

International General Certificate
of Secondary Education

Syllabus

ACCOUNTING 0452

For examination in June and November 2009

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Accounting

Syllabus code: 0452

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Exclusions

This syllabus must not be offered in the same session with any of the following syllabuses:

0614 Accounting (Botswana)
4345 Accounting (Namibia)
7091 Principles of Accounts (Singapore)
7092 Principles of Accounts (Singapore)
7110 Principles of Accounts
7114 Principles of Accounts (Singapore)
7118 Principles of Accounts (Singapore)

INTRODUCTION

Cambridge International General Certificate of Secondary Education (IGCSE) syllabuses are designed as two-year courses for examination at age 16-plus.

All Cambridge IGCSE syllabuses follow a general pattern. The main sections are:

- Aims
- Assessment Objectives
- Assessment
- Curriculum Content

The Cambridge IGCSE subjects have been categorised into groups, subjects within each group having similar Aims and Assessment Objectives.

Accounting falls into Group V, Creative, Technical and Vocational, of the International Certificate of Education (ICE) subjects.

AIMS

The aims of the syllabus are the same for all students. These aims are set out below and describe the educational purposes of a course in Accounting for the Cambridge IGCSE examination. They are not listed in order of priority.

The aims are to enable students to:

1. develop an understanding of the principles and purposes of accounting in providing information systems for monitoring and decision-making appropriate to the needs of individuals, business and non-trading organisations, and society as a whole;
2. develop an understanding of accounting principles, policies, procedures and terminology;
3. develop knowledge and understanding of the aims and activities of business and non-trading organisations, their accounting implications and accounting techniques and procedures appropriate to them;
4. develop skills of numeracy, literacy, communication, enquiry, presentation and interpretation;
5. encourage attitudes of accuracy, orderliness and logical thought.

ASSESSMENT OBJECTIVES

The three assessment objectives in Accounting are:

- A Knowledge with understanding
- B Analysis
- C Evaluation

A description of each assessment objective follows.

A KNOWLEDGE WITH UNDERSTANDING

Students should be able to:

1. demonstrate knowledge and understanding of facts, terms, principles, policies, procedures and techniques appropriate to the syllabus;
2. demonstrate understanding of knowledge through numeracy, literacy, presentation and interpretation;
3. apply knowledge and information to various accounting situations and problems.

The Curriculum Content defines the factual material that candidates may be required to recall and understand. Questions testing this will often begin with words such as: *define, list, outline, write up, record, calculate, explain.*

B ANALYSIS

Students should be able to:

4. select data which is relevant to identified needs of business;
5. order, analyse and present information, in an appropriate accounting form.

Questions testing these skills will often begin with words such as: *select, prepare, draw up.*

C EVALUATION

Students should be able to:

6. develop an ability to interpret and evaluate accounting information and to draw reasoned conclusions.

Questions testing these skills will often require written answers and may begin with words such as: *explain, suggest, advise, comment on, discuss, compare.*

SPECIFICATION GRID

The relationship between the assessment objectives and components of the scheme of assessment.

Paper	Assessment Objectives		
	A Knowledge with Understanding	B Analysis	C Evaluation
1	60%	40%	-
2	75%	15%	10%
3	50%	30%	20%

The assessment objectives are weighted to give an indication of their relative importance. The percentages are not intended to provide a precise statement of the number of marks allocated to particular assessment objectives.

ASSESSMENT

Scheme of assessment

All candidates should be entered for Paper 1 and Paper 2, which are compulsory papers. These papers will contain questions based on the Core syllabus, and will be graded C to G.

Those candidates who are likely to obtain Grade C or a higher grade should also be entered for Paper 3. This paper contains questions based mainly on the Supplement. It is an **optional** paper, and those candidates who are unlikely to obtain Grade C should not be entered, though a poor performance in this paper will not affect the grade awarded for other assessment components.

	Duration	Description
Paper 1	1 hour	Multiple Choice paper. 40 compulsory items of the 4-choice type, designed to discriminate between Grades C to G and based on the Core Curriculum.
Paper 2	1½ hours	Structured question paper designed to discriminate between Grades C to G. All questions compulsory and based on the Core Curriculum. Candidates answer on the question paper.
Paper 3	1¾ hours	Structured question paper designed to discriminate between Grades A* to C. All questions compulsory and based mainly on the Supplement. Candidates answer on the question paper.

Weighting of papers

	Weighting for Core Curriculum candidates for calculating Grades C to G and for Extended Curriculum candidates for calculating Grades D to G	Weighting for Extended Curriculum candidates for calculating Grades A* to C
Paper 1	40%	0% but compulsory*
Paper 2	60%	40%
Paper 3	Not taken by Core Curriculum candidates	60%

- * The grades of Extended Curriculum candidates will initially be calculated on the basis of their combined marks for Papers 2 and 3. However, candidates who do not obtain a Grade C or above on this basis will then have their Paper 3 mark disregarded and their grade calculated on the basis of Paper 1 and Paper 2 as if they were Core Curriculum candidates.

CURRICULUM CONTENT

Students can follow either the Core Curriculum only or the Extended Curriculum, which includes **both** the Core **and** the Supplement. Students aiming for grades A* to C must follow the Extended Curriculum.

Students should be able to use skills described under Assessment Objectives (page 2 of the syllabus booklet) in both the Core and Extended Curriculum.

1 The Purpose and Functions of Accounting	
CORE	SUPPLEMENT
<p><i>All students should be able to:</i></p> <p>1.1 understand the need for businesses to record financial information.</p> <p>1.2 state the purposes of measuring business profit and loss.</p> <p>1.3 identify business assets and liabilities and show awareness of the importance of the differences between them.</p> <p>1.4 recognise and understand the forms of accounting statement which show profits and losses (Trading and Profit and Loss Accounts) and assets and liabilities (Balance Sheets).</p>	<p><i>In addition to what is required for the Core, students following the Extended Curriculum should be able to:</i></p> <p>— explain how past performance can be analysed to provide a guide for future decision making.</p> <p>— evaluate the usefulness of Trading and Profit and Loss Accounts and Balance Sheets in presenting information for users.</p>

2 Accounting Principles and Policies	
CORE	SUPPLEMENT
<p><i>All students should be able to:</i></p> <p>— show understanding of the main principles underlying the preparation of accounting statements:</p> <p>2.1 Business entity and ownership: know that a distinction is made between the financial transactions of a business and those of its owners.</p> <p>2.2 Duality: understand the twofold aspect of every transaction.</p> <p>2.3 Money measurement: know that transactions must be expressed in monetary terms.</p> <p>2.4 Realisation: know that revenue is recognised as being earned when legal liability to pay is incurred by the customer (i.e. when ownership of goods passes to the customer).</p> <p>2.5 Consistency: understand that the same accounting treatment should be applied to similar items at all times.</p> <p>2.6 Matching: understand that costs must be matched against related income.</p> <p>2.7 Prudence: know that profit should not be overstated by ignoring foreseeable losses or that revenue should not be recorded before it is earned.</p> <p>2.8 Going concern: understand that accounting assumes that a business will continue to operate indefinitely.</p>	<p><i>In addition to what is required for the Core, students following the Extended Curriculum should be able to:</i></p> <p>— understand the objectives in selecting accounting policies:</p> <p>Relevance: understand that financial information is relevant only if it affects the business decisions.</p> <p>Reliability: understand that financial information is reliable only if it can be depended upon to represent actual events and is free from error and bias.</p> <p>Comparability: recognise that a financial report can only be compared with reports for other periods if similarities and differences can be identified.</p> <p>Understandability: recognise that a financial report must be capable of being understood by the users of that report.</p>

3 Sources and Recording of Data	
CORE	SUPPLEMENT
<p><i>All students should be able to:</i></p> <p>3.1 recognise, understand and use original business documents (invoices, credit/debit notes, statements of account).</p> <p>3.2 understand trade and cash discounts and process accounting data in the books of prime (original) entry: Cash Book (with discount, cash and bank columns as necessary), Petty Cash Book, Sales and Purchases Journals, Sales and Purchases Returns Journals and Journal.</p> <p>3.3 carry out double-entry book-keeping procedures, including posting entries to ledger accounts from the books of prime entry: the ledger accounts may be either in running balance format or 'T' account format.</p> <p>3.4 recognise the division of the ledger into specialist areas, i.e. sales (debtors) ledger, purchases (creditors) ledger and nominal (general) ledger.</p>	<p><i>In addition to what is required for the Core, students following the Extended Curriculum should be able to:</i></p> <p>— explain the advantage of using various books of prime entry.</p> <p>— interpret ledger accounts and their balances.</p>

4 Verification of Accounting Records	
CORE	SUPPLEMENT
<p><i>All students should be able to:</i></p> <p>4.1 prepare a Trial Balance from a given list of balances and amend a Trial Balance which contains errors.</p> <p>— understand the reasons for the preparation of a Trial Balance.</p> <p>— understand the limitations of the Trial Balance in locating errors.</p> <p>— recognise errors which do not affect the Trial Balance: errors of omission, commission, principle, original entry, complete reversal of entries, compensating.</p> <p>4.2 correct errors by journal entries.</p> <p>— correct errors using suspense accounts.</p> <p>4.3 understand and prepare bank reconciliation statements.</p>	<p><i>In addition to what is required for the Core, students following the Extended Curriculum should be able to:</i></p> <p>— prepare and understand the purposes of purchases ledger and sales ledger control accounts, including contra items and debit and credit balances within each account.</p> <p>— adjust the profit or loss for an accounting period after the correction of errors.</p> <p>— demonstrate the effects of correction of errors on a Balance Sheet.</p>

5 Adjustments required for Final Accounts	
CORE	SUPPLEMENT
<p><i>All students should be able to:</i></p> <p>5.1 recognise the importance of matching costs and revenues.</p> <p>— understand and prepare the accounting entries for accrued and prepaid expenses and accrued and prepaid income.</p> <p>5.2 understand the importance of the distinction between capital and revenue expenditure and receipts.</p> <p>5.3 recognise that depreciation measures the partial consumption of a fixed asset during its use.</p> <p>— understand and prepare the accounting entries for the operation of the straight line (equal instalment), reducing (diminishing) balance and revaluation methods.</p> <p>5.4 understand and prepare the accounting entries to record bad debts written off.</p> <p>5.5 understand the basis of stock valuation at the lower of cost and net realisable value.</p> <p>— prepare simple stock valuation statements.</p>	<p><i>In addition to what is required for the Core, students following the Extended Curriculum should be able to:</i></p> <p>— prepare the accounting entries to record the sale of fixed assets, including the use of disposal accounts.</p> <p>— understand the meaning of bad debts recovered and make the necessary accounting entries when bad debts are recovered.</p> <p>— prepare the accounting entries for the creation of, and adjustments to, a provision for doubtful debts.</p>

6 Preparation and Principles of Final Accounts	
CORE	SUPPLEMENT
<p><i>All students should be able to:</i></p> <p>6.1 Sole Trader</p> <ul style="list-style-type: none"> — explain the difference between a trading and a service business. — prepare simple Trading and Profit and Loss Accounts and Balance Sheets in either horizontal or vertical form for trading businesses. — prepare simple Profit and Loss Accounts and Balance Sheets in either horizontal or vertical format for service businesses. — make adjustments for provision for depreciation: straight line and reducing balance methods. — make adjustments for accruals and prepayments. — make adjustments for bad debts. <p>6.2 Partnership</p> <ul style="list-style-type: none"> — prepare simple Trading and Profit and Loss Accounts, Appropriation Accounts and Balance Sheets. — show the treatment of the division of the balance of profit or loss, interest on capital, partners' salaries, interest on partners' loans and on drawings. — make the other adjustments as detailed under 6.1. <p>6.3 Incomplete Records</p> <ul style="list-style-type: none"> — prepare opening and closing statements of affairs. — calculate net profit or loss from changes in Capital over time. — prepare Trading and Profit and Loss Accounts and Balance Sheets. — calculate sales, purchases, gross profit, debtors and creditors. <p>6.4</p>	<p><i>In addition to what is required for the Core, students following the Extended Curriculum should be able to:</i></p> <ul style="list-style-type: none"> — understand final accounts when presented in vertical form. — prepare simple columnar Trading and Profit and Loss Accounts when dealing with a business which has two departments, including simple apportionment of expenses between departments. — make adjustments for provision for depreciation by the revaluation method. — make adjustments for provisions for doubtful debts. — make adjustments for goods taken by owner for own use. — draw up partners' current and capital accounts in ledger account form. — prepare the accounting entries for goodwill on admission of a new partner. — apply the following techniques to arrive at missing figures – mark-up, margin and stock turnover. — Clubs and Societies: distinguish between Receipts and Payments Accounts and Income and Expenditure Accounts. — prepare accounts for the following: receipts and payments, revenue generating activities e.g. refreshments, subscriptions. — prepare Income and Expenditure Accounts and Balance Sheets. — calculate the Accumulated Fund. — make the other adjustments as detailed under 6.1 as appropriate. — Manufacturing Accounts: prepare Manufacturing Accounts drawn up to show cost of materials consumed, prime cost and production cost. — prepare Trading and Profit and Loss Accounts of a manufacturing business.

7 Analysis and Interpretation	
CORE	SUPPLEMENT
<p><i>All students should be able to:</i></p> <p>7.1 recognise and define: fixed, current and intangible assets; working capital; capital employed, capital owned and long-term and current liabilities.</p> <p>7.2 calculate the following ratios: percentage of gross profit to sales; percentage of net profit to sales; return on capital employed (ROCE); current ratio; quick ratio; rate of stock turnover.</p> <p>7.3 understand the significance of the difference between gross profit percentage and net profit percentage as an indicator of a business's efficiency.</p> <p>7.4 prepare and comment on simple statements showing comparison of results between businesses.</p>	<p><i>In addition to what is required for the Core, students following the Extended Curriculum should be able to:</i></p> <ul style="list-style-type: none"> — calculate and explain the significance of: collection period for debtors; payment period for creditors. — make recommendations and suggestions for improving profitability and working capital. — understand the problems of inter firm comparison due to factors such as differing account policies. — apply accounting ratios to inter firm comparisons. — discuss the uses of accounting by interested parties – owners, managers, creditors, bank, investors, club members – for making business decisions. — recognise the limitations of accounting statements due to historic cost, difficulties of definition and non-financial aspects.

GRADE DESCRIPTIONS

Grade descriptions are provided to give a general indication of the standards of achievement likely to have been shown by candidates awarded particular grades. The grade awarded will depend in practice upon the extent to which the candidate has met the assessment objectives overall. It might conceal weakness in one aspect of the examination which is balanced by above average performance in some other.

A **Grade A** candidate should demonstrate the following abilities:

- A** *Knowledge with understanding*
 An excellent ability to identify detailed facts, principles and techniques in relation to the content of the syllabus.
 A thorough ability to define the main principles and themes of the syllabus.
- B** *Analysis*
 An excellent ability to classify and comment on information presented in various forms.
 An excellent ability to select and use appropriate data.
- C** *Evaluation*
 A thorough ability to interpret and evaluate accounting information and draw reasoned conclusions.

A **Grade C** candidate should demonstrate the following abilities:

- A** *Knowledge with understanding*
 A sound ability to identify facts, principles and techniques in relation to the content of the syllabus.
 A sound ability to define the main principles and themes of the syllabus.
- B** *Analysis*
 A good ability to use and comment on information presented in a non-verbal as well as a verbal manner.
 A sound ability to select and use appropriate data.
- C** *Evaluation*
 An ability to interpret and evaluate accounting information and draw reasoned conclusions.

A **Grade F** candidate should demonstrate the following abilities:

- A** *Knowledge with understanding*
 Some ability to identify specific facts, principles or techniques in relation to the content of the syllabus.
 Some familiarity with definitions of the main principles of the syllabus.
- B** *Analysis*
 Some ability to classify and present data in a simple way and some ability to select relevant information from a set of data.
 Some ability to select and use appropriate data.
- C** *Evaluation*
 A rudimentary ability to gather information relating to a particular topic, present it in an ordered manner and draw some basic conclusions.

RESOURCE LIST

The inclusion of books in this list does not imply a recommendation. It is simply a list from which teachers may like to select. Locally available information from industry, commerce, banks, the accounting profession and Government will also be useful in providing exemplar material and background.

Students' textbooks

<i>Author</i>	<i>Title</i>	<i>Publisher</i>	<i>ISBN</i>
Coucom, Catherine	<i>IGCSE Accounting</i> <i>*Endorsed Textbook*</i>	Cambridge University Press	0 521 89346 1
Coucom, Catherine	<i>IGCSE and O Level Accounting</i>	Foundation Books, India (Indian Associate of Cambridge University Press)	Publication in 2007

Recommended textbooks

Dellow, Eric	<i>(H)IGCSE Accounting Book 1</i>	Cambridge University Press	0 521 78710 6
Coucom, Catherine	<i>(H)IGCSE Accounting Book 2</i>	Cambridge University Press	0 521 78711 4
Dellow, Eric	<i>(H)IGCSE Accounting Book 3</i>	Cambridge University Press	0 521 78712 2
Cox, David	<i>Business Accounts</i>	Osborne Books	1 87296 258 0
Cox, David	<i>Success in Book-keeping and Accounts</i>	John Murray	0 7195 4194 8
Cox, David; Farndon, Michael; and Portsmouth, Douglas	<i>Business Record Keeping (Osborne Financial Series)</i>	Osborne Books	1 87296 233 5
Herbert, M.	<i>Mastering Accounting</i>	Palgrave	0 333 51198 0
Marshall, Peter	<i>Mastering Book-keeping</i>	How To Books	1 85703 752 9
Nicholson, Margaret	<i>Mastering Accounting Skills</i>	Palgrave	0 333 91991 2
Whitehead, Geoffrey	<i>Book-keeping Made Simple</i>	Butterworth	0 7506 3651 3
Whitehead, Geoffrey	<i>Success in Principles of Accounting</i>	John Murray	0 7195 7212 6
Wood, Frank and Robinson, Sheila	<i>Frank Wood's Book-keeping and Accounts</i>	FT Prentice Hall	0 273 64619 2

Teachers' resources

Coucom, C.	<i>Professional Development for Teachers: Teaching and Assessing Skills in Accounting</i>	Cambridge University Press	0 521 54367 3
Harrison, I.	<i>The Complete A-Z Accounting</i>	Hodder & Stoughton	0 340 87266 7
Wood, Frank and Sangster, Alan	<i>Business Accounting 1 (Edition 10, 2005)</i>	Prentice Hall	0 273 68149 4
Wood, Frank and Sangster, Alan	<i>Business Accounting 2 (Edition 10, 2005)</i>	Prentice Hall	0 273 69310 7

Online Resources:

- 1 http://www.osbornebooks.co.uk/pdf/resources_accounting.pdf (If problems are experienced with this site, select <http://www.osbornebooks.co.uk/resources.html> then select Student Resources, Select Accounting and Finance and the Select Accounting Documents.pdf)
- 2 <http://www.nrbarton.co.uk/Bookkeeping/index.html>
- 3 <http://accounting10.tripod.com/content.htm>
- 4 <http://www.askltd.com/askjava/Intro.htm>
- 5 <http://www.staffs.ac.uk/schools/business/bsadmin/staff/s5/mscproj/defn.htm>
- 6 <http://www.bized.ac.uk/compfact/ratios/>
- 7 <http://www.bized.ac.uk/stafsup/options/accounting/index.htm>
- 8 <http://www.carolworld.com/> (Company Annual Reports Online site; commercial final accounts)
- 9 <http://www.bbc.co.uk/schools/gcsebitesize/business/finance/index.shtml> (Aspects of the syllabus)
- 10 <http://www.business-studies.co.uk/accounts.htm> (Business Studies but relevant resources for Accounting)
- 11 http://www.tutor2u.net/revision_notes_accounting.asp (Business Studies but relevant resources for Accounting)
- 12 <http://www.learnicie.org.uk/Login.aspx?ReturnUrl=%2fDefault.aspx> (Business Studies but relevant resources for Accounting)
- 13 <http://www.accaglobal.com/publications/studentaccountant/technician/> (ACCA Student Accountant site with some relevant articles)
- 14 <http://accountingeducation.com/links/index.cfm> (Useful to focus searching to relevant areas)

LIST OF ACCOUNTING RATIOS

SUMMARY OF COMMONLY USED RATIOS

1. PROFITABILITY RATIOS

$$(i) \quad \text{Percentage of gross profit to sales (Gross Profit Margin)} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

$$\text{Mark up} = \frac{\text{Gross Profit}}{\text{Cost of Sales}} \times 100$$

$$(ii) \quad \text{Percentage of net profit to sales (Net Profit Margin)} = \frac{\text{Net Profit Before Interest}}{\text{Net Sales}} \times 100$$

$$(iii) \quad \text{Return on Capital Employed (ROCE)} = \frac{\text{Net Profit Before Interest}}{\text{Capital Employed}} \times 100$$

[Capital Employed = Owner's capital + long term liabilities]

2. LIQUIDITY

$$(i) \quad \text{Current ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

(Also known as Working Capital Ratio)

$$(ii) \quad \text{Quick Ratio} = \frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}}$$

(Also known as 'Acid Test' or 'Liquid ratio')

$$(iii) \quad \text{Debtors Collection Period} = \frac{\text{Debtors}}{\text{Credit Sales}} \times 365 \text{ days}$$

$$(iv) \quad \text{Creditors Collection Period} = \frac{\text{Creditors}}{\text{Credit Purchases}} \times 365 \text{ days}$$

$$(v) \quad \text{Rate of Stock Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Stock}} \quad (\text{answer given in times})$$

Or

$$\text{Stock Turnover} = \frac{\text{Average Stock}}{\text{Cost of Goods Sold}} \times 365$$

INTERNATIONAL STANDARDS – TERMINOLOGY

The following list has been collated to help Centres prepare for the introduction of international standards to CIE accounting syllabuses in 2010. It is anticipated that standards which are well known, and are relevant to the level of study, will be brought into question papers, mark schemes and associated documents from 2010 onwards.

Centres are encouraged to apply the new terminology to their teaching and learning materials so that candidates sitting for examination in 2010 will be aware of the terms.

Current CIE/UK usage	International usage
Final accounts	<i>Financial Statements</i>
Trading and profit & loss account	<i>Income statement</i>
Sales	<i>Revenue</i>
Purchases	<i>Raw materials</i>
Cost of goods sold	<i>Cost of sales</i>
Stock	<i>Inventory (of raw materials and finished goods)</i>
Work in progress	<i>Work in progress</i>
Gross profit	<i>Gross profit</i>
Sundry expenses	<i>Other operating expenses</i>
Sundry income	<i>Other operating income</i>
Interest receivable	<i>Investment revenues</i>
Interest payable	<i>Finance costs</i>
Net Profit	<i>Profit (before tax) for the year</i>
Balance sheet	<i>Balance sheet</i>
Fixed assets	<i>Non-current assets</i>
Land and buildings	<i>Property</i>
Plant and equipment	<i>Plant and equipment</i>
Investments	<i>Investment property</i>
Goodwill etc.	<i>Intangible assets</i>
Current assets	<i>Current assets</i>
Stock	<i>Inventory</i>
Debtors	<i>Trade receivables</i>
Prepayments	<i>Other receivables</i>
Bank and cash	<i>Cash (and cash equivalents)</i>
Current liabilities <i>or</i> Creditors: amounts due within 12 months	<i>Current liabilities</i>
Creditors	<i>Trade payables</i>
Accruals	<i>Other payables</i>
Loans repayable within 12 months	<i>Bank overdrafts and loans</i>
Long term liabilities <i>or</i> Creditors: amounts falling due after more than one year	<i>Non-current liabilities</i>
Loans repayable after 12 months	<i>Bank (and other) loans</i>
Capital	<i>Capital or Equity</i>
Share capital	<i>Share capital</i>