

UNIT 7 Limited Companies

Recommended Prior Knowledge It is important that students are able to prepare final accounts and balance sheets for sole traders, together with appropriate adjustments before beginning this Unit. This Unit can be studied in parallel with Unit 6 in respect of Partnerships.

Context The Unit covers the implications of the business being a company on the final accounts of a business.

Outline The Unit serves to highlight the similarities in final accounts between different types of business as well as the differences.

Syllabus Ref.	Learning Outcomes	Suggested Teaching Activities	Online Resources	Other resources
3.1 and 3.2	Candidates should be able to: <ul style="list-style-type: none"> fulfill the learning outcomes detailed in Unit 5 which are also relevant to limited companies 	<p>As in the case of partnerships, there are many similarities between the accounts of sole traders and companies. Recapitulate on the advantages and disadvantages of sole trader and partnership and then introduce limited companies.</p> <p>Major differences in the balance sheet of a company are:</p> <ul style="list-style-type: none"> The profit and loss account balance. All profits/(losses) are transferred to the owner(s) in sole trader and partnerships Proposed dividends <p>Capital employed is an important measure in a company and how it is measured should be explained in advance of future studies involving ratios and analysis.</p>	<p>http://www.bized.ac.uk/dataserv/extel/notes/cass-ex.htm</p> <p>http://www.bized.ac.uk/dataserv/extel/notes/clias-ex.htm</p> <p>http://www.bized.ac.uk/dataserv/extel/notes/bs.htm</p> <p>http://www.bized.ac.uk/dataserv/extel/notes/dpay-ex.htm</p>	<p>BKA 37 BM 49, 50, 51, 52, 53, 54, 55</p>

Syllabus Ref.	Learning Outcomes	Suggested Teaching Activities	Online Resources	Other resources
4.5	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> • prepare a simple limited company appropriation account • explain the capital structure of a limited company and how it appears in the Balance Sheet • recognise the distinctions between authorised, called-up, issued and paid-up share capital and between share capital – ordinary and preference - and loan capital e.g. debentures <p>Candidates will not be required to prepare a company's Profit and Loss Account or a complete Balance Sheet, to make entries to record the issue of capital, or to know the accounting requirements of the Companies Acts.</p>	<p>There are parallels with partnerships in the case of the company appropriation account. In the case of a company the main transactions seen in the appropriation account are proposed and paid dividends and transfers to and from reserves.</p> <p>The structure of capital in a company can be complex including not only shares but also capital and revenue reserves. Illustrate and explain the use of the common types of reserve and the common types of capital. Multiple choice questions are useful to help students think through the variations.</p> <p>Time should be spent outlining the features and differences between an ordinary share, a preference share and a debenture.</p> <p>Debentures are often regarded as part of 'loan capital' although loans rank as a creditor and not capital at all. It is important to emphasise this important distinction and its implications to students.</p> <p>It is important to clarify for students the extent of this syllabus so that they spend their course and homework time on matters of direct relevance.</p>	<p>http://www.askltd.com/askjava/ltdcomps.htm</p> <p>http://teachers.cie.org.uk/teacher_support/pdf/7110_w03_qp_1.pdf</p> <p>http://teachers.cie.org.uk/teacher_support/pdf/7110_s03_qp_2.pdf</p> <p>http://www.bized.ac.uk/dataserv/extel/notes/seq-ex.htm</p> <p>http://www.bized.ac.uk/dataserv/extel/notes/ltl-th.htm</p> <p>http://www.bized.ac.uk/dataserv/extel/notes/ltl-ex.htm</p>	<p>CIE Nov 2003 Paper 1 Q35</p> <p>CIE Jun 2003 Paper 2 Q3</p>