based scheme of assessment

The AS unit – Unit 1 – represents 50 per cent of Advanced GCE. The AS unit will assess the knowledge, understanding and skills expected of students who have completed the first half of the full Advanced GCE course.

The Advanced unit – Unit 2 – represents 50 percent of Advanced GCE. The A2 unit will assess the knowledge, understanding and skills expected of students who have completed the full Advanced GCE course.

AS students must take the AS Unit 1.

Advanced GCE students must take the AS Unit 1 and Unit 2.

Advanced GCE students may take Units 1 and 2 in the same session as an end-of-course examination. Alternatively, students may take Unit 1 at the end of the first year or during their programme of study and Unit 2 at the end of the second year. Students following this examination pattern may re-take any individual unit once only and the better result will count towards the final award. The full qualification at both AS and Advanced GCE may be retaken more than once. For further guidance on the procedures to be followed when entering candidates for a modular specification, please consult the “Guidance Notes for Modular Specifications” included with the instructions for making examination entries.

<b>Unit required for AS (8011)</b>			
	<b>Outline</b>	<b>Time</b>	<b>Weighting</b>
<b>Unit 1</b>	The accounting system and costing	3 hours	100%

<b>Units required for Advanced GCE (9011)</b>			
	<b>Outline</b>	<b>Time</b>	<b>Weighting</b>
<b>Unit 1</b>	The accounting system and costing	3 hours	50%
<b>Unit 2</b>	Corporate and management accounting	3 hours	50%

Each Unit is divided into **two** Sections to enable an appropriate range and style of questions to be presented. Section A will contain three questions, of which candidates will be required to attempt **two** questions. Section B will contain four questions, of which candidates will be required to attempt **three** questions. Each question in Section A will be allocated 26 marks and each question in Section B will be allocated 16 marks.

Questions will require candidates to demonstrate underpinning knowledge and understanding, the application of principles and processes, analysis of information and data and evaluation leading to effective decision making. Questions may contain section(s), which require answers in continuous prose. Candidates are required to organise and present relevant information, using specialist accounting vocabulary. Such section(s) would normally represent 20-25% of the marks available for the question.

## Syllabus content

### Unit 1 – THE ACCOUNTING SYSTEM AND COSTING

#### 1. Principles of accounting and double entry book-keeping

Content	At the end of the course candidates should be able to:
<ul style="list-style-type: none"> <li>• Role of accounting</li> </ul>	Record, analyse and communicate accounting information as an aid to the management of a business.
<ul style="list-style-type: none"> <li>• Double-entry system</li> </ul>	Post transactions and undertake accounting processes, make end of period transfers and adjustments. Prepare ledger accounts to record the creation and maintenance of provisions for doubtful debts.
<ul style="list-style-type: none"> <li>• Accounting concepts and conventions</li> </ul>	Explain and apply the concepts of going concern, prudence, accruals, and consistency. Explain and apply the concepts and conventions of historic cost, materiality, money measurement, realisation and business entity. Explain the importance of accounting standards.
<ul style="list-style-type: none"> <li>• Capital and revenue</li> </ul>	Distinguish between capital and revenue expenditure. Explain the importance of the correct accounting treatment of capital and revenue expenditure with reference to relevant accounting concepts. Apply the correct treatment of capital and revenue expenditure to accounting scenarios.
<ul style="list-style-type: none"> <li>• Asset depreciation</li> </ul>	Define and account for depreciation of assets including the preparation of provision for depreciation accounts. Explain the reasons for accounting for depreciation. Explain and calculate depreciation using reducing balance, straight line and revaluation methods. Calculate the effect on profit of different methods and the effect on profit of a change in the method. Calculate profit or loss on disposal. Prepare ledger accounts to record the purchase, disposal of fixed assets and annual adjustments for depreciation.

## 2. Control procedures

Content	At the end of the course candidates should be able to:
• Trial balance	Prepare a trial balance. Outline the limitations of a trial balance.
• Control accounts	Explain that control accounts are an independent check on sales and purchases ledgers. Prepare control accounts for sales and purchases ledgers.
• Correction of errors	Identify and explain errors that do and do not affect the balancing of the trial balance. Make journal entries to correct errors. Prepare a suspense account. Prepare a statement of revised profit. Make corrections of errors in control accounts.

## 3. Final Accounts of organizations

Content	At the end of the course candidates should be able to:
• Final accounts of “sole traders”	Prepare trading and profit and loss accounts showing the gross profit and net profit or loss.
• Year end adjustments	Make adjustments for prepaid or accrued income or expenditure. Provisions for depreciation, bad debts and provisions for doubtful debts.
• Departmental accounts	Prepare trading and profit and loss accounts showing departmental profits/losses.
• Incomplete records	The preparation of trading, profit and loss, and balance sheet from incomplete records.
• Partnership	Prepare profit and loss appropriation accounts. Prepare partners' current accounts and capital accounts on a fixed or floating basis. Appropriation of profit in accordance with the Partnership Agreement. Apply the provisions of Section 24 of the Partnership Act 1890 in relation to partners' salaries, division of profit or loss, interest on loans, capital and drawings. Account for the introduction or retirement of a partner including the introduction of assets and treatment of goodwill. Prepare the accounting entries for the dissolution of a partnership.
• Clubs and societies	Prepare receipts and payments, trading activity, and subscriptions accounts. Calculate losses of stock or cash. Prepare income and expenditure accounts and balance sheets including treatment of life memberships.
• Manufacturers	Prepare manufacturing accounts, calculating, and explaining: prime cost; factory overhead; work in progress; and production cost. Calculate costs of individual products and apportion costs between products and functions. Account for unrealised profit resulting from goods manufactured.



#### 4. Introduction to costing and decision making

Content	At the end of the course candidates should be able to:
<ul style="list-style-type: none"><li>Valuation of stock</li></ul>	Explain the characteristics of Last In First Out (LIFO), First In First Out (FIFO), and Net Realisable Value (NRV) as methods of stock valuation. Calculate stock valuations using FIFO and LIFO perpetual and periodic basis. Calculate the effect of different methods of stock valuation on profit and balance sheet stock values.
<ul style="list-style-type: none"><li>Accounting for labour cost</li></ul>	Explain the concept of labour productivity. Apply methods of remuneration, day-work, piecework, individual and group bonus schemes, cost and earnings under different methods.
<ul style="list-style-type: none"><li>Overheads</li></ul>	Explain the characteristics of overhead expenses, fixed and semi-fixed, allocation, apportionment and absorption of overheads. Apply apportionment and continuous allotment of reciprocal services to situations. Establish the basis of apportionment of overhead expenses, calculation of overhead recovery rates based upon machine hours and labour hours. Over- and under-absorption of overhead.
<ul style="list-style-type: none"><li>Job costing</li></ul>	Explain the characteristics of job costing. Analyse the estimated and actual cost using the job costing method. Job costing of batch production and customers' orders.

#### 5. Evaluation of accounting statements

Content	At the end of the course candidates should be able to:
<ul style="list-style-type: none"><li>Ratio analysis</li></ul>	Apply ratios and comment upon the profitability, liquidity and use of assets in appraising sole trader and partnership final accounts. Calculate and comment upon the gross profit and net profit as: a percentage of sales; return on capital employed; fixed assets to sales; stock turnover; current ratio; liquid (acid test) ratio; debtor's payment and creditors collection periods.
<ul style="list-style-type: none"><li>Social accounting</li></ul>	Consider the implications of accounting decisions in the social context of the local community, the environment, the workforce, health and safety and use of natural resources.

## Unit 2 – CORPORATE AND MANAGEMENT ACCOUNTING

### 1. Limited companies

Content	At the end of the course candidates should be able to:
<ul style="list-style-type: none"><li>• Preparation of final accounts</li></ul>	Prepare trading and profit and loss accounts, appropriation accounts and balance sheets in accordance with format one of the Companies Act 1985. Explain the content and importance of the auditors' report and directors report. Explain the importance of disclosing continuing and discontinued activities and the significance of exceptional items.
<ul style="list-style-type: none"><li>• Capital structure</li></ul>	Explain the terms reserves, provisions and liabilities. Distinguish between capital and revenue reserves. Explain how the following reserves are created and utilised: profit and loss, general, share premium, revaluation and capital redemption. Explain authorised, issued and called-up share capital. Explain the differences between rights and bonus issues. Prepare ledger accounts and journal entries to record the issue of shares, including bonus and rights issues. Explain the difference between shares and debentures. Calculate the weighted average cost of capital. Note: the forfeiture of shares will not be examined.
<ul style="list-style-type: none"><li>• Merger or purchase of limited company</li></ul>	Prepare journal entries and ledger accounts for the purchase of another limited company or the merger of two companies. Prepare the balance sheet of a limited company following the purchase of or the merger with another company. Value and undertake the correct treatment of goodwill.

### 2. Investment Evaluation

At the end of the course candidates should be able to:
Calculate and comment upon the investment ratios: price earnings, earnings per share, dividend cover and dividend yield. Explain the implications of capital gearing. Calculate the capital gearing ratio. Candidates will also be required to be familiar with ratios relating to profitability, liquidity and use of assets tested in Unit 1.

### 3. Cash flow statements

At the end of the course candidates should be able to:
Explain the importance of cash flow statements. Prepare cash flow statements in accordance with Financial Reporting Standard (FRS 1) Cash Flow Statements (revised).

## 4. Budgeting

At the end of the course candidates should be able to:

Explain the role of budgeting as a management tool for planning, forecasting and control. Explain the process in the preparation of budgets in the annual budget cycle. Prepare budgeted trading and profit and loss accounts and balance sheets. Prepare budgets for sales, production purchases, stock, debtors and creditors, capital and cash. Prepare budgets for products and activities. Apply flexible budgets to variations in activity level.

## 5. Standard costing

At the end of the course candidates should be able to:

Explain the purpose of standard costing. Explain the stages in establishing a standard costing system.

Calculate the following variances: material variances (price and usage); labour variances (rate and efficiency); total fixed overhead variance; and total variable overhead variance. Explain possible reasons for variances. Explain possible inter-relationships between variances. Apply the principle of management by exception to variance analysis.

## 6. Capital budgeting and appraisal

At the end of the course candidates should be able to:

Calculate and explain the application of discounted cash flow, net present value, internal rate of return and net cash flows. Calculate and explain the application of the non-discounted methods of accounting rate of return and payback period. Evaluate capital expenditure proposals.

## 7. Cost behaviour and break-even

At the end of the course candidates should be able to:

Calculate and define fixed, semi variable and variable costs. Calculate the contribution and the contribution/sales ratio. Account for the effect of changes in the volume of production on the break-even analysis, margin of safety and angle of incidence.

## 8. Marginal and absorption costing

At the end of the course candidates should be able to:

Explain the concept of marginal costing and comparison with absorption costing. Apply marginal costing in decision-making for the acceptance of new orders, make or buy decisions and in determining whether to discontinue a product or service. Prepare profit and loss and marginal cost statements. Explain the limitations of marginal costing. Calculate the value of closing stock using marginal and absorption costing. Explain the effect on profit of the application of marginal and absorption techniques in the valuation of stock. Evaluate the preferred course of action when there are limiting factors.

## Grade Descriptions

Grades A, B, C, D and E may be awarded to successful candidates. The following grade descriptions indicate the level of attainment characteristic of the given grades A and E at GCE Advanced Subsidiary and GCE Advanced Level. They give a general indication of the required learning outcome at each specific grade. The grade awarded will depend in practice upon the extent to which the candidate has met the assessment objectives overall. Shortcomings in some aspects of the examination may be balanced by better performance in others.

### Grade A

Candidates will be able to:

- Demonstrate both depth of knowledge and understanding of accounting (AO1)
- Demonstrate application of knowledge, understanding and numerical techniques (AO2)
- Analyse problems, issues and situations in a clear, logical and coherent manner, using appropriate accounting techniques (AO3)
- Evaluate and make informed recommendations from the evidence by assessing the current situation and its alternatives.  
Clear recommendations are based upon judgement of the evidence (AO4)

### Grade E

Candidates will be able to:

- Demonstrate knowledge and understanding of some elements of accounting (AO1)
- Demonstrate sound application of only limited elements of knowledge, understanding and numerical techniques (AO2)
- Analyse elements of problems but with omissions in both analysis and presentation (AO3)
- Evaluate and make recommendations from the evidence by assessing the current situation. Recommendations are typically made on limited evidence and lack consideration of alternatives available (AO4)

## Textbooks and other resources

These resources and publishers are correct at the time of writing. Edexcel is happy to receive other suggestions from teachers for books or resources which are found to be useful, especially if comments are made on helpful sections of such books or resources.

### General textbooks

The following is not a list of prescribed texts, but merely an attempt to provide a range of alternatives from which teachers and candidates may like to choose.

<b>Author</b>	<b>Title</b>	<b>Publisher</b>
Harold Randall	A Level Accounting, 3 <sup>rd</sup> Ed. ISBN 1858051622	Letts Educational 1996
Frank Wood	A Level Accounting ISBN 0273631616	Financial Times/Pitman 1998
Frank Wood and Alan Sangster	Business Accounting 1, 8 <sup>th</sup> Ed. ISBN 0273637428	Financial Times/Pitman 1999
Frank Wood and Alan Sangster	Business Accounting 2, 8 <sup>th</sup> Ed. ISBN 0273637436	Financial Times/Pitman 1999
Riad Izhar	Accounting, Costing and Management ISBN 0198327463	Oxford University Press 1990

### Useful websites

Institute of Chartered Accountants in England and Wales  
<http://www.icaew.co.uk>

The Chartered Institute of Management Accountants  
<http://www.cima.org.uk>

## Chief Examiner's comments

The A level Accounting subject report, including the Mark Scheme and Chief Examiner's comments, is issued to centres after each examination session and can also be found on the international website [www.edexcel-international.org](http://www.edexcel-international.org)

## Edexcel publications

Further copies of this syllabus in booklet form specimen examination papers with mark schemes, and copies of past examination papers can be obtained from:

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