

Cambridge O Level Principles of Accounts

7110

For examination from 2015

Contents

Introduction	3
Unit 1: Role of accounting	5
Unit 2: The Double Entry system of book-keeping	7
Unit 3: Documentary records	9
Unit 4: Books of prime entry	10
Unit 5: The Cash Book	12
Unit 6: The General Journal	14
Unit 7: The Ledger	15
Unit 8: The Trial Balance	16
Unit 9: Adjustments to ledger accounts	17
Unit 10: Capital and revenue expenditure and receipts	19
Unit 11: Accounting for depreciation	21
Unit 12: Correction of errors	23
Unit 13: Control accounts	25
Unit 14: Income statements	27
Unit 15: Statements of Financial Position	29
Unit 16: Sole trader	31
Unit 17: Partnership	33
Unit 18: Clubs and societies	35
Unit 19: Incomplete records	37
Unit 20: Limited liability companies	39
Unit 21: Manufacturing accounts	41
Unit 22: Payroll records	43
Unit 23: Book-keeping entries for payroll	45
Unit 24: Financial relationships (ratio analysis)	46
Unit 25: Accounting principles	48

Introduction

This scheme of work provides ideas about how to construct and deliver a Cambridge O Level Principles of Accounts course. The syllabus for Cambridge O Level Principles of Accounts (7110) has been broken down into teaching units with suggested teaching activities and learning resources to use in the classroom.

Recommended prior knowledge

No prior accounting knowledge is required.

Outline

Whole class **(W)**, group work **(G)** and individual activities **(I)** are indicated throughout this scheme of work. The activities in the scheme of work are only suggestions and there are many other useful activities to be found in the materials referred to in the learning resource list.

Opportunities for differentiation are indicated as **Basic** and **Challenging**; there is the potential for differentiation by resource, grouping, expected level of outcome, and degree of support by teacher, throughout the scheme of work. Timings for activities and feedback are left to the judgment of the teacher, according to the level of the learners and size of the class. Length of time allocated to a task is another possible area for differentiation

The units within the scheme of work are:

Unit 1: Role of accounting

Unit 2: The Double Entry system of book-keeping

Unit 3: Documentary records

Unit 4: Books of prime entry

Unit 5: The Cash Book

Unit 6: The General Journal

Unit 7: The Ledger

Unit 8: The Trial Balance

Unit 9: Adjustments to ledger accounts

Unit 10: Capital and revenue expenditure and receipts

Unit 11: Accounting for depreciation

Unit 12: Correction of errors

Unit 13: Control accounts

Unit 14: Income statements

Unit 15: Statements of Financial Position

Unit 16: Sole trader

Unit 17: Partnership

Unit 18: Clubs and societies

Unit 19: Incomplete records

Unit 20: Limited liability companies

Unit 21: Manufacturing accounts

Unit 22: Payroll records**Unit 23: Book-keeping entries for payroll****Unit 24: Financial relationships (ratio analysis)****Unit 25: Accounting principles****Teacher support**

Cambridge Teacher Support is a secure online resource bank and community forum for Cambridge teachers. Go to <http://teachers.cie.org.uk> for access to specimen and past question papers, mark schemes and other resources. We also offer online and face-to-face training; details of forthcoming training opportunities are posted online.

An editable version of this scheme of work is available on Teacher Support. Go to <http://teachers.cie.org.uk>. The scheme of work is in Word doc format and will open in most word processors in most operating systems. If your word processor or operating system cannot open it, you can download Open Office for free at www.openoffice.org

Resources

An up-to-date resource list for the Cambridge O Level Principles of Accounts (syllabus 7110) can be found at www.cie.org.uk

Textbooks:

Textbooks endorsed by Cambridge International Examinations for use with the Cambridge O Level Principles of Accounts syllabus (syllabus code 7110) include:

Cambridge O Level Principles of Accounts Coucom, C Cambridge University Press ISBN 9781107604780

Cambridge O Level Principles of Accounts Workbook Coucom, C Cambridge University Press ISBN 9781107604797

Websites:

This scheme of work includes website links providing direct access to internet resources. Cambridge International Examinations is not responsible for the accuracy or content of information contained in these sites. The inclusion of a link to an external website should not be understood to be an endorsement of that website or the site's owners (or their products/services).

The particular pages in the learning resources column for the units have been explored, but not other aspects of these sites so only the particular resources are recommended. There may be other useful materials on these websites but they have not been checked.

www.dineshbakshi.com/

www.tutor2u.net/

www.bized.co.uk/

<http://osbornebooks.co.uk/home>

Unit 1: Role of accounting

Recommended prior knowledge

No prior accounting knowledge is required other than the learners' personal experiences as consumers (and possibly workers) and observers of business organisations.

Context

Learners should be able to describe a business, how it operates and how it makes a profit.

Outline

Learners will be introduced to the role of the book keeper and the role of the accountant. They will look at how these roles differ, the functions of each role, and how the information they produce can be used.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 1.5 hours/1.15% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.1 Basic principles	Candidates should be able to:		
6.1.1 Role of accounting	<p>explain the difference between book-keeping and accounting</p> <p>explain the role of accounting in providing information for monitoring progress and decision- making</p>	<p>A brainstorming session with the teacher and the learners on the role of the book keeper and the accountant. (Basic) (W)</p> <p>Learners to list the businesses in the local high street, shopping centre, local manufacturing businesses, other local businesses such as estate agents, etc. (I) Use this list as the basis of a class discussion of the need for accounting and the role it plays in decision-making. (Basic) (W)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 1 <i>O Level Principles of Accounts Workbook</i> Q1</p> <p>Online: www.dineshbakshi.com/ www.tutor2u.net/</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
	state the benefits of ICT (Information and Communications Technology) in book-keeping and accounting	Divide the class into groups and ask them to make a list of the ways in which a business may benefit from the use of a computer system. Ask a spokesperson for each group to state one benefit and build up a list on the board. Use could also be made of a pre-prepared presentation e.g. PowerPoint slides. (Basic) (G)	Textbooks: <i>O Level Principles of Accounts</i> Chp 25 Q1–4 <i>O Level Principles of Accounts Workbook</i> Q131–132 7110 past examination questions: Jun 2012 Paper 22 Q1(e) Nov 2011 Paper 21 Q2(f)

Unit 2: The Double Entry system of book-keeping

Recommended prior knowledge

An awareness that businesses survive through buying and selling goods and services and that such activity must be recorded.

Context

All businesses need to maintain records of every business transaction. Without such records the business cannot be run effectively.

Outline

Learners will be introduced to the processes of recording data using the double entry system of book-keeping and will be shown how to balance ledger accounts.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 6 hours/4.6% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.1 Basic principles	Candidates should be able to:		
6.1.2 The Double Entry system of book-keeping	<p>explain the meaning of assets, liabilities and owner's equity (capital)</p> <p>explain and calculate the effect of business transactions on the accounting equation</p>	<p>Prepare a series of cards with examples of assets and liabilities. Ask the learners to classify each example. This can be done as a class exercise or in pairs. (Basic) (W) or (G)</p> <p>Display a simple statement of financial position on the board or PowerPoint slide. Make changes to this to show the effect of various transactions. Individual learners can be invited to make the changes on the board/PowerPoint slide. (Basic) (W)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 1 Q1–4 <i>O Level Principles of Accounts Workbook</i> Q2–6</p> <p>Online: www.dineshbakshi.com/</p> <p>7110 past examination question: Nov 2011 Paper 22 Q1(e)</p> <p>Note: The textbook and workbook and some exam questions use the term 'balance sheet' rather than 'statement of financial position'.</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
	<p>explain the double entry system of book-keeping</p> <p>process accounting data using the double entry system</p>	<p>A short question and answer exercise on the double entries for a series of business transactions. (Basic) (W)</p> <p>Demonstrate the double entry system on the board. Individual learners can be invited to make double entries on the board using different coloured markers. (Basic) (W)</p> <p>Ask learners to work through double entry exercises. (Basic) (I)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 2 Q1–3, 5 <i>O Level Principles of Accounts Workbook</i> Q7–9</p> <p>Online: bized.co.uk www.dineshbakshi.com/ www.bized.co.uk/virtual/index.htm</p>
	<p>explain the subdivision of the ledger into the sales ledger, the purchase ledger and the general ledger</p>	<p>Prepare a series of cards with the name of ledger accounts. Divide the learners into pairs. One learner holds up each card and the other names the ledger in which it would be found. (Basic) (G)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 2 Q1–3, 5 <i>O Level Principles of Accounts Workbook</i> Q7–9</p> <p>Online: www.dineshbakshi.com/</p> <p>7110 past examination questions: Nov 2011 Paper 22 Q1(d)</p>

Unit 3: Documentary records

Recommended prior knowledge

An appreciation that all the transactions of a business must be recorded.

Context

Transactions are recorded from business documents.

Outline

Learners will be introduced to main business documents issued during the sale and purchase of goods.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 5 hours/3.8% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.1 Basic principles	Candidates should be able to:		
6.1.3 Documentary records	<p>understand the use of business documents as sources of information</p> <p>name and state the use of an invoice, credit note, debit note, cheque, receipt and statement of account</p>	<p>A brainstorming session with the teacher and the learners on the documents which may be issued during the purchase and sale of goods. (Basic) (W)</p> <p>Ask learners to bring to class any business documents they may be able to obtain (supermarket receipt, credit note from a store etc.). (Basic) (I)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 5 Q1 <i>O Level Principles of Accounts Workbook</i> Q22–24</p> <p>Online: www.dineshbakshi.com/ http://osbornebooks.co.uk/home</p> <p>7110 past examination questions: Nov 2012 Paper 21 Question 1(c) Jun 2012 Paper 21 Question 1(b) Nov 2011 Paper 22 Question 1(c) Nov 2011 Paper 21 Question 1(a) Jun 2011 Paper 21 Question 1(c)</p>

Unit 4: Books of prime entry

Recommended prior knowledge

An understanding of basic double entry book-keeping and business documents as sources of information.

Context

Transactions are recorded from business documents into books of prime entry before being entered in the ledgers.

Outline

Learners will be shown how to record transactions in the books of prime entry and to post these to the ledgers.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 6 hours/4.6% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.1 Basic principles	Candidates should be able to:		
6.1.4 Books of prime entry	<p>explain the use of, and process, accounting data in the books of prime (original) entry</p> <p>post the ledger account entries from the books of prime entry</p> <p>explain and calculate trade discount</p>	<p>Demonstrate the use of books of prime entry on the board. Show how the information is posted to the ledger accounts. Individual learners can be invited to make double entries on the board using different coloured markers. (Basic) (W)</p> <p>Ask learners to work through exercises involving entering transactions in books of prime entry and ledgers. (Basic) (I)</p> <p>Prepare a set of documents (sales and purchases invoices, credit notes, debit notes, cheques, paying-in slips, etc.). Divide class into groups and give each group a set of documents. Ask each group to enter the documents in the appropriate books of prime entry and ledger accounts.</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 6 Q1–7 and Chp 5 Q2–5 <i>O Level Principles of Accounts Workbook</i> Q25–32</p> <p>Online: www.dineshbakshi.com/ http://osbornebooks.co.uk/home</p> <p>7110 past examination questions: Jun 2013 Paper 21 Q3(a) Nov 2012 Paper 22 Q1(b) Jun 2012 Paper 21 Q1(a)–(c) Jun 2012 Paper 22 Q1(b)–(c) Nov 2011 Paper 21 Q1(b) Nov 2011 Paper 22 Q1(a)–(c) Jun 2011 Paper 21 Q1(b)</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
		(Basic) (G) Prepare a few short questions on the calculation of trade discount. (Basic) (I)	

Unit 5: The Cash Book

Recommended prior knowledge

An understanding of basic double entry book-keeping. Knowledge about the banking system from the learners' own experience.

Context

Cash and bank transactions are recorded in the cash book and then posted to the ledger. It is necessary to reconcile the businesses' records with those of the bank.

Outline

Learners will be shown how to record transactions in two- and three-column cash books and to post these to the ledgers. Learners will be shown how to reconcile the cash book with the bank statement.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 8 hours/6.15% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.1 Basic principles	Candidates should be able to:		
6.1.5 The Cash Book	<p>explain the dual function of the cash book as a book of prime entry and as a ledger account for bank and cash by use of analysis columns</p> <p>explain and process transactions involving bank current and deposit accounts, bank overdrafts, bank loans and other loans</p> <p>explain, calculate and account for cash discount</p>	<p>Demonstrate the preparation of two- and three-column cash books on the board. Show how the information is posted to the ledger accounts. Individual learners can be invited to make entries on the board using different coloured markers.</p> <p>(Basic) (W)</p> <p>Ask learners to work through exercises involving the cash book and double entry.</p> <p>(Basic) (I)</p> <p>Ask learners to collect information about different types of bank accounts.</p> <p>(Basic) (I)</p> <p>A brainstorming session with the teacher and the learners on the different types of bank accounts which</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 4 Q1–7 <i>O Level Principles of Accounts Workbook</i> Q18–21</p> <p>Online: www.dineshbakshi.com/</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
		are available. (Basic) (W)	
	draw up a reconciliation of the cash book with the bank statement in respect of the following: unpresented cheques, bank charges, bank interest paid and received, direct debits, standing orders, credit transfers, dividends, correction of errors, and uncredited deposits	<p>Ask learners to find out the meaning of various terms used in banking (Standing Order (SO), Credit Transfer, Direct Debit (DD) etc.). (Basic) (I)</p> <p>A brainstorming session with the teacher and the learners on the terms used in the banking system.</p> <p>Prepare a list of transactions. Invite one learner to act as trader and one as bank employee. Each has a board or flip chart and enters transactions from their point of view as 'directed' by rest of learners.</p> <p>Discuss with class the reasons for the differences between the two documents. Demonstrate the updating of the cash book and the preparation of a bank reconciliation statement. (Basic) (W)</p> <p>Ask learners to work through exercises involving bank reconciliation. (Basic) (I)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 13 and Q1–5 <i>O Level Principles of Accounts Workbook</i> Q71–74</p> <p>Online: www.dineshbakshi.com/</p> <p>7110 past examination questions: Jun 2011 Paper 22 Q1(a)–(c)</p>

Unit 6: The General Journal

Recommended prior knowledge

An understanding of basic double entry book-keeping. An understanding of the use of books of prime entry.

Context

Transactions that cannot be entered in one of the other books of prime entry are recorded in the journal.

Outline

Learners will be shown how to record transactions in the general journal and to post these to the ledgers.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 4 hours/3% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.1 Basic principles	Candidates should be able to:		
6.1.6 The General Journal	<p>explain that the journal is one of the books of prime entry</p> <p>explain the use of the journal</p> <p>enter those transactions, including correction of errors, that cannot be recorded in any special journal</p> <p>write relevant explanatory narrations for each entry</p>	<p>A brainstorming session with the teacher and the learners on the types of transactions which would be recorded in the general journal. (Basic) (W)</p> <p>Demonstration of entries in the general journal, including the narratives. (Basic) (W)</p> <p>Ask learners to work through exercises involving entries in the general journal. (Basic) (I)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 14 Q1–2 <i>O Level Principles of Accounts Workbook</i> Q75</p> <p>Online: www.dineshbakshi.com/ http://osbornebooks.co.uk/home</p> <p>7110 past examination questions: Jun 2013 Paper 21 Q3(a) Jun 2013 Paper 22 Q1(a)</p>

Unit 7: The Ledger

Recommended prior knowledge

An understanding of double entry book-keeping.

Context

In addition to being able to prepare and balance ledger accounts, it is necessary to be able to interpret the entries in a ledger account.

Outline

Learners will be shown how to prepare and interpret ledger accounts prepared in the 'T' format, how to balance ledger accounts and to make transfers to financial statements as required. Learners will be shown how to interpret ledger accounts prepared in the running balance format.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 6 hours/4.6% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.1 Basic principles	Candidates should be able to:		
6.1.7 The Ledger	<p>prepare ledger accounts using the 'T' account format</p> <p>post debit and credit entries to record transactions in the ledger accounts</p> <p>balance the ledger accounts as required, make transfers to the final accounts</p> <p>interpret ledger accounts prepared in 'T' account form and their balances</p> <p>explain and interpret ledger accounts prepared using the running balance format</p>	<p>Demonstration of making entries in the ledger, balancing accounts and making transfers to financial statements. Individual learners can be invited to make entries on the board using different coloured markers. (Basic) (W)</p> <p>Working through exercises individually followed by the exchange of books for peer assessment. (Basic) (I)</p> <p>Display a completed ledger account. A brainstorming session with the teacher and the learners on the meaning of the entries within the account. (Challenging) (W)</p> <p>Working through similar exercises individually. (Challenging) (I)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 2, Q4,6 Chp 4 Q5 <i>O Level Principles of Accounts Workbook</i> Q10,12,34,35</p> <p>Online: www.dineshbakshi.com/</p>

Unit 8: The Trial Balance

Recommended prior knowledge

An understanding of double entry book-keeping.

Context

A trial balance is a list of ledger balances at a certain date that is prepared in order to check the accuracy of the double entry.

Outline

Learners will be shown how to prepare a trial balance from ledger accounts and from a list of balances.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 6 hours/4.6% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.1 Basic principles	Candidates should be able to:		
6.1.8 The Trial Balance	<p>recognise that it is a statement of ledger balances on a particular date</p> <p>extract a trial balance from account balances</p> <p>outline its uses and its limitations as a means of checking the accuracy of the double entry</p> <p>identify and explain those errors which do not affect the trial balance</p>	<p>Demonstration of the preparation of a trial balance using a double entry exercise the learners have previously worked through. (Basic) (W)</p> <p>Display a list of errors which could have occurred (e.g. transaction omitted, entry reversed). Divide class into groups and ask each group to consider how each error affects the trial balance. (Basic) (G)</p> <p>Present learners with a handout containing a short double-entry exercise and answer. The answer should contain examples of the six errors which will not be revealed by a trial balance. Divide class into pairs and ask them to identify the errors which have been made. (Challenging) (G)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 3 Q1–5 <i>O Level Principles of Accounts Workbook</i> Q13–16</p> <p>Online: www.bized.co.uk/ www.dineshbakshi.com/</p> <p>7110 past examination questions: Jun 2013 Paper 22 Q2(a) Nov 2012 Paper 22 Q1(a) and 2(b) Jun 2012 Paper 21 Q1(d)–(e) Jun 2012 Paper 22 Q1(a) Nov 2011 Paper 21 Q1(c)–(d)</p>

Unit 9: Adjustments to ledger accounts

Recommended prior knowledge

An understanding of how to make entries in the ledger and in the general journal. An understanding of how to make transfers to financial statements.

Context

To get the most accurate picture of the financial state of a business it is necessary to make adjustments for accrued and prepaid expenses and incomes. It is necessary to write off any debts which will not be paid by credit customers and to prepare for the likelihood of bad debts in the future.

Outline

Learners will be shown how to make entries in the ledger and journal to record accrued and prepaid expenses and incomes. Learners will be shown how to make entries in the ledger and journal to record bad debts and to adjust a provision for doubtful debts.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 8 hours/6.15% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.1 Basic principles	Candidates should be able to:		
6.1.9 Adjustments to ledger accounts	Other payables and receivables: <ul style="list-style-type: none"> – make entries in the journal and ledger accounts to record accrued and prepaid expenses – make entries in the journal and ledger accounts to record outstanding and prepaid incomes 	<p>Illustrate the matching of expenses and incomes to the financial year by means of a 'time line'. (Basic) (W)</p> <p>Display a list of expenses and incomes. Divide class into pairs and ask them to calculate the expense or income for the financial year. (Basic) (G)</p> <p>Demonstration of the ledger and journal entries to record accrued and prepaid expenses and incomes. Individual learners can be invited to make entries on the board using different coloured markers. (Basic) (W)</p> <p>Ask learners to work through exercises involving ledger entries for accruals and prepayments.</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 10 Q1–2, 4 <i>O Level Principles of Accounts Workbook</i> Q53–55</p> <p>Online: www.bized.co.uk/ www.dineshbakshi.com/</p> <p>7110 past examination questions: Jun 2013 Paper 21 Question 1(a)-(d) Jun 2013 Paper 22 Question 1(b)-(c) Nov 2012 Paper 21 Question 1(a)-(b) and (f)(i)</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
		(Basic) (I)	
	<p>Bad debts and the provisions for doubtful debts:</p> <ul style="list-style-type: none"> – make entries in the journal and ledger accounts to write off bad debts – make entries in the journal and ledger accounts to make and adjust a provision for doubtful debts 	<p>Demonstration of the ledger and journal entries to write off bad debts. (Basic) (W)</p> <p>A brainstorming session with the teacher and the learners on the ways in which bad debts could be reduced. (Challenging) (W)</p> <p>Demonstration of the ledger and journal entries to create and adjust a provision for doubtful debts. Individual learners can be invited to make entries on the board using different coloured markers. (Basic) (W)</p> <p>Ask learners to solve questions on bad debts and provisions for doubtful debts. (Basic) (I)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 12 Q2–3 <i>O Level Principles of Accounts Workbook</i> Q65, 66, 76, 77(d)</p> <p>Online: www.dineshbakshi.com/</p> <p>7110 past examination questions: Jun 2012 Paper 21 Q1(a) Nov 2011 Paper 22 Q2(c)–(e)</p>

Unit 10: Capital and revenue expenditure and receipts

Recommended prior knowledge

An understanding of the double entry system of book-keeping. The ability to distinguish between assets and expenses and liabilities and income.

Context

To get the most accurate picture of the financial state of a business it is necessary to ensure that transactions are correctly classified.

Outline

Learners will be shown how to distinguish between capital and revenue expenditure and receipts. Learners will be shown the effect of an incorrect classification.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 3 hours/2.3% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.2 Accounting procedures	Candidates should be able to:		
6.2.1 Capital and revenue expenditure and receipts	<p>define the meaning of capital expenditure and revenue expenditure</p> <p>distinguish between and account for capital and revenue expenditure</p> <p>distinguish between and account for capital and revenue receipts</p> <p>calculate and comment on the effect on profit and asset valuation of the incorrect treatment of capital and/or revenue expenditure</p>	<p>Use items within the school/college to illustrate the difference between capital and revenue e.g. tables, chairs, exercise book, electricity etc. (Basic) (W)</p> <p>Divide the class into groups and ask each group to list a given number of items of capital expenditure, capital receipts, revenue expenditure and revenue receipts which may occur within a business. (Basic) (G)</p> <p>Prepare a series of cards giving a transaction of either money paid or received. Divide the learners into pairs. One learner holds up each card and the other states whether it is capital or revenue. (Basic) (G)</p> <p>Demonstrate the effect of incorrect treatment on profit and asset valuation.</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 9 Q4–7 <i>O Level Principles of Accounts Workbook</i> Q47–48</p> <p>Online: www.bized.co.uk/ www.dineshbakshi.com/</p> <p>7110 past examination questions: Jun 2013 Paper 21 Q1(f)–g) Jun 2013 Paper 22 Q1(e)–(f) Jun 2011 Paper 22 Q2(f)</p> <p>Note: The textbook and workbook and some exam questions use the term ‘balance sheet’ rather than ‘statement of financial position’.</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
		<p>(Challenging) (W)</p> <p>Ask learners to work through exercises involving the effect of errors on profit and asset valuation.</p> <p>(Challenging) (I)</p>	

Unit 11: Accounting for depreciation

Recommended prior knowledge

An understanding of how to make entries in the ledger and in the general journal. An understanding of how to make transfers to financial statements. The learners' personal experience of non-current assets which lose value over a period of time.

Context

To get the most accurate picture of the financial state of a business it is necessary to consider the loss of value of non-current assets over a period of time.

Outline

Learners will be shown how to apply the different methods of depreciation and to record depreciation in the ledger and journal. Learners will be shown how to make entries in the ledger and journal to record the disposal of non-current assets.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 7.5 hours/5.8% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.2 Accounting procedures	Candidates should be able to:		
6.2.2. Accounting for depreciation	<p>define depreciation and be aware that it is not the putting by of cash for asset replacement</p> <p>explain the reasons for accounting for depreciation</p> <p>name and describe the straight-line, diminishing (reducing) balance and revaluation methods of depreciation</p> <p>prepare ledger accounts and journal entries for the provision of depreciation</p> <p>prepare ledger accounts and</p>	<p>A brainstorming session with the teacher and the learners on why non-current assets lose value. (Challenging) (W)</p> <p>Demonstrate the calculation of the different methods of depreciation. (Basic) (W)</p> <p>Working through exercises individually followed by the exchange of books for peer assessment. (Basic) (I)</p> <p>Demonstrate how to prepare ledger and journal entries to record depreciation. Individual learners can be invited to make entries on the board using different coloured markers. (Basic) (W)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 11 Q1–4, Chp 5 Q2–5, Chp 14 Q3 <i>O Level Principles of Accounts Workbook</i> Q58, 60, 76, 77(c)</p> <p>Online: www.bized.co.uk/ www.dineshbakshi.com/ www.tutor2u.net/</p> <p>7110 past examination questions: Jun 2013 Paper 21 Q3 Nov 2012 Paper 21 Q2(a)–(c) Jun 2012 Paper 22 Q2</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
	journal entries for the disposal of non-current assets and calculate the profit or loss on the disposal of an asset	<p>Prepare a few short questions on the calculation of profit or loss on disposal of a non-current asset. (Basic) (I)</p> <p>Demonstrate how to prepare ledger and journal entries to record the disposal of non-current assets. (Basic) (W)</p> <p>Ask learners to practise questions involving the ledger and journal entries for the disposal of non-current assets. (Basic) (I)</p>	

Unit 12: Correction of errors

Recommended prior knowledge

An understanding of how to make entries in the ledger and in the general journal. An understanding of the application of the accounting equation.

Context

Errors can occur when transactions are recorded in the books of account. These errors have to be corrected in order to ascertain a true picture of the financial state of a business.

Outline

Learners will be shown how to make journal entries to correct errors, including the use of a suspense account. Learners will be shown how to correct the profit and statement of financial position after the discovery of errors.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 5 hours/3.8% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.2 Accounting procedures	Candidates should be able to:		
6.2.3 Correction of errors	<p>record journal entries supporting the correction of errors</p> <p>explain the use of the suspense account as a temporary measure to balance the trial balance</p> <p>open and post entries to a suspense account where necessary</p>	<p>Display a list of errors. A brainstorming session with the teacher and the learners on how those errors could be corrected. (Challenging) (W)</p> <p>Demonstrate the correction of errors by means of journal entries and the use of a suspense account. Individual learners can be invited to make double entries on the board using different coloured markers. (Challenging) (W)</p> <p>Prepare a series of cards containing errors. Divide the class into groups. Ask each group to prepare journal entries to correct the errors. (Challenging) (G)</p>	<p>Books: <i>O Level Principles of Accounts</i> Chp 14 Q4–8 <i>O Level Principles of Accounts Workbook</i> Q78–80</p> <p>Online: www.dineshbakshi.com/ http://osbornebooks.co.uk/home</p> <p>7110 past examination questions: Jun 2013 Paper 21 Q2(a)–(b) Jun 2013 Paper 22 Q2 (a)–(b) Nov 2012 Paper 22 Q2(a) and (c) Jun 2012 Paper 21 Q1(f) Jun 2012 Paper 22 Q2 (a)–(b) Nov 2011 Paper 21 Q2(c)–d</p>
	prepare a statement of revised	Demonstrate the effect of errors on the profit and the	Note:

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
	profit prepare revised extracts of statements of financial position	statement of financial position. (Challenging) (W) Ask learners to work through exercises involving the effect of errors on profit and the statement of financial position. (Challenging) (I)	The textbook and workbook and some exam questions use the term 'balance sheet' rather than 'statement of financial position'.

Unit 13: Control accounts

Recommended prior knowledge

An understanding of double entry book-keeping and the division of the ledger. An understanding of books of prime entry.

Context

Errors and fraud can occur when transactions are recorded in the sales and purchases ledgers. Control accounts provide a check on these ledgers.

Outline

Learners will be shown how to prepare sales and purchases ledger control accounts from the books of prime entry.

Learners will be encouraged to appreciate the need for control accounts.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 4 hours/3% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.2 Accounting procedures	Candidates should be able to:		
6.2.4 Control accounts	<p>explain that control accounts are an independent check on the sales and purchases ledgers</p> <p>explain that control accounts may be used to provide totals of debtors and creditors, locate errors and act as a deterrent against fraud</p> <p>identify and use the books of prime entry as sources of information for control account entries</p> <p>enter items into the relevant control account</p>	<p>Demonstrate the preparation of sales and purchases control accounts. Individual learners can be invited to make double entries on the board using different coloured markers. (Basic) (W)</p> <p>Prepare a series of cards with examples of items from control accounts. Ask the learners to state the control account in which the item would appear and whether it is a debit or a credit. This can be done as a class exercise or in pairs. (Basic) (G) or (I)</p> <p>Prepare a few exercises on control accounts. Divide class into groups to compete to see which group calculates the correct balances first. (Basic) (G)</p>	<p>Books: <i>O Level Principles of Accounts</i> Chp 15 Q1–6 <i>O Level Principles of Accounts Workbook</i> Q81–84</p> <p>Online: www.dineshbakshi.com/ www.bized.co.uk/</p> <p>7110 past examination questions: Jun 2012 Paper 21 Q2(a)–(b) Nov 2011 Paper 22 Q2(a)–(b) Jun 2011 Paper 21 Q2(a)–(b)</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
		<p>Prepare a set of completed sales ledger accounts and a separate set of entries in books of prime entry, making sure that there are some differences (e.g. bad debt not entered in debtor's account). Divide class into two groups – one to prepare control account from the actual ledger and the other using the books of prime entry. Brain-storm the reason for the difference in the closing balances. (Challenging) (G) and (W)</p>	

Unit 14: Income statements

Recommended prior knowledge

An understanding of double entry book-keeping and the closing of ledger accounts. The ability to prepare a trial balance.

Context

The main objective of a business is to make a profit. The function of the income statement is to calculate that profit.

Outline

Learners will be shown how to calculate gross profit and the profit for the year. Learners will be shown how profit (loss) is the increase (decrease) in the net assets during a financial year. Learners will be shown how to prepare the trading section of an income statement in columnar format where a business has two departments.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 2.5 hours/1.9% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.3 Financial statements	Candidates should be able to:		
6.3.1 Income statements	calculate the gross and net profits or losses, based on accounting principles, for a specified period	<p>Demonstrate the preparation of an income statement from a list of balances and from a trial balance. (Basic) (W)</p> <p>Display a list of expenses and incomes. Divide class into pairs and ask them to calculate the gross profit and profit for the year. (Basic) (G)</p> <p>Prepare a template for a typical income statement, showing the main sections and headings etc. Provide each learner with a few copies. Learners can then work through one or two exercises individually inserting their answers on the template. (Basic) (I)</p> <p>Note: More detailed income statements (and those for</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 7 Q1, 3, 4 <i>O Level Principles of Accounts Workbook</i> Q33, 37</p> <p>Online: www.dineshbakshi.com/ www.bized.co.uk/ http://osbornebooks.co.uk/home www.tutor2u.net/</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
		service businesses) will be prepared in Unit 16.	
	recognise that net profit (or loss) is the increase (or decrease) in the net value of assets during a financial year	<p>Demonstrate using a simple example how profit is the increase in the net assets. (Basic) (W)</p> <p>Prepare a series of questions involving the simple calculation of profit or loss. Divide the class into groups and ask them to calculate the profit or loss for the year for each question. (Basic) (G)</p> <p>Note: More detailed profit calculations will be prepared in Unit 19.</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 16</p>
	prepare simple columnar Trading Accounts when dealing with a business which has two departments	<p>Demonstrate the preparation of the trading section of an income statement for a business which has two departments. Individual learners can be invited to make entries on the board using different coloured markers. (Basic) (W)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 21 Q1–3 <i>O Level Principles of Accounts Workbook</i> Q112–113</p>

Unit 15: Statements of Financial Position

Recommended prior knowledge

An understanding of double entry book-keeping and the closing of ledger accounts. The ability to prepare a trial balance and an income statement. An understanding of the accounting equation.

Context

The statement of financial position shows the assets, liabilities and capital of a business on a certain date. It shows how the resources are being used and where they come from.

Outline

Learners will be shown how to prepare a statement of financial position. Learners will be introduced to the different types of assets and liabilities and related terminology and the inter-relationship of the items in a statement of financial position.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 2.5 hours/1.9% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.3 Financial statements	Candidates should be able to:		
6.3.2 Statements of Financial Position	<p>recognise that they are statements of balances of assets and liabilities on a specified date set out in any valid layout</p> <p>demonstrate knowledge of the meaning, importance and designation of non-current assets, intangible assets (goodwill), current assets, current liabilities, not-current liabilities and working capital</p> <p>comment upon the significance of the inter-relationship of the items</p> <p>relate working capital to the</p>	<p>Prepare a series of cards with examples of assets and liabilities. Ask the learners to state the section of the statement of financial position in which each item would appear. This can be done as a class exercise or in pairs. (Basic) (W) or (G)</p> <p>Demonstrate the preparation of statement of financial position from a list of balances and from a trial balance (after the preparation of the income statement). (Basic) (W)</p> <p>Ask learners to prepare a statement of financial position using a trial balance and an income statement the learners have previously worked through. (Basic) (I)</p> <p>Prepare a template for a typical statement of financial</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 8 Q1–6 <i>O Level Principles of Accounts Workbook</i> Q38–42</p> <p>Online: www.dineshbakshi.com/ www.bized.co.uk/ http://osbornebooks.co.uk/home www.tutor2u.net/</p> <p>7110 past examination questions: Jun 2013 Paper 21 Q2(d) Jun 2012 Paper 21 Q1(a)–(b)</p> <p>Note:</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
	<p>liquidity of a business</p> <p>explain the basis of valuation of assets as follows:</p> <ul style="list-style-type: none"> – non-current assets at cost less accumulated depreciation – inventory at cost or net realisable value, whichever is lower – trade receivables at expected collectible amount <p>distinguish between, and show understanding of, equity and capital employed</p>	<p>position, showing the main sections and headings etc. Provide each learner with a few copies. Learners can then work through one or two exercises individually inserting their answers on the template.</p> <p>(Basic) (I)</p> <p>Prepare a few short exercises to show the inter-relationship of the items in a statement of financial position.</p> <p>(Basic) (I)</p> <p>Note: More detailed statements of financial position will be prepared in Unit 16.</p>	<p>The textbook and workbook and some exam questions use the term 'balance sheet' rather than 'statement of financial position'.</p>

Unit 16: Sole trader

Recommended prior knowledge

The ability to prepare a trial balance, a basic income statement and a basic statement of financial position.

Context

Year-end adjustments need to be made to the financial statements in order that these statements reflect the true profit and financial position of the business.

Outline

Learners will be shown how to prepare financial statements, including year-end adjustments, for trading and service businesses a statement of financial position.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 8 hours/6.15% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.4 Preparation of financial statements	Candidates should be able to:		
6.4.1 Sole trader	<p>explain the difference between a trading and service business</p> <p>prepare income statements and statements of financial position for trading businesses</p> <p>prepare income statements and statements of financial position for service businesses</p> <p>make adjustments for provision for depreciation using the straight-line, diminishing (reducing) balance and revaluation methods</p> <p>make adjustments for provisions for bad and doubtful debts</p>	<p>A brainstorming session with the teacher and the learners on the difference between trading and service businesses. (Basic) (W)</p> <p>Learners to list the local sole-trader businesses they know and divide into trading and service businesses. (Basic) (I)</p> <p>Demonstrate the preparation of financial statements of the two types of businesses. (Basic) (W)</p> <p>Refer to the previous lessons which covered the ledger entries for depreciation, accruals and prepayments and provision for doubtful debts. (Basic) (W)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 10 Q3, 5–7, Chp 11 Q5–7, Chp 12 Q1, 4–7 <i>O Level Principles of Accounts Workbook</i> Q54, 56–57, 59, 61–64, 67–70</p> <p>Online: www.dineshbakshi.com/ www.bized.co.uk/ http://osbornebooks.co.uk/home www.tutor2u.net/</p> <p>7110 past examination questions: Jun 2013 Paper 21 Q5 Nov2012 Paper 21 Q5 Jun 2012 Paper 21 Q5 Nov 2011 Paper 22 Q5 Jun 2011 Paper 21 Q5</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
	<p>make adjustments for other payables and other receivables to take account of accrued and prepaid expenses and outstanding and prepaid income</p> <p>make adjustments for goods taken by owner for own use</p>	<p>Demonstrate the preparation of financial statements containing these year-end adjustments and goods taken for own use. (Basic) (W)</p> <p>Ask learners to work through exercises involving the preparation of financial statements with adjustments. (Basic) (I)</p>	<p>Note: The textbook and workbook and some exam questions use the term 'balance sheet' rather than 'statement of financial position'. Some exam questions use the term 'trading and profit and loss account' rather than "income statement".</p>

Unit 17: Partnership

Recommended prior knowledge

An understanding of double entry book-keeping and the closing of ledger accounts. The ability to prepare entries in the general journal. The ability to prepare financial statements of a sole trader.

Context

Financial statements and the day-to-day accounting records of a sole trader need to be modified when the business is a partnership.

Outline

Learners will be introduced to partnerships and will be shown how the accounting records differ from those of a sole trader. Learners will be shown how to make entries to record the formation of a partnership.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 8 hours/6.15% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.4 Preparation of financial statements	Candidates should be able to:		
6.4.2 Partnership	<p>explain the advantages and disadvantages of forming a partnership</p> <p>outline the importance and contents of a partnership agreement</p> <p>explain the purpose of an appropriation account</p> <p>prepare income statements, appropriation accounts and statements of financial position</p> <p>explain the uses of and</p>	<p>Divide the class into groups and ask them to list the advantages and disadvantages of partnerships. Ask a spokesperson for each group to state one advantage and one disadvantage and build up a list on the board. Use could also be made of a pre-prepared PowerPoint presentation or slides. (Challenging) (G)</p> <p>A brainstorming session with the teacher and the learners on the need for, and contents of, a partnership agreement. (Challenging) (W)</p> <p>Divide class into pairs and ask them do some simple calculations on share of profit and total amount each partner received.</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 18 Q1–7 Chp 19 Q1–4 Chp 12 Q1, 4–7 <i>O Level Principles of Accounts Workbook</i> Q97–107</p> <p>Online: www.dineshbakshi.com/ http://osbornebooks.co.uk/home www.tutor2u.net/</p> <p>7110 past examination questions: Jun 2012 Paper 22 Q5 Nov 2011 Paper 21 Q5 Jun 2011 Paper 21 Q3 Jun 2011 Paper 22 Q5</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
	<p>differences between equity (capital) and current accounts</p> <p>draw up partners' current and capital accounts both in ledger form and as part of a statement of financial position presentation</p> <p>show the treatment of interest on capital, partners' salaries, interest on partners' loans and on drawings</p> <p>make simple entries for the formation of a partnership via capital contribution by each partner in cash and/or non-cash assets and amalgamation of two sole traders, including the calculation and recording of intangible assets</p> <p>make other adjustments</p>	<p>(Basic) (G)</p> <p>Demonstrate the preparation of an appropriation account.</p> <p>(Basic) (W)</p> <p>Prepare a template for a typical appropriation account, showing the main items. Provide each learner with a few copies. Learners can then work through one or two exercises individually inserting their answers on the template.</p> <p>(Basic) (I)</p> <p>Demonstrate the preparation of a set of financial statements (containing year-end adjustments) for a partnership.</p> <p>(Basic) (W)</p> <p>Prepare a template for a typical statement of financial position for a partnership, showing the main sections and headings. Provide each learner with a few copies. Learners can then work through one or two exercises individually inserting their answers on the template.</p> <p>(Basic) (I)</p> <p>A brainstorming session with the teacher and the learners on the entries required for the formation of a partnership. Discuss the meaning and treatment of goodwill.</p> <p>(Challenging) (W)</p> <p>Demonstrate the entries required for the formation of a partnership.</p> <p>(Basic) (W)</p> <p>Ask learners to work through exercises involving the formation of a partnership.</p> <p>(Basic) (I)</p>	<p>Note:</p> <p>The textbook and workbook and some exam questions use the term 'balance sheet' rather than 'statement of financial position'. Some exam questions use the term 'trading and profit and loss account' rather than 'income statement'.</p>

Unit 18: Clubs and societies

Recommended prior knowledge

An understanding of double entry book-keeping and the closing of ledger accounts. The ability to prepare financial statements of a sole trader. An understanding of the accounting equation.

Context

Financial statements of a business need to be modified when the organisation is a non-profit-making club or society.

Outline

Learners will be introduced to clubs and societies and will be shown how to prepare the financial statements for such organisations.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 7 hours/5.37% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.4 Preparation of financial statements	Candidates should be able to:		
6.4.3 Clubs and societies	<p>distinguish between receipts and payments accounts and income and expenditure accounts</p> <p>prepare accounts for receipts and payments and revenue-generating activities</p> <p>define and calculate the accumulated fund</p> <p>prepare income and expenditure accounts and statements of financial position</p> <p>make other adjustments</p>	<p>Ask learners about any clubs and societies which they know of, or of which they are members. Discuss the ways in which funds are raised. Discuss the difference between a club and a business. (Challenging) (W)</p> <p>Demonstrate the preparation of a receipts and payments account. (Basic) (W)</p> <p>Divide class into pairs and ask them do some simple calculations on subscriptions relating to the current financial year. (Basic) (G)</p> <p>Demonstrate the preparation of a subscriptions account. (Basic) (W)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 17 Q1–6 <i>O Level Principles of Accounts Workbook</i> Q91–96</p> <p>Online: www.dineshbakshi.com/ www.bized.co.uk/</p> <p>7110 past examination questions: Jun 2012 Paper 21 Q3 Nov 2011 Paper 21 Q3</p> <p>Note: The textbook and workbook and some exam questions use the term 'balance sheet' rather than 'statement of financial position'. Some exam questions use the term 'trading and profit and loss</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
		<p>Demonstrate the preparation of an income statement for a trading activity of a club or society. (Basic) (W)</p> <p>Demonstrate the preparation of an income and expenditure account. (Basic) (W)</p> <p>Demonstrate the preparation of a statement of financial position of a club or society. Explain the accumulated fund. (Basic) (W)</p> <p>Divide class into groups and ask them do some simple calculations on accumulated fund. (Basic) (G)</p> <p>Ask learners to work through exercises involving the financial statements of a club or society. (Basic) (I)</p>	<p>account' rather than 'income statement'.</p>

Unit 19: Incomplete records

Recommended prior knowledge

The ability to prepare financial statements of a sole trader. Learners will have an understanding of double entry book-keeping and control accounts and knowledge of the accounting equation.

Context

It is necessary to calculate the profit earned, even though a full set of accounting records has not been maintained.

Outline

Learners will be introduced to the calculation of profit from incomplete records. Learners will be introduced to techniques to arrive at missing figures.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 8 hours/6.15% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.4 Preparation of financial statements	Candidates should be able to:		
6.4.4 Incomplete records	<p>prepare opening and closing statements of affairs</p> <p>calculate net profit/loss from change in capital over time</p> <p>compute sales and purchases figures and gross profit from incomplete information</p> <p>apply the following techniques to arrive at missing figures – mark-up, margin, inventory (stock) turnover</p> <p>comment upon the importance of providing information on</p>	<p>A brainstorming session with the teacher and the learners on the importance of maintaining accounting records.</p> <p>(Challenging) (W)</p> <p>Demonstrate the calculation of profit from change in capital over time.</p> <p>(Basic) (W)</p> <p>Prepare cards containing the names and amounts of assets and liabilities. Divide class into groups and ask each group to prepare a statement of affairs using the information on the cards. Eliminate some of the amounts and ask learners to calculate the missing figure.</p> <p>(Basic) (G)</p> <p>Ask learners to work through exercises involving the</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 16 Q1–8 <i>O Level Principles of Accounts Workbook</i> Q85–90</p> <p>Online: www.dineshbakshi.com/</p> <p>7110 past examination questions: Jun 2013 Paper 22 Q4(a) Nov 2012 Paper 22 Q3(a)–(c) Jun 2012 Paper 22 Q3</p> <p>Note: The textbook and workbook and some exam questions use the term ‘balance sheet’ rather than ‘statement of financial position’.</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
	profitability and financial position of enterprises when the books of account are not compiled by the double entry system	<p>calculation of profit based on the change in capital. (Basic) (I)</p> <p>Demonstrate the calculation of sales and purchases from incomplete information. Demonstrate the preparation of an income statement and statement of financial position from incomplete information. (Basic) (W)</p> <p>Ask learners to do some calculations involving the calculation of sales and purchases. (Basic) (I)</p> <p>Ask learners to work through exercises involving the preparation of an income statement and a statement of financial position from incomplete information. (Basic) (I)</p> <p>Demonstrate the application of mark-up, margin and inventory turnover. (Basic) (W)</p> <p>Divide class into pairs and ask them do some calculations involving mark-up, margin and inventory turnover. (Basic) (G)</p>	Some exam questions use the term 'trading and profit and loss account' rather than 'income statement'.

Unit 20: Limited liability companies

Recommended prior knowledge

The ability to prepare financial statements of a sole trader and a partnership.

Context

Financial statements and the day-to-day accounting records of a sole trader need to be modified when the business is a limited company.

Outline

Learners will be introduced to limited liability companies and will be shown how the accounting records differ from those of a sole trader.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 8 hours/6.15% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.4 Preparation of financial statements	Candidates should be able to:		
6.4.5 Limited liability companies	<p>prepare income statements, statements of changes in equity, and statements of financial position</p> <p>explain the capital structure of a limited company and how it appears in the statement of financial position</p> <p>recognise the distinction between authorised, called-up, issued and paid-up share capital and between share capital – ordinary and preference – and loan capital</p>	<p>Discuss with the class the concept of limited liability. (Basic) (W)</p> <p>A brainstorming session of the advantages and disadvantages of being a limited liability company. (Challenging) (W)</p> <p>Divide the class into groups and ask them to compare a partnership business and a limited liability company. Ask a spokesperson for each group to state one difference and build up a list on the board. Use could also be made of a pre-prepared PowerPoint slide. (Basic) (G)</p> <p>Discuss with the class the different types of capital and the different types of shares and debentures. (Basic) (W)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 22, Q1–7 <i>O Level Principles of Accounts Workbook</i> Q114–119</p> <p>Online: www.dineshbakshi.com/ www.bized.co.uk/ http://osbornebooks.co.uk/home</p> <p>7110 past examination questions: Jun 2012 Paper 22 Q3(a)–(d) Nov 2011 Paper 22 Q3(a)–(d)</p> <p>Note: The textbook and workbook and some exam questions use the term ‘balance sheet’ rather than ‘statement of financial position’. Some exam</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
		<p>Prepare a series of cards giving terms used in connection with limited liability companies. Divide the learners into pairs. One learner holds up each card and the other states the meaning of the term. (Basic) (G)</p> <p>Divide class into groups and ask them to compare ordinary shares, preference shares and debentures. Ask a spokesperson for each group to state one difference and build up a list on the board. Use could also be made of a pre-prepared PowerPoint. (Basic) (G)</p> <p>Demonstrate the preparation of an appropriation account or (from 2015) a statement of changes in equity for a limited liability company. (Basic) (W)</p> <p>Prepare a template for a typical appropriation account or (from 2015) a template for a typical statement of changes in equity, showing the main items. Provide each learner with a few copies. Learners can then work through one or two exercises individually inserting their answers on the template. (Basic) (I)</p> <p>Demonstrate the preparation of a statement of financial position for a limited liability company. (Basic) (W)</p> <p>Prepare a template for a typical statement of financial position for a limited liability company, showing the main sections and headings etc. Provide each learner with a few copies. Learners can then work through one or two exercises individually inserting their answers on the template. (Basic) (I)</p>	<p>questions use the term 'trading and profit and loss account' rather than 'income statement'.</p>

Unit 21: Manufacturing accounts

Recommended prior knowledge

An understanding of double entry book-keeping and the closing of ledger accounts. The ability to prepare financial statements of a sole trader.

Context

Financial statements and the day-to-day accounting records of a sole trader need to be modified for a manufacturing business.

Outline

Learners will be introduced to manufacturing businesses and will be shown how the accounting records differ from those of a business buying and selling goods. Learners will be shown how to prepare manufacturing accounts.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 4 hours/3% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.4 Preparation of financial statements	Candidates should be able to:		
6.4.6 Manufacturing accounts	<p>distinguish between direct and indirect costs</p> <p>identify cost accounting terms: direct material, direct labour, prime cost and factory (production) overheads</p> <p>make adjustments for work-in-progress</p> <p>calculate factory cost of production</p> <p>prepare manufacturing accounts, income statements and the statements of financial position of</p>	<p>A brainstorming session with the teacher and the learners on the requirements for the manufacture of goods. Discuss the division of costs into direct and indirect. Build up a list on the board. Use could also be made of a pre-prepared presentation.</p> <p>(Basic) (W)</p> <p>Demonstrate the preparation of a manufacturing account and the income statement of a manufacturing business.</p> <p>(Basic) (W)</p> <p>Prepare a template for a typical manufacturing account, showing the main items. Provide each learner with a few copies. Learners can then solve one or two practice questions individually inserting their answers on the template.</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 20 Q1–6 <i>O Level Principles of Accounts Workbook</i> Q108–111</p> <p>Online: www.dineshbakshi.com/ http://osbornebooks.co.uk/home</p> <p>7110 past examination questions: Jun 2013 Paper 21 Q5 Nov 2012 Paper 21 Q3 Nov 2012 Paper 22 Q5 Jun 2011 Paper 21 Q5</p> <p>Note: The textbook and workbook and some exam</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
	a manufacturing business	(Basic) (I)	questions use the term 'balance sheet' rather than 'statement of financial position'. Some exam questions use the term 'trading and profit and loss account' rather than 'income statement'.

Unit 22: Payroll records

Recommended prior knowledge

Knowledge about the world of work either from the learners' own experience or knowledge passed on to them.

Context

When a business has employees their weekly or monthly pay needs to be calculated and recorded.

Outline

Learners will be introduced to the terms used in connection with payroll. Learners will be shown how to calculate gross and net pay.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 2 hours/1.54% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.5 Payroll accounting	Candidates should be able to:		
6.5.1 Payroll records	<p>name and state the use of a clock card, time sheet, payslip, payroll register, wages sheet</p> <p>explain and calculate pay using the time basis and piecework basis</p> <p>explain and calculate overtime</p> <p>explain statutory deductions for income tax and social security/national insurance</p> <p>explain voluntary deductions for pension contributions, subscriptions and charitable donations</p>	<p>Ask learners to find out the meaning of various terms used in payroll (gross pay, net pay, overtime, deductions etc.) (Basic) (I)</p> <p>A brainstorming session with the teacher and the learners on the terms used in payroll. Build up a list on the board. Use could also be made of a pre-prepared presentation. (Basic) (W)</p> <p>Demonstrate the calculation of gross pay using time basis and piecework basis. (Basic) (W)</p> <p>Divide class into pairs and ask them to complete some short calculations of gross pay. (Basic) (G)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 24 Q1–6, 7(a) <i>O Level Principles of Accounts Workbook</i> Q126–128</p> <p>Online: http://osbornebooks.co.uk/home</p> <p>7110 past examination questions: Jun 2013 Paper 22 Q3 Nov 2012 Paper 22 Q(d) Jun 2011 Paper 21 Q2(c)</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
	explain and calculate gross and net pay	<p>Discuss the statutory and voluntary deductions from gross pay. (Basic) (W)</p> <p>Demonstrate the calculation of net pay. (Basic) (W)</p> <p>Ask learners to work through exercises involving calculations of net pay. (Basic) (I)</p> <p>Prepare some examples of a partially-completed payroll register and ask the learners to complete them. (Basic) (I)</p>	

Unit 23: Book-keeping entries for payroll

Recommended prior knowledge

An understanding of the calculation of gross and net pay. An understanding of statutory and voluntary deductions. An understanding of double entry book-keeping and general journal entries.

Context

When a business has employees their weekly or monthly pay needs to be calculated and recorded.

Outline

Learners will be shown how to record the payment of wages and salaries, statutory and voluntary deductions in the journal and in the ledger.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 2 hours/1.54% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.5 Payroll accounting	Candidates should be able to:		
6.5.2 Book-keeping entries for payroll	<p>prepare journal entries to record the payment of wages and salaries, statutory and voluntary deductions</p> <p>prepare ledger entries to record the payment of wages and salaries, statutory and voluntary deductions</p>	<p>Demonstrate journal entries to record the payment of wages and salaries. (Basic) (W)</p> <p>Demonstrate ledger entries to record the payment of wages and salaries. (Basic) (W)</p> <p>Ask learners to work through exercises recording the payment of wages and salaries in the journal and the ledger. (Use could be made of an exercise previously completed on the calculation of gross and net pay). (Basic) (I)</p> <p>Prepare a completed payroll register, and provide any additional details (e.g. balances already in the accounts, date of payment to tax authorities etc.) and ask the learners to enter the details in the journal and ledger. (Basic) (I)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 24 Q7(b), 8 <i>O Level Principles of Accounts Workbook</i> Q129,130(d)</p> <p>Online: http://osbornebooks.co.uk/home</p>

Unit 24: Financial relationships (ratio analysis)

Recommended prior knowledge

The ability to prepare financial statements. An understanding of equity, capital employed and working capital.

Context

Having prepared annual financial statements, it is necessary to be able to interpret the information contained in these statements. This enables the performance of the business to be compared with that of previous years and with other businesses.

Outline

Learners will be shown how to calculate and understand the importance of accounting ratios.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 6 hours/4.6% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.6 Advanced principles	Candidates should be able to:		
6.6.1 Financial relationships (ratio analysis)	<p>compute and explain the importance of rate of turnover of inventory, gross profit/sales, net profit/sales, net profit/capital employed, working capital ratio and quick ratio</p> <p>explain the relationship of gross and net profits to the valuation of inventory, rate of turnover of inventory, turnover, expenses, and equity</p> <p>recognise the importance of valuation of inventory and the effect of an incorrect valuation of inventory on gross profit, net</p>	<p>Using a pre-prepared set of financial statements, demonstrate the calculation of the following:</p> <ul style="list-style-type: none"> rate of inventory turnover gross profit/sales net profit (profit for the year)/sales net profit (profit for the year)/capital employed working capital (current) ratio quick (acid test) ratio. <p>(Basic) (W)</p> <p>Ask learners to write out the formulae for the calculation of the above ratios. (Basic) (I)</p> <p>Ask learners to work through exercises involving the calculation of ratios. (Basic) (I)</p>	<p>Books: <i>O Level Principles of Accounts</i> Chp 23 Q1–7, Chp 9 Q8–9 <i>O Level Principles of Accounts Workbook</i> Q120–125 and 50–532</p> <p>Online: www.dineshbakshi.com/ www.bized.co.uk/ http://osbornebooks.co.uk/home www.tutor2u.net/</p> <p>7110 past examination questions: Jun 2013 Paper 21 Q2(a)/(c), 3 Jun 2013 Paper 22 Q4 Nov 2012 Paper 21 Q4 Nov 2012 Paper 22 Q4</p>

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
	profit, equity, and asset valuation	<p>Demonstrate the interpretation of ratios using some of those calculated in the learner exercises. Discuss with the class the implications of this interpretation. (Challenging) (W)</p> <p>Revisit the previous work on the inter-relationship of items in the statement of financial position. Discuss with the class the relationship of gross profit and profit for the year to the valuation of inventory, rate of inventory turnover, turnover expenses and equity. (Challenging) (W)</p> <p>Divide class into groups. Present each group with a completed set of financial statements. Ask them to discuss how the business could improve the profitability, liquidity, working capital etc. A spokesperson for each group could then report back to the rest of the class. (Challenging) (G)</p> <p>Divide class into pairs. Provide a list of transactions and ask each group to list the effect on the working capital of each transaction. (Challenging) (G)</p> <p>Prepare two different exercises on the preparation of financial statements. Divide class into two groups. Ask each group to prepare a set of financial statements for one business and then to work out a set of ratios. Ask a spokesperson for each group to report on the ratios calculated. Build up a list of comparative ratios on the board. This could be followed by a discussion comparing the two businesses. (Basic/Challenging) (G) and (W)</p>	<p>Jun 2012 Paper 21 Q4 Jun 2012 Paper 22 Q4 Nov 2011 Paper 21 Q4 Nov 2011 Paper 22 Q4 Jun 2011 Paper 21 Q4 Jun 2011 Paper 22 Q4</p> <p>Note: The textbook and workbook and some exam questions use the term 'balance sheet' rather than 'statement of financial position'. Some exam questions use the term 'trading and profit and loss account' rather than 'income statement'.</p>

Unit 25: Accounting principles

Recommended prior knowledge

An understanding of double entry book-keeping. Knowledge of financial statements, including year-end adjustments for accruals and prepayments, depreciation and provision for doubtful debts. An understanding of capital and revenue expenditure.

Context

This unit summarises the various accounting rules which have been applied throughout the previous units. Many of these accounting principles should be familiar to learners although they may not know their formal titles. It is important that all businesses apply international accounting standards. Everyone in the accounting profession is expected to conform to a code of professional ethics.

Outline

Learners will be introduced to the accounting principles and to recognise the importance of international accounting standards.
Learners will be introduced to the importance of professional ethics.

Teaching time

Based on a total time allocation of 130 contact hours for this Cambridge O Level course, it is recommended that this unit should take 2 hours/1.54% of the course.

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
6.6 Advanced principles	Candidates should be able to:		
6.6.2 Accounting principles	explain and recognise the application of the following accounting principles/concepts in the compilation of final accounts: <ul style="list-style-type: none"> • going concern • historical cost • accounting entity • money measurement • accounting year • matching/accruals • prudence • materiality • consistency • dual aspect 	Prepare a statement of financial position. Provide details of any changes to asset values if the business were to close in the near future. Prepare a modified statement of financial position on the board. Individual learners can be invited to make entries on the board using different coloured markers. (Basic) (W) Revisit the previous work on double entry and relate that to the historical cost principle. (Basic) (W) Revisit the previous work on owner's capital and the accounting equation and relate this to the principle of accounting equity.	Textbooks: <i>O Level Principles of Accounts</i> Chp 9 Q1–3 <i>O Level Principles of Accounts Workbook</i> Q43 Online: www.dineshbakshi.com/ www.bized.co.uk/ www.tutor2u.net/ 7110 past examination questions: Nov 2012 Paper 21 Q1(f) Jun 2012 Paper 22 Q2(c) Nov 2011 Paper 22 Q2(f) Jun 2011 Paper 21 Q2(c)

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
		<p>(Basic) (W)</p> <p>Revisit the previous work on double entry and relate to the money measurement principle.</p> <p>(Basic) (W)</p> <p>Revisit previous work on adjustments to ledger accounts, depreciation and provisions for doubtful debts. Relate this to the principles of accounting year, matching (accruals), and prudence.</p> <p>(Basic) (W)</p> <p>Revisit the previous work on capital and revenue expenditure and relate to the materiality principle.</p> <p>(Basic) (W)</p> <p>Divide class into groups and ask each group to calculate depreciation on a non-current asset for two or three years using different methods each year. Build up a table on the board to show the effect on the profit of not applying the same method throughout the life of the asset.</p> <p>(Basic) (G)</p> <p>Revisit the previous work on double entry and relate that to the dual aspect principle.</p> <p>(Basic) (W)</p> <p>Prepare a series of cards with the names of the various accounting principles. Ask the learners to define each principle. This can be done as a class exercise or in pairs. As an alternative, the cards could define the principles and the learners could be asked to name the principle being described.</p> <p>(Basic) (W) or (G)</p>	

Syllabus ref	Learning objectives	Suggested teaching activities	Learning resources
	<p>recognise the influence of international accounting standards in:</p> <ul style="list-style-type: none"> • narrowing the areas of difference and variety of accounting practice • improving comparability • improving reliability and understandability of accounting information 	<p>Discuss with learners the general differences between one country and another. This can then be related to the fact that accounting practices also differ. Discuss with the learners the problems of comparison of sets of financial statements which have been prepared using different criteria. Explain the importance of international accounting standards. (Challenging) (W)</p> <p>Present learners with a few sets of financial statements. Ask them to assume that they are the proprietor/a shareholder and ask them to prepare a list of questions they would want to ask before any financial decisions are taken. Use the phrase 'What if.....' (Challenging) (I)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 9 Q2 <i>O Level Principles of Accounts Workbook</i> Q44–46</p> <p>7110 past examination question: Jun 2012 Paper 22 Q3(e)</p>
	<p>explain the importance of professional ethics in accounting</p>	<p>A brainstorming session with the teacher and the learners on the general differences between right and wrong. Link this to the importance of professional ethics. Prepare a few scenarios where the application of ethics plays an importance part in the advice given by an accountant. (Challenging) (W)</p> <p>Divide class into groups and give each a different scenario involving ethics. Ask them to discuss the 'problems' faced by the accountant and how these could be resolved. A spokesperson could then be asked to report back to the class. (Challenging) (G)</p>	<p>Textbooks: <i>O Level Principles of Accounts</i> Chp 25 Q4(b), 5–7 <i>O Level Principles of Accounts Workbook</i> Q133–134</p>

© Cambridge International Examinations 2014
Version 2.0
Updated: 18.03.16

Cambridge International Examinations
1 Hills Road, Cambridge, CB1 2EU, United Kingdom
tel: +44 1223 553554 fax: +44 1223 553558
email: info@cie.org.uk www.cie.org.uk

