



Learner Guide

Cambridge IGCSE™ / IGCSE (9–1) Accounting 0452 / 0985

Cambridge O Level Accounting 7707

For examination 2020



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About this guide

This guide explains what you need to know about your Cambridge Accounting course and examinations.

It will help you to:

- ✓ understand what skills you should develop by taking this course
- ✓ understand how you will be assessed
- ✓ understand what we are looking for in the answers you write
- ✓ plan your revision programme
- ✓ revise, by providing revision tips and an interactive revision checklist (Section 6).

Section 1: Syllabus content

Find out what topics you will be learning about. Your teacher can give you more detail.

Section 2: How you will be assessed

Find out

- how many examinations you will take
- how long each examination lasts
- what different question types the examination will contain
- how to tackle each examination.

Section 3: What skills will be assessed

Find out what areas of knowledge, understanding and skills you will need to demonstrate throughout the course and in your examinations.

Section 4: Command words

Take a look at the command words you can find in the examination questions, and what they mean.

Section 5: Example candidate responses

Take a look at a learner's response taken from a real examination. Find out:

- how to interpret the question
- how to avoid common mistakes
- how to improve your exam technique.

Section 6: Revision

Discover:

- some 'top revision tips'
- revision checklist for each topic.

Section 1: Syllabus content - what you need to know about

This section gives you an outline of the syllabus content for this course. You will have two written papers, Paper 1 which contains multiple choice questions and Paper 2 which contains structured questions. The questions on each paper can be set on any topic on the syllabus.

The main topics you need to know are:

Topic	Overview
1 The fundamentals of accounting	The difference between bookkeeping and accounting The role of accounting in a business
2 Sources and recording of data	The double entry system of book-keeping Business documents Books of prime entry
3 Verification of accounting records	The uses of trial balances, bank reconciliation and control accounts as means of verifying accounting records
4 Accounting procedures	Capital and revenue expenditure Depreciation of non-current assets Accruals and prepayments Irrecoverable debts and provisions for doubtful debts
5 Preparation of financial statements	Preparation of financial statements of sole traders, partnerships, limited companies, clubs and societies and manufacturing businesses Incomplete records
6 Analysis and interpretation	Calculation and interpretation of accounting ratios The users of accounting information Inter-firm comparison Interested parties Limitation of accounting statements
7 Accounting principles and policies	The application of the main accounting principles The selection of accounting policies

This section gives you an outline of the syllabus content for this course. Ask your teacher for more detail about each topic. You can also find more detail in the Revision checklists of this guide.

Make sure you always check the latest syllabus, which is available at www.cambridgeinternational.org

Section 2: How you will be assessed

You will be assessed at the end of the course using two components:

- Paper 1 Multiple Choice
- Paper 2 Structured Written Paper

Components at a glance

This table summarises the key information about each examination paper.

Component	Time and marks	Skills assessed	Details	Percentage of qualification
Paper 1 Multiple Choice	1 hour 15 minutes 35 marks	Knowledge and understanding Analysis	You answer 35 multiple choice questions taken from anywhere on the syllabus	30%
Paper 2 Structured Written Paper	1 hour 45 minutes 100 marks	Knowledge and understanding Analysis Evaluation	You answer five structured questions taken from anywhere on the syllabus	70%

About each paper

It is important that you understand the different types of question in each paper and how you should approach them.

Paper 1 Multiple Choice

Paper 1 contains 35 multiple-choice questions taken from any section of the syllabus.

Each correct answer will score one mark. A mark will not be deducted for an incorrect answer. You need to answer all the questions.

For each question there are four possible answers, **A**, **B**, **C** or **D**. You have to select the one you consider correct and record your choice on a multiple-choice answer sheet, which will be given to you with the question paper. Full instructions on how to complete this answer sheet are given on the sheet.

You need to complete the answer sheet using a soft pencil.

- 1 (a)** Which item in the statement of financial position of a business shows the owner how well his business is performing?
- A** drawings
 - B** profit for the year
 - C** trade receivables
 - D** working capital
- [1]

Instructions

Shade ONE letter only for each question.
Make sure you put your answer in line with the correct question number.

Example

For question 1,
if you think B is the right answer,
fill in your answer sheet like this:

1	A	B	C	D	E

You will be allowed to use a calculator.

80% of the questions will be testing your knowledge and understanding of the topics on the syllabus. These questions can be taken from any part of the syllabus. You need to know and understand terms, principles, procedures and techniques related to the syllabus. These are testing your knowledge and understanding.

20% of the questions will be testing whether you can analyse and use accounting data. These are testing your ability to analyse information. Some questions will require you to perform some calculations, but others will be theoretical.

In the examination:

- read each question very carefully
- attempt the easier questions and the ones you feel most confident about first
- go back and attempt the most difficult questions
- if you really cannot attempt an answer, make a guess.

Paper 2 Structured Written Paper

Paper 2 contains five structured questions taken from any section of the syllabus.

The total mark for this paper is 100, and the mark for each question is 20. You need to answer all the questions. The mark for each question and each part question is shown on the question paper.

A structured question is one which is centred on a fictitious business. There are different parts to each question all related to that business. These parts could require

- definitions and explanations of accounting terms
- the preparation of accounting statements and ledger accounts
- the calculation and interpretation of accounting ratios
- recommendations about various courses of action.

This is an example of Paper 2 question, part (a):

5 K Limited provided the following information.

1 Its issued ordinary share capital consists of 180 000 ordinary shares of \$0.50 each.

2 On 1 October 2016:

	\$
General reserve	4000
Retained earnings	5500

3 The profit for the year ended 30 September 2017 was \$9000.
 \$2000 of this was transferred to the general reserve.
 An interim dividend of \$4500 was paid during the year.
 No dividends were proposed at the end of the year.

REQUIRED

(a) Prepare the statement of changes in equity for the year ended 30 September 2017.

K Limited
 Statement of Changes in Equity for the year ended 30 September 2017

Details	Share capital \$	General reserve \$	Retained earnings \$	Total \$
On 1 October 2016
.....
.....
.....
On 30 September 2017

[5]

Sometimes the answers to later parts to a question depend on answers to an earlier part of that question.

You write your answers on the question paper and should use a black or dark blue pen.

You will be allowed to use a calculator.

60% of the total marks will be assessment objective 1 (AO1) which is testing your knowledge and understanding of the topics on the syllabus. This includes definitions and explanations of accounting terms, the preparation of accounting statements and ledger accounts and the calculation of accounting ratios.

25% of the total marks will be assessment objective 2 (AO2) which is testing your ability to select relevant information and to analyse and present information in an appropriate format. This includes correction of errors and interpretation of accounting ratios.

15% of the total marks will be assessment objective 3 (AO3) which is testing your ability to interpret and evaluate accounting information and draw reasoned conclusions. This includes offering advice on different courses of action.

In the examination:

- read each question carefully to make sure that you understand what is being asked
- attempt the questions you feel most confident about first
- make sure that you give your answer in the form asked for, e.g. ledger account, calculation, etc.
- accounting statements must be displayed using a suitable form of presentation
- show as much working as you can for your answers as this may earn some of the available marks
- give answers to ratios to the accuracy indicated in the question, e.g. two decimal places
- the mark allocation and the space provided for the answer to theory questions should help you to decide the length of the answer required
- when recommending a course of action, the advantages and disadvantages should be listed and a reasoned conclusion stated
- if you make an error, draw a line through the incorrect answer and write the correct one
- you can use the blank pages if you do not have enough space for an answer on the lines provided
- make sure your words and figures are legible.

Section 3: What skills will be assessed

The areas of knowledge, understanding and skills that you will be assessed on are called **assessment objectives** (AOs).

AO1 Knowledge and understanding	AO2 Analysis	AO3 Evaluation
--	-------------------------------	---------------------------------

We consider the following skill areas in your examination papers:

- your knowledge (what you remember) and understanding (how you use what you know and apply it to given situations)
- how you analyse information such as the significance of a set of accounting ratios
- how you evaluate accounting information and are able to come to conclusions and offer recommendations.

The table below explains what each assessment objective means and the percentage of the whole qualification is assessed using that objective. Your teacher will be able to give you more information about how each of these is tested in the examination papers.

Assessment objectives (AO)	What does the AO mean?	What do you need to be able to do?
AO1 Knowledge and understanding	Remembering facts, accounting terms, and procedures and applying this knowledge to given situations	<ul style="list-style-type: none"> • Define accounting terms • Define and understand accounting principles • Understand and prepare ledger accounts and books of prime entry • Understand and prepare trial balances, bank reconciliation statements, control accounts • Understand and record year-end adjustments for depreciation, accruals and prepayments, irrecoverable debts and provisions for doubtful debts • Understand and prepare financial statements for sole traders, partnerships, manufacturing businesses, limited companies and clubs and societies • Understand and calculate accounting ratios
AO2 Analysis	Selecting and analysing relevant information	<ul style="list-style-type: none"> • Appreciate the significance of a set of accounting ratios • Suggest reasons for the cause of these ratios • Suggest ways in which the ratios could be improved • Understand the effect of errors on the financial statements • Correct errors in the accounting records
AO3 Evaluation	Considering accounting information and being able to make judgements, decisions and recommendations	<ul style="list-style-type: none"> • Consider accounting-related information provided • Recognise the advantages and disadvantages of a situation or course of action • Make a recommendation on whether or not a certain course of action should be followed

The different weightings (%) of the assessment objectives are considered when the examination paper is set. For example, when Paper 2 is set 60% of the marks are allocated to knowledge and understanding. 25% of the marks are allocated to analysis and 15% of the marks to evaluation.

The approximate weightings of the assessment objectives (AOs) are summarised below.

Assessment objectives as a percentage of each component

Assessment objective	Weighting in components %	
	Paper 1	Paper 2
AO1 Knowledge and understanding	80	60
AO2 Analysis	20	25
AO3 Evaluation	0	15

Assessment objectives as a percentage of the qualification

Assessment objective	Weighting in the full qualification %
AO1 Knowledge and understanding	65
AO2 Analysis	25
AO3 Evaluation	10

Section 4: Command words

The table below includes command words used in the assessment for this syllabus. The use of the command word will relate to the subject context.

Command word	What it means
Advise	Apply knowledge and understanding to a given situation in order to suggest a suitable course of action
Analyse	Examine something so that the meaning, the elements and the relationship between the elements are considered in detail
Assess	Apply knowledge and understanding to a given situation in order to make a judgement
Calculate	Work out from given figures or information
Comment	Give an opinion on some situation or piece of information
Compare	Identify and comment on similarities and differences
Consider	Review the information provided about a particular situation or about an aspect of a business
Contrast	Identify and comment on differences
Define	Write down a precise meaning of a word or term used in accounting
Demonstrate	Show or give an example
Describe	State the points, main characteristics or features of a particular topic or course of action
Develop	Build on information provided or take something forward to the next level
Discuss	Write in detail about a topic or a given situation presenting the information in a logical manner
Evaluate	Review the information provided about a particular situation in order to judge the quality, importance, amount or value of something
Examine	Investigate something in detail or thoroughly
Explain	Write down the reason or purpose of something and support this by giving reasons or evidence
Give	Apply knowledge and understanding to a given situation write down an answer using re-call or memory
Identify	Name, select, recognise
Justify	Support a statement by evidence or reasoned argument
Outline	Write down the main points
Predict	Suggest what may happen in the future based on the information provided
Prepare	Present some accounting information in a suitable format
State	Write down in clear terms
Suggest	Apply knowledge and understanding to a given situation where there are several possible courses of action available in order to make proposals
Summarise	Write down the main points without giving a lot of detail

Question from Specimen Paper 2

This is question 2 from the 2020 Specimen Paper. There are several parts to the question. The first word in each part is the command word which should help you identify what is required.

Part (a)

The requirement is to prepare a manufacturing account for the year ended 30 September 2017. The command word is "Prepare". This means that you have to present a manufacturing account in a suitable form of presentation. The account should build up the cost of manufacturing starting with the cost of materials consumed, adding the direct labour to arrive at the prime cost and then adding the factory overheads. The resulting figure should then be adjusted for work in progress and the final figure is cost of production. Each item should have a suitable label with abbreviations such as "PC" and "C of P" avoided. It is important to label the prime cost and the cost of production.

(a) Prepare the manufacturing account for the year ended 30 April 2017.

Prepare means that you have to present a manufacturing account in a suitable form of presentation.

Part (b)

The requirement is to advise Yasmin whether or not she should buy extra factory machinery. The command word is "Advise". This means that you have to write down a whether or not Yasmin should purchase the extra factory machinery. Your advice should consider both benefits and drawbacks of the proposal. To remind you to consider both aspects there is another command word in the second sentence which is "Justify". This means that you should provide two advantages and two disadvantages of the proposal before finally giving your advice.

(b) Advise Yasmin whether or not she should buy the extra factory machinery. Justify your answer with **two** advantages and **two** disadvantages of your advice.

Advise means that you have to write down a whether or not Yasmin should purchase the extra factory machinery.

Justify means that you should provide two advantages and two disadvantages of the proposal before finally giving your advice.

Part (c)

This section needs some calculations to be performed. The command word is "Calculate". This means that, using the information provided, you have to work out the cost of sales and the gross profit. The question does not specify that workings are required, but it is always advisable to show workings in case the final answer is incorrect.

(c) (i) Calculate the cost of sales for the year ended 30 April 2017.

.....

.....

.....

.....

.....

..... [3]

(ii) Calculate the gross profit for the year ended 30 April 2017.

.....

.....

..... [1]

Calculate means that, using the information provided, you have to work out the cost of sales and the gross profit.

Part (d)

This requires you to suggest one way in which Yasmin could increase the percentage of gross profit to revenue. The command word is 'Suggest'. This means that you have to apply your knowledge to the situation given and to propose a suitable course of action which would result in an increase in the gross profit percentage.

(d) Suggest **one** way in which Yasmin could increase the percentage of gross profit to revenue.

.....

..... [1]

Suggest means that you have to apply your knowledge to the situation given and to propose a suitable course of action.

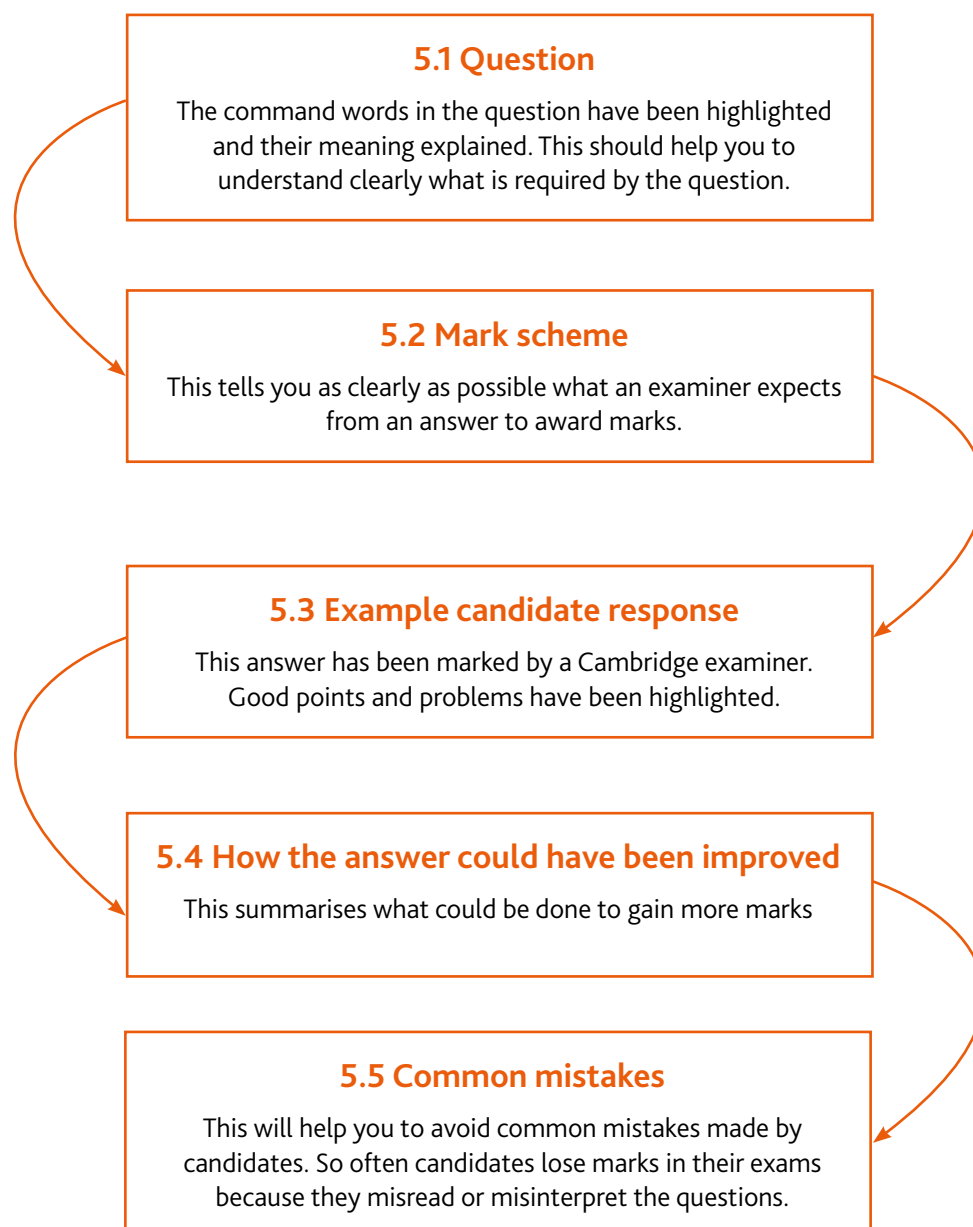
[Total: 20]

Section 5: Example candidate response

This section takes you through an example question and answer from a Cambridge Accounting specimen paper. It will help you to see how to identify command words within questions and to understand what is required in your response. A command word is the part of the question that tells you what you need to do with your knowledge. For example, you might need to describe something, explain something, argue a point of view or list what you know.

All information and advice in this section is specific to the example question and answer being demonstrated. It should give you an idea of how your responses might be viewed by an examiner but it is not a list of what to do in all questions. In your own examination, you will need to pay careful attention to what each question is asking you to do.

This section of the guide includes:



5.1 Question

The question used in this example is question 2 from Specimen Paper 2. Now let's look at the question to see what the command words for this question mean for your answer.

(a) Prepare the manufacturing account for the year ended 30 April 2017.

Prepare – this means that you are required to use the information provided and present a manufacturing account for that particular business for the financial year. The manufacturing account must be displayed using a correct form of presentation.

(b) Advise Yasmin whether or not she should buy the extra factory machinery. Justify your answer with **two** advantages and **two** disadvantages of your advice.

Advise – this means that you should consider the information provide and recommend whether or not the additional machinery should be purchased. In this type of question the factors for and against the proposal should be considered and then suitable advice offered.

Justify – this means that you should support your advice by discussing the factors for and against the proposal. In this question this additional command word provided guidance on how many advantages and disadvantages should be discussed.

(c) (i) Calculate the cost of sales for the year ended 30 April 2017.

.....

.....

.....

.....

..... [3]

(ii) Calculate the gross profit for the year ended 30 April 2017.

.....

.....

..... [1]

Calculate – this means that you have to work out two figures using the information provided in the question

(d) Suggest **one** way in which Yasmin could increase the percentage of gross profit to revenue.

.....

..... [1]

[Total: 20]

Suggest – this means that you have to consider that the business wishes to increase the gross profit percentage and to select one way in which this objective may be achieved.

5.2 Mark scheme

Question	Answer	Marks																																																
2(a)	<p style="text-align: center;">Yasmin Manufacturing Account for the year ended 30 April 2017</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">\$</th> <th style="width: 20%; text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Cost of materials used</td> <td></td> <td></td> </tr> <tr> <td>Purchases of raw materials</td> <td></td> <td style="text-align: right;">30 100 (1)</td> </tr> <tr> <td>Less Closing inventory of raw materials</td> <td></td> <td style="text-align: right;"><u>3 150 (1)</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">26 950</td> </tr> <tr> <td>Direct wages (31 500 + 800)</td> <td></td> <td style="text-align: right;">32 300 (1)</td> </tr> <tr> <td>Prime cost</td> <td></td> <td style="text-align: right;">59 250 (1)</td> </tr> <tr> <td>Factory overheads</td> <td></td> <td></td> </tr> <tr> <td>Indirect factory wages</td> <td style="text-align: right;">11 860 (1)</td> <td></td> </tr> <tr> <td>General factory expenses</td> <td style="text-align: right;">3 240 }</td> <td></td> </tr> <tr> <td>Rates</td> <td style="text-align: right;">4 500 } (1)</td> <td></td> </tr> <tr> <td>Depreciation – Machinery (35 000 × 20%)</td> <td style="text-align: right;">7 000 }</td> <td></td> </tr> <tr> <td>Tools (1 000 – 830)</td> <td style="text-align: right;"><u>170 } (1)</u></td> <td style="text-align: right;"><u>26 770</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">86 020 (1) OF</td> </tr> <tr> <td>Less Closing work in progress</td> <td></td> <td style="text-align: right;"><u>2 820 (1)</u></td> </tr> <tr> <td>Cost of production</td> <td></td> <td style="text-align: right;"><u>83 200 (1) OF</u></td> </tr> </tbody> </table>		\$	\$	Cost of materials used			Purchases of raw materials		30 100 (1)	Less Closing inventory of raw materials		<u>3 150 (1)</u>			26 950	Direct wages (31 500 + 800)		32 300 (1)	Prime cost		59 250 (1)	Factory overheads			Indirect factory wages	11 860 (1)		General factory expenses	3 240 }		Rates	4 500 } (1)		Depreciation – Machinery (35 000 × 20%)	7 000 }		Tools (1 000 – 830)	<u>170 } (1)</u>	<u>26 770</u>			86 020 (1) OF	Less Closing work in progress		<u>2 820 (1)</u>	Cost of production		<u>83 200 (1) OF</u>	10
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Question	Answer	Marks																					
2(b)	<p>The savings in direct labour costs would amount to \$10 767 a year (1). The cost of production would reduce by \$5 767 a year (wages decrease by \$10 767 and depreciation increases by \$5 000) (1). Reducing cost of production and maintaining selling price increase profit (1). The purchase would increase depreciation by \$5 000 a year (1) and might also increase the cost of repairs and power. (1) The purchase might incur finance charges if funds are not immediately available. (1)</p> <p>However redundancy costs might be incurred. (1)</p> <p>Would the reduction in labour enable her to be flexible enough to cope with fluctuations in demand / to cover holidays and sickness (1)? How easy would it be to hire more labour if the need arose (1)?</p> <p>max (2) for advantages, max (2) for disadvantages (1) for decision</p> <p>Accept all valid points</p>	5																					
2(c)(i)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">\$</th> <th style="width: 20%;"></th> </tr> </thead> <tbody> <tr> <td>Cost of production</td> <td style="text-align: right;">83 200 (1) OF</td> <td></td> </tr> <tr> <td>Purchases of finished goods</td> <td style="text-align: right;">15 700 (1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">98 900</td> <td></td> </tr> <tr> <td>Less Closing inventory of finished goods</td> <td style="text-align: right;"><u>6 800</u></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;"><u>92 100 (1) OF</u></td> <td></td> </tr> <tr> <td>(no omissions or extraneous items)</td> <td></td> <td></td> </tr> </tbody> </table>		\$		Cost of production	83 200 (1) OF		Purchases of finished goods	15 700 (1)			98 900		Less Closing inventory of finished goods	<u>6 800</u>		Cost of sales	<u>92 100 (1) OF</u>		(no omissions or extraneous items)			3
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Gross profit	<u>21 540 (1) OF</u>																						
2(d)	<p>Increase selling price Increase mark-up Reduce trade discount allowed to customers Reduce cost of manufacturing Purchase cheaper raw materials Buy in bulk to obtain trade discount Reduce factory wages Reduce factory overheads</p> <p>Any 1 point (1)</p>	1																					

Understanding the mark scheme:

- (1) is placed by a word, statement, or figure indicate that one mark will be awarded for that item.
- Where the mark is placed by a figure in a financial statement (as in this manufacturing account) or ledger account the mark is for the words and the figure. If one of these elements is missing or incorrect the mark is not awarded
- Where two figures are bracketed together and then a mark shown it means that it is necessary to show both these items (correct words and correct figures) in order to earn that mark.
- (1)OF placed by figure indicates that a mark will be awarded for that figure provided it is arithmetically correct on the calculations up to that point. This is so that you do not get penalised twice for one mistake. For example, in this manufacturing account you could earn a mark for the cost of production provided that it was the total of your prime cost and your overheads minus the closing work in progress (and provided the figure was labelled).
- (1)CF may be placed by a figure but this has not been used on the mark scheme for this question. This means that a mark will be awarded only if the figure is correct (and there is suitable wording).
- +(1) dates sometimes appears in the mark scheme for ledger accounts. This means that if you have shown all the dates (years, months and days) correctly an extra mark will be awarded.
- Max (2) may appear in a theory question. This appears on the mark scheme for Part (b) of this question. The mark scheme lists all the possible advantages and possible disadvantages with a mark against each of them to indicate that each of those statements is worth a mark. But the question only required you to suggest two advantages and two disadvantages so this note "Max (2)" is to remind markers that they can only award up to (2) for the advantages and up to (2) for the disadvantages. If you listed three or four advantages you could only earn two marks.
- The words "No omissions or extraneous items" are sometimes added to a mark scheme for a financial statement or a calculation. This means that you would not be able to earn a mark for an own figure answer even if arithmetically correct if you included something that should not be included or missed out one of the items which should appear in the calculation or statement. For example in the calculation of the cost of sales in Part (c)(i) including the wages of the office staff would count as an extraneous item and missing out the purchases of finished goods would count as an omission.
- Any 1 point (1) may appear in the mark scheme for a question which requires you to provide one statement or suggestion. The mark scheme gives a list of the possible answers and indicates that a mark will be awarded for any of the items in the list.

5.3 Example candidate response

2 Yasmin opened a garment factory on 1 May 2016.

She provided the following information.

	\$
On 1 May 2016	
Cost of factory machinery	35 000
Cost of office furniture and equipment	8 500
Cost of tools	1 000
For the year ended 30 April 2017	
Revenue	113 640
Purchases of raw materials	30 100
Purchases of finished goods	15 700
Wages and salaries	
Factory operatives	31 500
Factory supervisors	11 860
Office and sales staff	32 200
General expenses	
Factory	3 240
Office	1 950
Rates	
Factory	4 500
Office	1 500
At 30 April 2017	
Inventory	
Raw materials	3 150
Work in progress	2 820
Finished goods	6 800
Value of tools	830
Wages accrued	
Factory operatives	800
Office and sales staff	950

Additional information

- 1 No additional non-current assets were purchased during the year.
- 2 The factory machinery is to be depreciated at 20% per annum on cost.
- 3 The office furniture and equipment is to be depreciated at 15% per annum on cost.
- 4 The tools are to be revalued at the end of each financial year.

(a) Prepare the manufacturing account for the year ended 30 April 2017.

Specimen answer (a)

(a) Prepare the manufacturing account for the year ended 30 April 2017.

Yasmin
Manufacturing Account for the year ended 30 April 2017

	\$	\$
<i>Cost of materials consumed</i>		
<i>Purchases of raw materials</i>		30 100
<i>Less closing inventory of raw materials</i>		3 150
		26 950
<i>Direct factory wages</i>		32 300
		59 250
<i>Factory overheads</i>		
<i>Indirect factory wages</i>	11 860	
<i>General factory expenses</i>	3 240	
<i>Factory rates</i>	4 500	
<i>Depreciation:</i>		
<i>factory machinery (20% x 35 000)</i>	7 000	
<i>tools (1 000 - 830)</i>	170	26 770
		86 020
<i>Less closing inventory of work in progress</i>		2 820
<i>COP</i>		83 200

1. It would also have been acceptable to put "used" rather than "consumed". It is important to have a suitable heading.

2. Showing the calculation of the final figure is advisable. Where more than one mark is available some credit may be given for calculation even if the final figure is incorrect

3. This figure represents the prime cost and should be labelled. If there had been royalties this would also have been included in this section.

4. It is useful to have a heading to indicate the nature of these costs

5. It is good practice to show calculations. Where more than one mark is available some credit may be given for calculation even if the final figure is incorrect.

6. This is an unacceptable abbreviation. The figure should be labelled using the correct terminology.

Specimen answer (b)

Yasmin is hoping to decrease her cost of production in the future. She thinks that if she spends a further \$25 000 on factory machinery she will be able to reduce the costs of direct labour by one third.

REQUIRED

(b) Advise Yasmin whether or not she should buy the extra factory machinery. Justify your answer with **two** advantages and **two** disadvantages of your advice.

The direct labour cost will reduce by \$10 767. The cost of production will decrease so the profit will increase (providing selling price is kept the same).

The machinery costs \$25 000. Yasmin may have to borrow this money and if she does this she will have to pay interest. Some factory workers may have to be made redundant which may involve redundancy payments having to be made.

[5]

7. Two advantages are correctly described

8. Two disadvantages are correctly described

9. The final mark could not be awarded as no recommendation is made.

Specimen answer (c)

(c) (i) Calculate the cost of sales for the year ended 30 April 2017.

<i>Cost of production</i>	<i>\$ 83 200</i>
<i>Purchases of finished goods</i>	<i><u>15 700</u></i>
	<i>98 900</i>
<i>Closing inventory of finished goods</i>	<i><u>6 800</u></i>
<i>Cost of sales</i>	<i><u>92 100</u></i>

[3]

10. A very good answer. Where only a calculation is required you can present the information in any format. It is not recommended that you simply show the answer. If that is incorrect no marks can be awarded without calculations. Words are not necessary, but it is advisable to include them.

(ii) Calculate the gross profit for the year ended 30 April 2017.

<i>Revenue</i>	\$ 113 640
.....
<i>Less Cost of sales</i>	<u>92 100</u>
.....
<i>Gross profit</i>	<u>21 540</u> [1]

11. As with Part (ii) a very good answer which shows the calculation in full and the figures are labelled.

Specimen answer (d)

(d) Suggest **one** way in which Yasmin could increase the percentage of gross profit to revenue.

Increase the selling price.

..... [1]

[Total: 20]

12. A correct answer.
Always look at the mark allocation. If only one mark is available you know that it is not necessary to expand on the answer.

5.4 How the answer could have been improved

Part (a) This was awarded 8 out of 10 marks.

This is a very good answer. It could have been improved by labelling the figure of \$59 250 as prime cost as this represents an important cost for a manufacturer. The final figure represents the cost of production and should be labelled as such. In this case there was only one mark available for the direct factory wages but sometimes two marks are available for figures on which an adjustment has to be made. It is always recommended that calculations are shown (in brackets) so that where more than one mark is available it may be possible to earn some of the marks even though the final figure is incorrect.

Part (b) This was awarded 4 out of 5 marks. This was also a very good answer. The candidate discussed the advantages and disadvantages but is not actually make any recommendation about the purchase of the machinery.

Part (c) This was awarded full marks. This was an excellent answer. Where only a calculation is required the words are not essential. However, this learner clearly labelled all the figures which is it is always useful so that there can be no doubt about the stages in the calculation.

Part (d) This was awarded full marks. This was an excellent answer. The learner provided a correct suggestion and as only one mark was available no further explanation was required.

5.5 Common mistakes

Part (a) A common mistake made in the preparation of a manufacturing account is to omit the labels of prime cost and cost of production. Occasionally a mark is awarded for these labels, but usually both the figure and the label are required in order to earn the available mark. A common misconception is that the overheads should be deducted from the prime cost. A manufacturing account builds up the cost of making the goods so it is important that the factory overheads are added to the prime cost. In an examination it is quite acceptable (in fact it is very useful) to show calculations of year-end adjustments and depreciation in brackets.

Part (b) A common error in this sort of question is to make a basis statement saying it is a good idea, or is not a good idea and not make any other comment. This question was allocated five marks so that should warn you that some other comments are required. You should mention both the advantages and disadvantages of the course of action and then make a recommendation.

Part (c) A common mistake made when answering short calculation questions is to simply show the answer and not the workings. If only the answer is provided and it is correct then you may well be awarded full marks. If the answer is incorrect no marks can be awarded if no calculations are shown. When only a calculation is required it is not necessary to label the figures, but it is helpful to do so.

Part (d) When considering how to increase the percentage of gross profit to revenue, a common misconception is that if the quantity sold increases then the percentage also increases.

General advice

It is essential that you know the correct way of presenting financial statements. This question asked for a manufacturing account and it was expected that you would set this out in the correct way. Marks will be lost if the items are not in the correct place in the account. This applies to any financial statement – income statements, statements of financial position, appropriation accounts, and statement of changes in equity. It is important for you to learn the correct way of presenting these financial statements.

Within financial statements attention must also be paid to wording. In many statements figures must be labelled. In this account for example, the prime cost and the cost of production required labels. Similarly in an income statement the gross profit and the profit for the year should be labelled. In a statement of financial position it is expected that side headings will be shown for each group of assets and liabilities. Where a label is required, it is not acceptable to use abbreviations. Where ledger accounts have to be prepared attention must be given to dates as well as words.

In any financial statement or ledger account it is very important that the words and figures are legible. If the examiner cannot read the answer no marks can be awarded. If you decide that a word or figure is incorrect please cross it out and write the correct version above. Over-writing the word or figure can result in it not being readable.

In any accounting question it is always advisable to show calculations, even if the question does not specify that these must be shown. This applies to both figures within an accounting statement and also to separate questions where you are asked to calculate a figure. If your answer is incorrect but have shown calculations it may be that you can earn some of the available

marks: if no calculations are shown and the answer is incorrect no marks can be awarded. Within a financial statement or ledger account it is perfectly acceptable to show the calculation in brackets after the words. If a separate question asked for a calculation dotted lines are provided for you answer. Sometimes you are asked to calculate something in a certain way. For example you may be asked to calculate the closing inventory by means of a trading account. In such a question you are expected to present your answer in that way. Sometimes you are just asked to calculate a figure. In that type of question you can pick your own method. You may select an account or a numerical calculation. It is always advisable to label the figures.

In any question it is important that you read the question carefully and follow the instructions. In this question you were asked to provide two advantages and two disadvantages of a course of action and then to offer advice to the trader. In order to earn the available marks this instruction must be followed. Similarly, an instruction to calculate a ratio to a certain number of decimal places must be followed in order to earn all the available marks.

In theory questions it is always a good idea to look at the number of available marks as this should give you a guide on how much detail is required. For example, if you are asked to state two ways in which the gross profit percentage could be increased and two marks were available, you should realise that it is one mark for each statement and explanations are not required. If a question asked you to explain (or suggest) two ways in which a trader could increase his gross profit and four marks were available, you should realise more than a basic statement is required for each point.

Section 6: Revision

This advice will help you revise and prepare for the examinations. It is divided into general advice for all papers and more specific advice for Paper 1 and Paper 2.

Use the tick boxes to keep a record of what you have done, what you plan to do or what you understand.

General advice

Before the examination

Find out when the examinations are and plan your revision so you have time to revise. Create a revision timetable and divide it into sections to cover each topic.

Find out how long each paper is, how many questions you have to answer, how many marks there are for each question, and work out how long you have for each question.

Know the meaning of the command words used in questions and how to apply them to the information given. Look at past examination papers and highlight the command words and check what they mean.

Make revision notes. Try different styles of notes.

Work for short periods then have a break. Revise small sections of the syllabus at a time.

Test yourself by preparing templates for the different types of financial statements.

Make sure that you can define accounting terms correctly. For example it is important to be able to give a precise explanation of what the term depreciation: stating that it is a loss is not enough.

Definitions must not re-use the words to be defined. For example, it is not adequate to define "profit for the year" as "the amount of profit earned in the year".

Make your own dictionary or draw up a glossary of key terms for each main topic on the syllabus.

Make sure that you have covered every topic on the syllabus during your studies. The examination questions can be asked on anything which appears in the syllabus

Make sure that you revise every topic on the syllabus.

Learn to spell accounting terms correctly.

Have a look at past questions so that you are clear of what to expect in an examination.

Look at mark schemes to help you to understand how the marks are awarded for each question.

In the examination

Read the instructions on the front page of the examination paper.

Attempt all the questions.

Plan your time according to the marks for each question. Each question is worth the same number of marks. In structured questions there may be several parts to the question so the parts with more marks will need more than and more developed answers.

Do not leave out questions or parts of questions. Remember, no answer means no mark.

Read each question very carefully.

- Identify the command words – you could underline or highlight them.
- Identify the other key words and perhaps underline them too.
- Try to put the question into your own words to understand what it is really asking.

Read all parts of a question before starting your answer. Think carefully about what is needed for each part. You will not need to repeat material.

Read each question very carefully. Make sure you know exactly what you are required to do before you attempt an answer.

Answer the question. This is very important!

Use your knowledge and understanding.

Do not just write all you know, only write what is needed to answer the question.

Plan your answers.

If ledger accounts or financial statements are required, think carefully about how these should be presented before you attempt to actually write your answer.

If the question is a theory question, think about the points you need to include. Plan the order of your answer so that it is clear, concise and not repetitive. Quality is better than quantity.

Use accounting terminology in your answers as much as possible.

Make sure that you use the information given in the question. The data provided is there for a purpose.

When you are asked to comment on some figures, results or ratios do not simply repeat these figures. You are expected to interpret these figures and results and use them to support any recommendations or advice.

Make sure that your handwriting for both your words and figures is clear and easy to read. It is no good writing a brilliant answer if the examiner cannot read it!

Paper 1 advice

There are 35 multiple choice questions on the paper which lasts for 1 hour 15 minutes which means that you can allow over 2 minutes for each question.

Any calculations should be done on the question paper.

Indicate the option you have chosen on the answer sheet. This answer sheet gives full instructions on how it should be completed

Some learners prefer to write the answers on the actual question paper first and then transfer them to the answer sheet once they have selected an answer for each question. If you do this remember to leave time to transfer your answers to the mark sheet.

Attempt the questions you feel most confident about first.

Re-read the remaining questions.

There is sometimes a word or phrase which provided a clue to the answer.

There are often one or two options which can be discarded as being incorrect, so you may then be able to select the answer from the remaining options.

Where you cannot decide upon an answer make an intelligent guess.

Do not leave an answer blank.

Do not leave the examination room early. Use any time at the end of the exam to check your answers and insert answers to any items you left blank.

Paper 2 advice

There are five questions on the paper. Each question is worth 20 marks and you must attempt all five questions. The paper lasts for 1 hour 45 minutes which means that you can allow 20 minutes for each question.

You write all your answer on the question paper.

Do not over-run on the time per question. Leave the question when the time allocated has elapsed and start another question. You can always return to the unfinished question at the end of the exam if time permits.

It is usually the case that more marks will be earned by attempting all the questions rather than just producing two or three answers which you believe are "perfect". These answers may not be as perfect as you believe!

Read each question very carefully before attempting an answer to make sure that you know exactly what you are required to do.

You can answer the questions in any order so it is a good idea to start with the question you feel most confident about.

If a section of a question is on a topic with which you are not familiar, do not abandon the question: leave out that section and complete the rest of the answer.

Present your answers in a tidy and orderly manner and make sure that all the words and figures are legible.

The space provided for each answer should be adequate, if it is not you may continue your answer on a blank page. If you do this, put a note to indicate where the rest of the answer can be found.

Show your calculations where appropriate as marks may be awarded even if the final answer is incorrect.

Do not leave the examination room early. Use any time at the end of the exam to check your answers and complete any unfinished answers.

Revision checklists

In the next part of this guide we have provided some revision checklists. These include information from the syllabus that you should revise. They don't contain all the detailed knowledge you need to know, just an overview. For more detail see the syllabus and talk to your teacher.

The table headings are explained below:

Topic	You should be able to	R	A	G	Comments
These are the topics in the syllabus	This is what you should be able to do or know for each part of the syllabus	<p>You can use the tick boxes to show when you have revised an item and how confident you feel about it.</p> <p>R = RED means you are really unsure and lack confidence; you might want to focus your revision here and possibly talk to your teacher for help</p> <p>A = AMBER means you are reasonably confident but need some extra practice</p> <p>G = GREEN means you are very confident.</p> <p>As your revision progresses, you can concentrate on the RED and AMBER items in order to turn them into GREEN items. You might find it helpful to highlight each topic in red, orange or green to help you prioritise.</p>			<p>You can use the Comments column to:</p> <ul style="list-style-type: none"> • add more information about the details for each point • include a reference to a useful resource • add further information of your own • add learning aids, such as rhymes, poems or word play • pinpoint areas of difficulty you need to check further with your teacher.

Note: the tables below cannot contain absolutely everything you need to know, but it does use examples wherever it can.

Topic 1: The fundamentals of accounting

Topic	You should be able to	R	A	G	Comments
1.1 The purpose of accounting	<ul style="list-style-type: none"> understand and explain the difference between book-keeping and accounting state the purposes of measuring business profit and loss explain the role of accounting in providing information for monitoring progress and decision-making 				
1.2 The accounting equation	<ul style="list-style-type: none"> explain the meaning of assets, liabilities and owner's equity explain and apply the accounting equation 				

Topic 2: Sources and recording of data

Topic	You should be able to	R	A	G	Comments
2.1 The double entry system of book-keeping	<ul style="list-style-type: none"> outline the double entry system of book-keeping process accounting data using the double entry system prepare ledger accounts post transactions to the ledger accounts balance ledger accounts as required and make transfers to financial statements interpret ledger accounts and their balances recognise the division of the ledger into the sales ledger, the purchases ledger and the nominal (general) ledger. 				
2.2 Business documents	<ul style="list-style-type: none"> recognise and understand the following business documents: invoice, debit note, credit note, statement of account, cheque, receipt complete pro-forma business documents understand the use of business documents as sources of information: invoice, credit note, cheque counterfoil, paying in slip, receipt, bank statement. 				

Topic	You should be able to	R	A	G	Comments
2.3 Books of prime entry	<ul style="list-style-type: none"> explain the advantage of using various books of prime entry explain the use of and process accounting data in the books of prime entry: cash book, petty cash book, sales journal, purchases journal, sales returns journal, purchases returns journal and the general journal post the ledger entries from the books of prime entry distinguish between and account for trade discount and cash discounts explain the dual function of the cash book as a book of prime entry and as a ledger account for bank and cash explain the use of and record payments and receipts made by bank transfers and other electronic means explain and apply the imprest system of petty cash. 				

Topic 3: Verification of accounting records

Topic	You should be able to	R	A	G	Comments
3.1 The trial balance	<ul style="list-style-type: none"> understand that a trial balance is a statement of ledger balances on a particular date outline the uses and limitations of a trial balance prepare a trial balance from a given list of balances and amend a trial balance which contains errors identify and explain those error which do not affect the trial balance: commission, compensating, complete reversal, omission, original entry, principle. 				
3.2 Correction of errors	<ul style="list-style-type: none"> correct errors by means of journal entries explain the use of a suspense account as a temporary measure to balance the trial balance 				

Topic	You should be able to	R	A	G	Comments
	<ul style="list-style-type: none"> correct errors by means of suspense accounts adjust a profit or loss for an accounting period after the correction of errors understand the effect of correction of errors on a statement of financial position. 				
3.3 Bank reconciliation	<ul style="list-style-type: none"> understand the use and purpose of a bank statement update the cash book for bank charges, bank interest paid and received, correction of errors, credit transfers, direct debits, dividends, and standing orders understand the purpose of and prepare a bank reconciliation statement to include bank errors, uncredited deposits and unrepresented cheques. 				
3.4 Control accounts	<ul style="list-style-type: none"> understand the purposes of purchases ledger and sales ledger control accounts Identify the books of prime entry as sources of information for the control account entries Prepare purchases ledger and sales ledger control accounts to include credit purchases and sales, receipts and payments, cash discounts, returns, irrecoverable debts, dishonoured cheques, interest on overdue accounts, contra entries, refunds, opening and closing balances (debit and credit within each account). 				

Topic 4: Accounting procedures

Topic	You should be able to	R	A	G	Comments
4.1 Capital and revenue expenditure and receipts	<ul style="list-style-type: none"> distinguish between and account for capital expenditure and revenue expenditure distinguish between and account for capital receipts and revenue receipts calculate and comment on the effect on profit of incorrect treatment calculate and comment on the effect on asset valuations of incorrect treatment. 				

Topic	You should be able to	R	A	G	Comments
4.2 Accounting for depreciation and disposal of non-current assets	<ul style="list-style-type: none"> • define depreciation • explain the reasons for accounting for depreciation • name and describe the straight-line, reducing balance and revaluation methods of depreciation • prepare ledger accounts and journal entries for the provision of depreciation • prepare ledger accounts and journal entries to record the sale of non-current assets, including the use of disposal accounts 				
4.3 Other payables and other receivables	<ul style="list-style-type: none"> • recognise the importance of matching costs and revenues • prepare ledger accounts and journal entries to record accrued and prepaid expenses • prepare ledger accounts and journal entries to record accrued and prepaid incomes. 				
4.4 Irrecoverable debts and provision for doubtful debts	<ul style="list-style-type: none"> • understand the meaning of irrecoverable debts and recovery of debts written off • prepare ledger accounts and journal entries to record irrecoverable debts • prepare ledger accounts and journal entries to record recovery of debts written off • explain the reasons for maintaining a provision for doubtful debts • prepare ledger accounts and journal entries to record the creation of, and adjustments to, a provision for doubtful debts. 				
4.5 Valuation of inventory	<ul style="list-style-type: none"> • understand the basis of the valuation of inventory at the lower of cost and net realisable value • prepare simple inventory valuation statements • recognise the importance of valuation of inventory and the effect of an incorrect valuation of inventory on gross profit, profit for the year, equity and asset valuation. 				

Topic 5: Preparation of financial statements

Topic	You should be able to	R	A	G	Comments
5.1 Sole traders	<ul style="list-style-type: none"> • explain the advantages and disadvantages of operating as a sole trader • explain the importance of preparing income statements and statements of financial position • explain the difference between a trading business and a service business • prepare income statements for trading businesses and for service businesses • understand that statements of financial position record assets and liabilities on a specified date • recognise and define the content of a statement of financial position: non-current assets, intangible assets, current assets, current liabilities, non-current liabilities and capital • understand the inter-relationship of items in a statement of financial position • prepare statements of financial position for trading businesses and service businesses • make adjustments for provision for depreciation using the straight line, reducing balance and revaluation methods • make adjustments for accrued and prepaid expenses and accrued and prepaid income • make adjustments for irrecoverable debts and provisions for doubtful debts • make adjustments for goods taken by the owner for own use. 				
5.2 Partnerships	<ul style="list-style-type: none"> • explain the advantages and disadvantages of forming a partnership • outline the importance and contents of a partnership agreement • explain the purpose of an appropriation account 				

Topic	You should be able to	R	A	G	Comments
	<ul style="list-style-type: none"> • prepare income statements, appropriation accounts and statements of financial position • record interest on partner's loans, interest on capital, interest on drawings, partners' salaries and the division of the balance of profit or loss • make adjustments to financial statements as detailed in 5.1 (sole traders) • explain the used of and differences between capital and current accounts • draw up partners' capital and current accounts in ledger account form and as part of a statement of financial position 				
5.3 Limited companies	<ul style="list-style-type: none"> • explain the advantages and disadvantages of operating as a limited company • understand the meaning of the term limited liability • understand the meaning of the term equity • understand the capital structure of a limited company comprising preference share capital, ordinary share capital, general reserve and retained earnings • understand and distinguish between issued, called-up and paid-up share capital • understand and distinguish between share capital (preference shares and ordinary shares) and loan capital (debentures) • prepare income statements, statements of changes in equity and statements of financial position • make adjustments to financial statements as detailed in 5.1 (sole traders) 				
5.4 Clubs and societies	<ul style="list-style-type: none"> • distinguish between receipts and payments accounts and income and expenditure accounts • prepare receipts and payments accounts 				

Topic	You should be able to	R	A	G	Comments
5.5 Manufacturing accounts	<ul style="list-style-type: none"> • distinguish between direct and indirect costs • understand direct material, direct labour, prime cost and factory overheads • understand and make adjustments for work in progress • calculate factory cost of production • prepare manufacturing accounts, income statements and statements of financial position • make adjustment to financial statements as detailed in 5.1 (sole traders). 				
5.6 Incomplete records	<ul style="list-style-type: none"> • explain the disadvantages of not maintaining a full set of accounting records • prepare opening and closing statements of affairs • calculate profit or loss for the year from changes in capital over time • calculate sales, purchases, gross profit, trade receivables and trade payables and other figures from incomplete information • prepare income statements and statements of financial position from incomplete records • make adjustments to financial statements as detailed in 5.1 (sole traders) • apply the techniques of mark-up, margin and inventory turnover to arrive at missing figures. 				

Topic 6: Analysis and interpretation

Topic	You should be able to	R	A	G	Comments
6.1 Calculation and understanding of accounting ratios	<ul style="list-style-type: none"> understand, calculate and explain the importance of the following accounting ratios gross margin profit margin return on capital employed (ROCE) current ratio liquid (acid test) ratio rate of inventory turnover (times) trade receivables turnover (days) trade payable turnover (days) 				
6.2 Interpretation of accounting ratios	<ul style="list-style-type: none"> prepare and comment on simple statements showing comparison of results for different years make recommendations and suggestions for improving profitability and working capital understand the significance of the difference between the gross margin and the profit margin as an indicator of a business's efficiency explain the relationship of gross profit and profit for the year to the valuation of inventory, rate of inventory turnover, revenue, expenses, and equity. 				
6.3 Inter-firm comparison	<ul style="list-style-type: none"> understand the problems of inter-firm comparison apply accounting ratios to inter-firm comparison. 				
6.4 Interested parties	<p>Explain the uses of accounting information by the following interested parties for decision-making:</p> <ul style="list-style-type: none"> owners managers 				

Topic	You should be able to	R	A	G	Comments
	<ul style="list-style-type: none"> trade payables banks investors club members other interested parties such as governments, tax authorities, etc. 				
6.5 Limitations of accounting statements	Recognise the limitations of accounting statements due to such factors as: <ul style="list-style-type: none"> historic cost difficulties of definition non-financial aspects 				

Topic 7: Accounting principles and policies

Topic	You should be able to	R	A	G	Comments
7.1 Accounting principles	Explain and recognise the application of the following accounting policies: <ul style="list-style-type: none"> matching business entity consistency duality going concern historic cost materiality 				

Topic	You should be able to	R	A	G	Comments
	<ul style="list-style-type: none"> • money measurement • prudence • realisation 				
7.2 Accounting policies	<p>Recognise the influence of international accounting standards and understand the following objectives in selecting accounting policies:</p> <ul style="list-style-type: none"> • comparability • relevance • reliability • understandability 				

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