## **UNIT 10** Advanced Principles

**Recommended Prior Knowledge** Students should only work on this Unit after a thorough course of study during which they have become fully acquainted with the contents and details of final account and balance sheets of various organisations.

**Context** The Unit looks at final accounts and balance sheets as a source of information about the performance and position of organisations over time and from one organisation to another. It ends by looking at some of the conceptual underpinning of bookkeeping and accounting.

**Outline** The Unit provides the tools to enable students to analyse financial statements and the performance of businesses. It then moves on to provide the concepts on which accounting bases and methods are built, providing the theory against which those bases and methods can be evaluated and criticised. The latter part of the Unit could be studied in conjunction with or as a revision of Unit 3.

Syllabus Ref.	Learning Outcomes	Suggested Teaching Activities	Online Resources	Other resources
5.1	<ul> <li>Candidates should be able to:</li> <li>compute and explain the importance of rate of stock turnover, gross profit/sales, net profit/sales, and net profit/capital</li> <li>explain the relationship of gross and net profits to the valuation of stock, rate of stock turnover, turnover, expenses, and capital</li> <li>recognise the importance of stock valuation and the effect of an incorrect stock valuation on profit, capital, and assets</li> </ul>	Explain the purposes of the various ratios and how and why they are calculated. Students should remember the formulae for calculating the ratios and practice their calculation. Students should be able to explain the ratios and the interrelationships between them. Students should be able to compare ratios with figures from previous years and between two businesses. The students should be encouraged to use figures to support comments. Earlier students learnt that stock is valued at the lower of cost and net realisable value. They should build on this to understand the implications of stock valuation on profit, capital and assets and any ratios relying on the accuracy of those figures.	http://www.staffs.ac.uk/schoo ls/business/bsadmin/staff/s5/ accsys/wfive.htm#l1 http://teachers.cie.org.uk/tea cher_support/pdf/7110_s03_ qp_1.pdf http://www.bized.ac.uk/compf act/ratios/ http://accounting10.tripod.co m/Slides27.1.ppt http://www.askItd.com/askjav a/finindic.htm http://teachers.cie.org.uk/tea cher_support/pdf/7110_w03_ qp_2.pdf	BKA 38 IGSCE 20 BM 70, 71 CIE Jun 2003 Paper 1 Q39 CIE Nov 2003 Paper 2 Q5

Syllabus Ref.	Learning Outcomes	Suggested Teaching Activities	Online Resources	Other resources
5.2	Candidates should be able to: • recognise the application of the following principles/concepts in the compilation of final accounts - going concern - historical cost - accounting entity - money measurement - accounting period - matching - prudence (conservatism) - materiality - dual aspect	Accounting principles and concepts can be a 'dry' subject if looked at in isolation. More 'lively' approaches are to relate specific accounting bases and methods to the relevant concepts as and when they arise during the course or to present students with actual sets of accounts and ask them to find and think about examples of the application of the various concepts throughout the accounts. They should be able to name, explain and give examples of all the accounting principles and concepts.	http://accounting10.tripod.co m/Slides1.1.ppt http://teachers.cie.org.uk/tea cher_support/pdf/7110_s03_ gp_1.pdf http://teachers.cie.org.uk/tea cher_support/pdf/7110_w03_ gp_1.pdf http://www.bized.ac.uk/stafsu p/options/accounting/work06. htm	BKA 11 IGSCE 8 CIE Jun 2003 Paper 1 Q40 CIE Nov 2003 Paper 1 Q40