

London Examinations GCE Ordinary Level

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Syllabus

London Examinations GCE Ordinary Level
Accounting (7011) May/June 2006 & January 2007

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September 2004

Order code UO 012674

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Ordinary level Accounting 7011

This subject may be taken at both the May/June and January examinations.

Introduction

Candidates who successfully follow this syllabus will have a good understanding of Accounting and its applications and will find the transition to the study of Advance Level Accounting easy to make. This revised GCE Ordinary level syllabus in Accounting has the following features:

- Provides continuity with the current Ordinary level syllabus in Accounting (7011);
- Maintains the GCE Ordinary level standards established by the current syllabus;
- Provides a solid basis for progression to AS or Advanced GCE level in Accounting;
- Offers a course for candidates of various ages and from diverse backgrounds in terms of general education and lifelong learning.

The syllabus and specimen papers are available on line at www.edexcel-international.org and are also available from Edexcel International Publications (see later).

In addition, users of the syllabus will find the O level Accounting CD-ROM that accompanies this syllabus useful in supporting their teaching and in helping them to prepare candidates for the examination.

Rationale for the syllabus

It has been some time since consideration has been given to the content and format of the Accounting syllabus. This revised GCE O level Accounting syllabus (7011) has been prepared in conjunction with a revision to the GCE A level Accounting syllabus (9011). This has ensured continuity between the two qualifications. It must be emphasised that the syllabus content and assessment have not altered significantly.

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

- Purchase of a business and departmental accounts has been removed from the syllabus content. Both of these topics can be examined more appropriately at GCE Advanced level. Value Added Tax (VAT) in books of original entry, the ledger and final accounts and accounting concepts have been added to the syllabus content. This makes the syllabus more realistic to candidates.
- The scheme of assessment has been slightly amended. The single examination paper remains structured in two sections. Section A remains the same. In Section B, all four

questions will now be compulsory. This ensures that all candidates have an equal opportunity to demonstrate their knowledge of the syllabus. Overall, candidates will answer six questions, as in the requirement of the current examination paper.

- Grade criteria are provided for grades A, C and E, based on the assessment objectives.

Prior level of attainment and recommended prior learning

No prior level of attainment is necessary for candidates to undertake a course of study based on this syllabus. Candidates should build upon skills already developed in numeracy and written English.

Progression

GCE O level Accounting lays an appropriate foundation for future study of GCE Advanced Subsidiary or Advanced Accounting as well as providing underpinning knowledge for vocationally related and occupational qualifications such as the Association of Accounting Technicians (AAT) Foundation, Intermediate and Technician levels. In addition this syllabus 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 to encourage numeracy and literacy; to foster the abilities to quantify, to judge relevance, and to write clear and concise explanations.

The syllabus also aims to develop:

1. an understanding of the nature and purpose of accounting in business and non-profit making organisations, and the principles on which accounting is based;
2. an awareness of the use of accounting as an aid to elementary decision making;
3. an ability to assess the financial position of an organisation from final accounts.

Assessment objectives

The scheme of assessment will require candidates to:

1. demonstrate a knowledge and understanding of accounting terminology, principles, procedures and techniques and the limitations of accounting information (AO1);

2. apply accounting knowledge and understanding to assemble and classify accounting data in a variety of situations and use it to solve problems (AO2);
3. select, organise, interpret and use information from various sources to analyse problems and issues (AO3);
4. evaluate accounting information to make reasoned judgements and present conclusions accurately, logically and appropriately (AO4).

Weighting of assessment objectives

Assessment objectives	Weighting of assessment objectives (%)
1. Knowledge and understanding (AO1)	30%
2. Application (AO2)	30%
3. Analysis (AO3)	30%
4. Evaluation (AO4)	10%

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

Scheme of assessment

The scheme of assessment comprises a single examination paper of three hours consisting of two sections, Section A and Section B. Section A will contain two compulsory questions based mainly on the accounting principles contained in syllabus sections 1-3, each question carrying 24 marks. Section B will contain four compulsory questions drawn from all sections of the syllabus, each question carrying 13 marks.

Syllabus content

Summary of subject content:

1. Books of Original Entry
2. The Ledger
3. Trading Account, Profit and Loss Account, Balance Sheet of a Sole Trader
4. Adjustments

5. Partnerships
6. Non-profit Making Organisations
7. Manufacturing Accounts
8. Incomplete Records
9. Limited Companies
10. Analysis and Interpretation of Accounts

1. Books of Original Entry

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

- 1.1 calculate capital by opening journal entries
- 1.2 use the journal with appropriate narration to:
 - record correction of errors
 - record purchase of assets on credit including Value Added Tax (VAT)
 - record sale of assets on credit
 - record unusual losses or gains, e.g. theft
 - cancel cash discount taken in error
 - re-value assets
 - make transfers to final accounts
 - write off bad debts
 - create and adjust provisions and reserves
- 1.3 use the principal documents in a business transaction, e.g. invoice, credit note, statement
- 1.4 record purchases, sales and returns in appropriate books (VAT)
- 1.5 explain the purpose of trade discount
- 1.6 explain how the books of original entry are related to the double entry system
- 1.7 record entries in the ledger with appropriate narrative from the books of original entry
- 1.8 explain how business documents are used as a source of information
- 1.9 explain the need for a receipts and payments account
- 1.10 compile the cash account, including entries for VAT
- 1.11 balance the cash account and bring down the balance
- 1.12 compile a petty cash book using the imprest system and incorporating VAT
- 1.13 record transfers of cash from main cashier to petty cashier
- 1.14 explain the function of a three-column cash book

- 1.15 explain the purpose and treatment of cash (settlement) discounts and write up a two or three-column cash book
- 1.16 explain and record contra entries
- 1.17 explain the need for reconciliation statements
- 1.18 interpret bank statements
- 1.19 select previously unrecorded items to be entered in the cash book
- 1.20 up-date the cash book balance
- 1.21 reconcile bank balance with cash book balance

2. The Ledger

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

- 2.1 record transactions by double entry, using 'T' form and running balances
- 2.2 explain the significance of ledger balances
- 2.3 interpret an entry and an account
- 2.4 balance an account and bring down the balance
- 2.5 differentiate between purchases and sales transactions
- 2.6 differentiate between cash and credit transactions
- 2.7 differentiate between capital and revenue items
- 2.8 explain the different nature of (a) debit and (b) credit balances
- 2.9 close accounts
- 2.10 transfer balances to final accounts
- 2.11 make entries to record VAT in the ledger
- 2.12 understand the significance of a balance in the VAT account
- 2.13 calculate VAT from VAT inclusive as well as VAT exclusive figures
- 2.14 explain the need for ledger sub-divisions
- 2.15 state sources of information for purchases and sales ledger control accounts
- 2.16 compile purchases and sales ledger control accounts
- 2.17 reconcile control account balances with debtors/creditors
- 2.18 establish and maintain a suspense account from a trial balance
- 2.19 explain reasons for compiling a trial balance
- 2.20 prepare a trial balance from balances in ledger accounts as at a given date
- 2.21 agree the trial balance
- 2.22 outline procedures to be adopted if a trial balance does not agree
- 2.23 explain the possible shortcomings of an agreed trial balance

3. Trading Account, Profit and Loss Account, Balance Sheet of a Sole Trader

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

- 3.1 state what is meant by the terms 'net sales' and 'net purchases'
- 3.2 differentiate between the two stock figures shown in the trading account
- 3.3 explain the distinction between cost and net realisation value of stock
- 3.4 compile a trading account, showing appropriate items using 'T' form or vertical layout
- 3.5 define 'gross profit' or 'gross loss'
- 3.6 show cost of sales
- 3.7 draw up a profit and loss account using alternative forms of layout with all the appropriate income and expense entries relating to the given period
- 3.8 draw up a balance sheet in 'T' form or vertical form marshalling the assets and liabilities in a specific order
- 3.9 differentiate between fixed and current assets
- 3.10 differentiate between current and long-term liabilities
- 3.11 show 'drawings' in cash or kind and record their transfer to the capital account
- 3.12 show changes in the proprietor's capital as a result of a further injection of capital
- 3.13 show changes in the proprietor's capital as the result of the revaluation of fixed assets
- 3.14 differentiate between the orders of permanence and liquidity
- 3.15 explain the nature of working capital
- 3.16 show working capital in the balance sheet

4. Adjustments

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

- 4.1 state why adjustments are necessary in the preparation of final accounts
- 4.2 distinguish between the following methods of depreciation:
straight-line; diminishing balance; revaluation
- 4.3 record depreciation by means of a provision for depreciation account
- 4.4 record disposal of assets by means of a disposal account

- 4.5 prepare the journal entries necessary to deal with the above
- 4.6 demonstrate an understanding of the significance of a balance in the disposal account
- 4.7 explain why it is necessary to make a provision in respect of bad debts
- 4.8 differentiate between bad debts and provision for bad (doubtful) debts
- 4.9 prepare a provision for bad (doubtful) debts account, with profit and loss account and balance sheet entries
- 4.10 distinguish between amounts accrued and prepaid
- 4.11 deal with accounts where accruals and prepayments arise
- 4.12 adjust accounts which have a stock to carry forward e.g. stationery

5. Partnerships

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

- 5.1 explain the need to expand a sole proprietor business by the introduction of partner(s)
- 5.2 explain the nature of a partnership
- 5.3 explain the importance of a partnership agreement
- 5.4 write up a capital account for each partner
- 5.5 write up a profit and loss appropriation account
- 5.6 demonstrate an understanding of interest on drawings, interest on capital and partners' salaries
- 5.7 show division of the residual profit or loss between partners
- 5.8 compile and explain the need for partners' current accounts
- 5.9 differentiate between debit and credit balances in current accounts
- 5.10 display capital accounts in the balance sheet
- 5.11 display current accounts in the balance sheet, including those with debit balances

6. Non-Profit Making Organisations

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

- 6.1 explain the nature and purpose of a receipts and payments account
- 6.2 prepare a receipts and payments account, and explain the significance of the balance shown

- 6.3 explain the nature and purpose of an income and expenditure account which will show all expenses for the period whether paid or not, and all the income for the period whether received or not, and will give a more accurate picture of club affairs
- 6.4 prepare an income and expenditure account from the material contained in the receipts and payments account, plus other information e.g. unpaid bills, subscriptions due, setting out the account in such a way as to show the profits or losses for various activities
- 6.5 use the term 'accumulated fund' (general fund) in place of the term 'capital account'.
- 6.6 transfer a surplus or deficit of income to the accumulated fund
- 6.7 prepare a balance sheet

7. Manufacturing Accounts

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

- 7.1 differentiate between direct and indirect costs; fixed and variable costs
- 7.2 distinguish the elements of prime cost i.e. direct wages and raw materials consumed, carriage inwards
- 7.3 appropriate costs between manufacturing and trading activities
- 7.4 make adjustments for stocks of raw materials, work in progress, expenses paid in advance and accruals
- 7.5 calculate cost of production

8. Incomplete Records

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

- 8.1 explain that 'incomplete records' requires the application of accounting principles
- 8.2 explain that capital is the difference between the total of the assets and the liabilities and may be shown by a statement of affairs
- 8.3 calculate profit or loss by a comparison of capital at the beginning and end of a trading period
- 8.4 explain that an increase in capital between the beginning and end of a trading period suggests a profit; similarly that a decrease in capital over the same period suggests a loss
- 8.5 explain that items such as drawings and the introduction of new capital will affect the net profit figure and must be taken into consideration

- 8.6 compute the purchases and sales for the year, by preparing a total creditors or debtors account
- 8.7 appreciate that returns, discounts and bad debts will affect the computations of sales and purchases
- 8.8 explain that cash purchases and sales must be dealt with separately from credit purchases and sales
- 8.9 prepare a trading account, profit and loss account, and balance sheet

9. Limited Companies

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

- 9.1 distinguish between charges against profit and the appropriation of profit
- 9.2 differentiate between ordinary and preference shares
- 9.3 distinguish between shareholders' funds and loan capital
- 9.4 calculate the dividends on various classes of shares and interest on loan capital
- 9.5 set out an appropriation account in an acceptable form
- 9.6 distinguish between authorised and issued capital
- 9.7 display the capital section of a balance sheet
- 9.8 explain the nature of reserves and provisions and distinguish between them
- 9.9 set out the fixed assets section of a balance sheet
- 9.10 display the current assets and current liabilities to show the working capital within the balance sheet
- 9.11 demonstrate the advantages of vertical presentation of a balance sheet

10. Analysis and Interpretation of Accounts

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

- 10.1 assess the viability of a business, making reference to:
 - (a) capital employed (total assets less current liabilities)
 - (b) working capital
 - (c) net and gross profits expressed as a percentage of turnover
 - (d) relationship of bad debts to debtors
 - (e) rate of stock turnover
- 10.2 prepare simple statements showing comparison of results between businesses
- 10.3 explain the advantages and disadvantages of using computers in accounting

- 10.4 understand how accounting makes use of computer software e.g. spreadsheets and customised accounting software
- 10.5 understand the significance of the following five accounting concepts: consistency; prudence; accruals; materiality; money measurement.

NOTE: The syllabus does not presuppose either a rank order or an explicit teaching order.

Grade descriptions

The following grade descriptions describe the level of attainment characteristic of grades A, C and E at Ordinary level GCE. They give a general indication of the required learning outcomes at the specified grades. The descriptions should be interpreted in relation to the content in the syllabus; they are not designed to define that content. The grade awarded will depend in practice on 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 an excellent knowledge and understanding of the full range of the syllabus content;
- apply this knowledge and understanding, using accounting terms, concepts and methods to effectively address a range of accounting problems
- select, organise and use accounting information to effectively analyse problems
- evaluate accounting information effectively, make reasoned judgements and present conclusions accurately, logically and appropriately

Grade C

Candidates will be able to:

- demonstrate a sound knowledge and understanding of the syllabus content;
- apply this knowledge and understanding, using accounting terms, concepts and methods to address accounting problems
- select, organise and use accounting information to analyse problems with some accuracy
- make reasoned judgements and present conclusions

Grade E

Candidates will be able to:

- demonstrate some knowledge and understanding of the syllabus content;
- apply this knowledge and understanding, using some accounting terms, concepts and methods to address simple accounting problems
- show some ability to select, organise and use simple accounting information
- make judgements and present simple conclusions

Textbooks and other resources

Introduction

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.

O Level Accounting CDRom

Copies of the CDRom, which includes teaching material to accompany the syllabus, can be obtained from the International Customer Relations Unit:

Address: ICRU
Edexcel International
Stewart House
32 Russell Square
London WC1B 5DN

Telephone: + 44 20 7758 5656
Facsimile: + 44 20 7758 5959
Email: International@edexcel.org.uk

General textbooks

The following books may be of use to candidates who are studying the O level Accounting syllabus. It is not intended to suggest that a candidate should attempt to consult all of the books but rather select a few of them for study.

Author	Title/ ISBN	Publisher
D Cox	Business Accounts, 2nd edition (ISBN 1872962580)	Osborne Books 1999
R Giles	Business Accounting (ISBN 0748727299)	Nelson Thornes 1996
G Whitehead	Success in Principles of Accounting, 3rd edition (ISBN 0719572126)	John Murray 1998
F Wood & A Sangster	Business Accounting 1 (ISBN 0273637428)	Financial Times 1997

Internet sites

www.aat.co.uk	Association of Accounting Technicians (AAT). Contains information on membership, approved assessment centres and course outline.
www.accaglobal.com	Association of Chartered Certified Accountants (ACCA) which, in addition to information about the Association, has comprehensive student and teacher support for its examinations. Support includes articles covering most bookkeeping and accounting topics.
www.accountz.com	Accounting for Everyone UK Ltd. This site seeks to demystify accounting. Sections deal with all aspects of the accounting model: journals, ledger, final accounts, different types of organisation, etc.
www.cimaglobal.com	Chartered Institute of Management Accountants (CIMA).
www.cipfa.org.uk	Chartered Institute of Public Finance and Accountancy (CIPFA).

Chief Examiner's comments

The O level Accounting mark scheme with examiners' report including the Chief Examiner's comments, is issued to centres after each examination session and can also be found on the Edexcel International website www.edexcel-international.org . It is also available from Edexcel International Publications. The publication code for the June 20063 report is UO014189.

Edexcel publications

Copies of this syllabus in booklet form (publication code UO012893) the mark scheme with examiners' reports, the specimen examination paper (publication code UO012892) and copies of past examination papers can be obtained from:

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