

SEC SYLLABUS (2009)

ACCOUNTING

SEC 01

SYLLABUS

Accounting SEC 01 Syllabus	(Not available in September) Paper I (2hrs) + Paper II (2hrs)
---------------------------------------	--

The aims of the syllabus are to enable students:

1. To understand the function of accounting as a comprehensive and systematic method of recording the daily transactions of both profit-making organisations and non-profit-making organisations.
2. To appreciate the importance of accounting in the appraisal of the financial position and performance of the enterprise and in the making of sound business decisions.

To assess whether these aims have been achieved students will be examined on the ability to:

1. Record the information generated within an enterprise in methodical manner.
2. Summarise the information into a set of financial statements and to evaluate the performance and position of the entity therefrom.
3. Apply the financial information to the making of simple financial decisions.
- 4.

The examination will consist of two papers of two hours duration each. Questions will be set in English and must be answered in English.

Paper I (100 marks) is to be taken by ALL candidates. It will be a core paper consisting of a number of structured questions which will test the candidates' knowledge of the syllabus.

There will be two versions of Paper II: Paper IIA and Paper IIB. Questions in Paper IIA will be more difficult than those in Paper I. Questions in Paper IIB will be easier than those in Paper I. Candidates are required to indicate on the registration form which Paper II they wish to sit for. No change in the choice of paper will be allowed after the registration period.

Paper IIA (100 marks) will be divided into two sections. Section I will consist of two compulsory questions, which between them will carry 52% of the total marks and Section 2 will consist of four questions, out of which candidates will be required to answer three. Each question in this section will carry 16 % of the total marks.

Paper IIB (100 marks) will be divided into two sections. Section 1 (40 marks) will consist of two compulsory questions and Section 2 (60 marks) will consist of six questions, out of which candidates will be required to answer four.

Questions in Paper IIA and IIB should examine different areas of the syllabus. The final accounts of a sole trader's business can be examined in either the horizontal or vertical format. The vertical format is required for all other final accounts of other business organisations.

Workings are to be in accounting form or by way of calculations.

Noiseless electronic calculators will be permitted. Candidates are strongly advised to show all workings.

Results

Candidates sitting for Paper I and Paper IIA may qualify for grades 1, 2, 3, 4 or 5. The results of candidates who do not obtain at least a grade 5 shall remain Unclassified (U). Candidates sitting for Paper I and Paper IIB may qualify for grades 4, 5, 6, or 7. The results of candidates who do not obtain at least a grade 7 shall remain Unclassified (U).

SYLLABUS	Notes for Guidance
THE NATURE AND PURPOSE OF ACCOUNTING	<ul style="list-style-type: none"> (a) Accounting as an information system. (b) The users of accounting information with particular reference to the local situation and the reasons why they need such information. (c) The various services provided by the accountant within the local environment.
AN ELEMENTARY KNOWLEDGE OF THE FOLLOWING ACCOUNTING CONCEPTS AND IN PARTICULAR, HOW THEY AFFECT THE RECORDING AND PREPERATION OF THE FINAL ACCOUNTS AND BALANCE SHEET	<ul style="list-style-type: none"> (a) The Accruals Concept (b) The Business Entity Concept (c) The Prudence Concept (d) The Consistency Concept
THE PRINCIPLE OF DOUBLE-ENTRY	Recording of transactions using the double-entry system.
THE LEDGER	<ul style="list-style-type: none"> (a) The ledger as the principle book of accounts; (b) The reasons behind its sub-division into several books; (c) Recording entries in the ledger using the traditional ‘T’ form accounts and also with running balance format; (d) Balancing the accounts; an interpretation of any balances remaining, understanding as to their proper place in the balance sheet; (e) To differentiate between: <ul style="list-style-type: none"> (i) capital and revenue expenditure; (ii) income and expenditure items for transfer to the Profit and Loss Account; (iii) assets and liabilities for recording in the balance sheet. (f) the extraction of a trial balance <ul style="list-style-type: none"> (i) why it should agree; (ii) what is and what is not implied by its agreement (iii) errors not revealed by a trial balance (iv) the effects of transactions on a Trial Balance; (v) To distinguish between fixed and current assets and between current and long-term liabilities.
THE CASH BOOK AND THE PETTY CASH BOOK	<ul style="list-style-type: none"> (a) The purpose of a two-column and three-column cash book; (b) Cash discounts – their recording and eventual transfer; (c) Writing up the Cash Book and balancing it. Contra entries; (d) The Petty Cash Book and the Imprest System. Its purpose; (e) Bank statements and their reconciliation with the cash book; (f) Familiarity with the bank statement format and the usual terms contained therein, e.g. overdrawn, credit transfer, dishonoured cheque, bank charges, direct debit, standing order; (g) The difference between a bank deposit account and a current account.

BOOKS OF ORIGINAL ENTRY	<ul style="list-style-type: none"> (a) Understand the purpose of Day Books and their association with the ledger; (b) The source of information used to complete the Day Books e.g. the invoice, the credit note; (c) Record purchases, sales and returns in the appropriate Day Book, including analysis columns; (d) The recording of Value Added Tax in the Day Books; (e) The use of 'folio' columns; (f) Trade discount and its meaning; (g) The General Journal in the following circumstances: <ul style="list-style-type: none"> (i) to correct errors; (ii) to write off bad debts; (iii) purchase/sale of fixed assets on credit; (iv) to create/increase/decrease the provision for doubtful debts; (v) to record depreciation; (vi) to record depreciation; (vii) to transfer to the final accounts; Narratives may be required.
ACCRUALS AND PREPAYMENTS	<ul style="list-style-type: none"> (a) The need for these adjustments; (b) To calculate accruals and prepayments for both income and expenditure (c) The treatment for consumables *example: stationery, fuel etc). (d) Combined accounts such as rent and rates account will not be examined.
DEPRECIATION	<ul style="list-style-type: none"> (a) the necessity to provide for depreciation (b) Different methods of depreciation: (straight-line, reducing balance and revaluation methods) (c) The provision for depreciation account; (d) The asset disposal account.
BAD DEBTS AND PROVISIONS FOR DOUBTFUL DEBTS	<ul style="list-style-type: none"> (a) The distinction between a definite bad debt and a doubtful debt (b) Writing off bad debts; (c) The distinction between a specific and a general provision and the calculation required; (d) The preparation of separate bad debts account and provision for bad debts account; (e) Treatment for bad debts recovered;
DRAWINGS	<p>Treatment of cash drawings and drawings in kind i.e., goods at cost and personal expenses.</p>
SOLE TRADER'S BUSINESS	<p>The preparation of the final accounts of a sole trader. These may include year-end adjustments. Students are to be able to prepare final accounts of a sole trader in both the vertical and the horizontal format</p>
CONTROL ACCOUNTS FOR DEBTORS AND CREDITORS	<ul style="list-style-type: none"> (a) The purpose they serve; (b) The source documents used in compiling them; (c) Their preparation

PARTNERSHIPS	<ul style="list-style-type: none"> (a) The advantages/disadvantages of a partnership; (b) The partnership deed and the main common clauses in such agreement; (c) The use and preparation of separate capital and current accounts including the understanding of debit and credit balances. (d) Treatment of interest on capitals, partner's salaries, interest on drawings, interest on loans from partners, partner's drawings in cash and in kind and the division of residual profits or losses. (e) Students should be able to deal with changes in partners' capital during the year. (f) The preparation of final accounts in vertical and horizontal format including the appropriation account. The actual calculation of interest on drawings will not be required
INCOMPLETE RECORDS	<ul style="list-style-type: none"> (a) An appreciation of the direct method in arriving at the profit figure by the use of a Statement of Affairs; (b) The disadvantages of having incomplete records; (c) The use of control accounts to calculate the sales and purchase figures; (d) The preparation of the final accounts and balance sheet from incomplete information. Students should not be required to use accounting ratios for this topic.
DEPARTMENTAL ACCOUNTS	<ul style="list-style-type: none"> (a) The need for such accounts; (b) Direct allocation and apportionment of expenses in accordance with given data; (c) Correct interpretation of the figures; The preparation of the final accounts and balance sheet.
MANUFACTURING ACCOUNT	<ul style="list-style-type: none"> (a) The purpose of preparing a manufacturing account; (b) The elements of cost; (c) distinction between the various classifications of cost. <ul style="list-style-type: none"> (i) direct production costs and factory overheads; (ii) fixed and variable overheads; (iii) Prime Costs and Total Factory Costs; (iv) Manufacturing Expenses, Administration Expenses and Selling and Distribution Expenses. (d) The accounting treatment of closing stocks (e) The preparation of the final accounts and balance sheet
NON-PROFIT MAKING ORGANISATIONS	<ul style="list-style-type: none"> (a) The main features of such organisations; (b) The difference between an income and expenditure account and a receipt and payments account; (c) The calculation of the accumulated fund; (d) The effect of a surplus or deficit on the accumulated fund; (e) The Income and Expenditure Account and balance sheet; (f) The ordinary subscriptions account (g) Calculation of bar profit and profit/losses from similar activities
LIMITED COMPANIES	<ul style="list-style-type: none"> (a) The advantages of limited liability; (b) An elementary understanding of how the capital of a company is constituted – Ordinary Shares, Preference Shares debentures and other loans; (c) The difference between Authorised and Issued Capital; (d) nominal and market value shares; (e) Calculation and treatment of: <ul style="list-style-type: none"> (i) Dividends including interim dividends; (ii) Loan interest. (f) Distinction between charges against profits and distribution of profits – the appropriation account; (g) The treatment of: <ul style="list-style-type: none"> (i) a general reserve; (ii) retained earnings; (iii) share premium in the final accounts (h) The preparation of the final accounts and balance sheet.

**INTRODUCTION TO
ACCOUNTING RATIOS**

Their purpose, calculation and basic interpretation and main limitations:

- (i) the mark-up and the margin;
- (ii) rate of stock turnover;
- (iii) gross profit to sales percentage;
- (iv) net profit to sales percentage;
- (v) the current (working capital) ratio;
- (vi) the acid test (quick assets) ratio;
- (vii) return on capital employed.

**CORRECTION OF
ERRORS**

- (a) Correcting errors affecting the correctness of a trial balance;
 - (b) Correcting errors not affecting trial balance agreement;
 - (c) The preparation of a suspense account;
 - (d) The effect of errors on the calculation of profits.
-

(NOTE) The sequence in which the topics have been presented does not imply any particular degree of importance or the order in which they ought to be taught.