



Cambridge Assessment  
International Education

Next Steps

# Cambridge IGCSE™ Accounting 0452 and Cambridge International AS & A Level Accounting 9706

For Cambridge IGCSE examination from 2020

For Cambridge International AS & A Level examination from 2019



Version 1

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Pathway 

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## Introduction

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The focus of this guide is on moving on from teaching and studying the **Cambridge IGCSE™ Accounting 0452** syllabus to the **Cambridge International AS & A Level Accounting 9706** syllabus.

This guide will help you and your learners:

- understand what to expect when you start the AS & A Level course
- prepare for the AS & A Level course
- think about ways to achieve success and gain confidence.

You may be using this document at the end of the academic year for Cambridge IGCSE Accounting or at the start of the academic year for Cambridge International AS & A Level Accounting. Either way, the aim is to motivate and inspire learners. If there is to be a time gap between delivering this session and starting the Cambridge International AS & A Level course, then the aim is for every learner to look forward to the new course positively.

This Introduction, the Resources and Suggested classroom activity sections of this guide are written directly for you, the teacher. The rest of this guide has been written to make it easy for you to adapt and reproduce the content for use by your learners.

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## Frequently asked questions by learners

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Listed below are some questions which learners frequently ask. The answers to each of the questions below are written as a direct communication to your learners. You could copy and paste these to make a PowerPoint, read them out to your group, or produce a booklet for them to read through and discuss.

### Is it helpful to have taken the Cambridge IGCSE Accounting course?

Yes. The move from Cambridge IGCSE to Cambridge International AS & A Level has been designed to be as smooth a transition as possible. Many of the topic headings are the same so you will already be familiar with the topic and will just progress from there. The style of questions may be similar and the skills you have developed will be useful.

### What extra work will I have to do, if I have not taken Cambridge IGCSE Accounting?

This will depend on the course you have taken. Many learners without a Cambridge IGCSE background have the same skills and subject knowledge and generally adjust quickly to the 'Cambridge' style when they start their Cambridge International AS & A Level.

You may not have covered some topics that are a useful base for Cambridge International AS & A Level. This is not a problem – you will probably find that your teacher goes over some Cambridge IGCSE work as a start to a new AS & A Level topic, or if not, you can easily develop your research skills and read up what you need to know. You will find that teaching yourself subject matter at Cambridge IGCSE level is much easier when you are working to a higher level.

### What is the syllabus?

The syllabus for Cambridge International AS & A Level Accounting is a complete description of the content, examinations and what you need to do to be successful in the qualification. '9706' is the reference number of the Accounting syllabus.

Your teacher may give you a copy of the subject content of the syllabus. Or go to the Cambridge website at [www.cambridgeinternational.org/9706](http://www.cambridgeinternational.org/9706) for the full copy of the syllabus.

### How do I make the transition from Cambridge IGCSE Accounting to Cambridge International AS & A Level Accounting?

This guide will help you prepare for the transition, so there are no surprises in what to expect.

You may find you hardly notice the transition to AS & A Level, or you may find it more difficult to adjust at first and need a bit of time to settle into the new course. Try and assess your own situation and then decide your best course of action.

## What are the differences?

Some of the main differences you will find when you study Cambridge International AS & A Level compared to Cambridge IGCSE are listed in the table below.

<b>Fewer subjects</b>	Hopefully you will have chosen the subjects that you really enjoy, are really good at or those which you need to take you on to university and/or your chosen career.
<b>Smaller classes</b>	You will have an opportunity to contribute more to lessons and have more one-to-one interaction with your teacher. You will have more lessons each week: the recommended number of guided learning hours for Cambridge IGCSE Accounting is 130 compared with 180 guided learning hours for AS Level and 360 learning hours for the full A Level qualification.
<b>Detailed and specialist content</b>	You will find increased challenge as you study in greater depth, work more independently and begin to develop your own ideas. You will be able to explore topics in much more depth than at Cambridge IGCSE, maybe finding answers to questions that were unanswered at that level, and learning about certain topics which are completely new.
<b>Independent study</b>	Greater independence is a key part of Cambridge International AS & A Level qualifications which helps prepare you for study at university. It is important that you use this independent study time well. You can use this time in a variety of constructive ways – for completion of homework tasks, assignments, research or for completing additional reading around the subject.
<b>Revision</b>	Try to build in some time for revision throughout the course – consolidating and learning notes as you go along makes it much easier to remember when it comes to examination time.
<b>Read around your subject</b>	Use a range of textbooks and internet sites, though you will probably find the Cambridge-endorsed textbooks the most helpful.
<b>Take notes</b>	When you take notes, try to summarise the main information that you need. Use headings and bullet points to reduce the content, and colours to highlight key pieces of information. If using the internet, don't just print pages of information; make notes from them or highlight text to show the key points. Always use your own words where possible.
<b>Independent research</b>	You might have completed some wider reading tasks at Cambridge IGCSE but you can expect this to be a more regular feature of homework tasks. Ask your teacher for a recommended list of textbooks and websites that you can use so you have a good starting point. Save useful websites to your Favourites bar so you know where to find them again.

<b>Folders</b>	<p>You will probably move from exercise books to folders to record your learning and it is important to be organised. Divide your folder into topic sections and keep your notes in date order. Keep copies of past questions, mark schemes and example answers alongside any completed assessed work. Highlight examination advice in your notes and keep key documents about examinations in a separate section of your folder.</p>
<b>Command words</b>	<p>These are the words in an exam question that explain to you what you need to do such as: describe, explain, state, evaluate. You may well have underlined these when looking at example examination questions. At Cambridge International AS &amp; A Level, you may be introduced to some new command words. You could start your own glossary too.</p>
<b>Assessment</b>	<p>You need to know: what examinations you will sit; how long each examination is; whether you have a choice of questions or not; how many marks each question and paper carries and what the structure of the questions is like. It is a good idea to have an assessment overview and copies of past papers and mark schemes.</p>
<b>Key concepts</b>	<p>You will be introduced to key concepts that help you to develop a deeper understanding of the subject and make links between the different areas of the syllabus.</p> <p>The key concepts for Cambridge International AS &amp; A Level Accounting are:</p> <ul style="list-style-type: none"> <li>• <b>A true and fair view</b> – Financial statements are designed to give a true and fair view of the business to internal and external stakeholders.</li> <li>• <b>Duality (double-entry)</b> – Duality (double-entry) in accounting recognises that every financial transaction has a double (or dual) effect on the position of a business as recorded in the accounts.</li> <li>• <b>Consistency</b> – Consistency in the treatment of financial transactions enables the performance of a business to be compared meaningfully over different time periods.</li> <li>• <b>Business entity</b> – A business is a separate legal entity from the owner of a business. The accounting records must relate only to the business and not to the personal assets and spending of the owner.</li> <li>• <b>Money measurement</b> – Financial accounts only include transactions that can be expressed in terms of money. For example, the purchase of raw material is recorded in the accounts whereas staff creativity is not.</li> </ul>

## Skills, topics and assessment

### What are the skills needed for the Cambridge International AS & A Level course?

For the examinations taken at AS & A Level, you will be assessed on assessment objectives (AOs) which detail the skills and knowledge you need to display in order to fulfil the requirements of the qualification. These skills are divided into four main groups:

<b>AO1</b> Demonstrate knowledge and understanding of financial accounting and cost and management accounting	<b>AO2</b> Apply knowledge and understanding to given accounting and business situations, and present the outcomes in the most appropriate form	<b>AO3</b> Analyse accounting information and communicate outcomes in the most appropriate form	<b>AO4</b> Evaluate accounting information to facilitate effective decision making
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### How will I be assessed?

At AS Level you sit Paper 1, a multiple-choice exam, and Paper 2, which has four structured compulsory questions based on the content outlined in the syllabus. The Cambridge International A Level examination (Paper 3) contains six compulsory structured questions. There are no essay-style questions at AS or A Level, but there are opportunities for evaluative writing.

### What topics will be studied?

Cambridge IGCSE Accounting 0452 serves as a foundation for Cambridge International AS & A Level Accounting 9706 which prepares learners for the study of accounting at university. There are some areas of the Cambridge International AS & A Level syllabus which you will already have studied and some areas that will be new to you. The table below shows the main areas of progression between the Cambridge IGCSE and the Cambridge International AS & A Level syllabus.

Where topics are completely new, there may be more key terms and you may need to read around these topics more widely to consolidate your knowledge and understanding.

Cambridge IGCSE Accounting 0452	Cambridge International AS & A Level Accounting 9706 – Papers 1 & 2
<b>Sources and recording of data; The accounting cycle</b>	
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  Explain the meaning of assets, liabilities and owner's equity  Explain and apply the accounting equation  Outline the double entry system of book-keeping	Explain and apply the principles of the double entry system to record business transactions  Apply the accounting equation  Describe the functions of the books of prime entry  Describe the limitations of the books of prime entry  Prepare ledger accounts and trial balance  Apply the accounting concepts underpinning the preparation of accounts: <ul style="list-style-type: none"> <li>• business entity</li> <li>• historic cost</li> <li>• money measurement</li> </ul>



Cambridge IGCSE Accounting 0452	Cambridge International AS & A Level Accounting 9706 – Papers 1 & 2
<p>Process accounting data using the double entry system</p> <p>Recognise the division of the ledger into the sales ledger, the purchases ledger and the nominal (general) ledger</p> <p>Recognise and understand the following business documents: invoice, credit note, debit note, statement of account, cheque, receipt</p> <p>Complete pro-forma business documents Understand the use of business documents as sources of information</p> <p>Explain the advantage of using various books of prime entry</p> <p>Explain the use of, and process, accounting data in the books of prime (original) entry: cash book, petty cash book, sales journal, purchases journal, sales returns journal, purchases returns journal and the general journal</p> <p>Post the ledger entries from the books of prime entry</p> <p>Distinguish between and account for trade discount and cash discounts</p> <p>Explain the dual function of the cash book as a book of prime (original) entry and as a ledger account for bank and cash</p> <p>Explain the use of and record payments and receipts made by bank transfers and other electronic means</p> <p>Explain and apply the imprest system of petty cash Prepare ledger accounts</p> <p>Post transactions to the ledger accounts</p> <p>Balance ledger accounts as required and make transfers to financial statements</p> <p>Interpret ledger accounts and their balances</p> <p>Understand that a trial balance is a statement of ledger balances on a particular date</p> <p>Outline the uses and limitations of a trial balance</p>	<p>Apply the accounting concepts underpinning the preparation of accounts (continued):</p> <ul style="list-style-type: none"> <li>• going concern</li> <li>• consistency</li> <li>• prudence</li> <li>• realisation</li> <li>• duality</li> <li>• materiality</li> <li>• matching and substance over form</li> </ul>

Cambridge IGCSE Accounting 0452	Cambridge International AS & A Level Accounting 9706 – Papers 1 & 2
<p>Prepare a trial balance from a given list of balances and amend a trial balance which contains errors</p> <p>Identify and explain those errors which do not affect the trial balance: commission, compensating, complete reversal, omission, original entry, principle</p> <p>Correct errors by means of journal entries</p> <p>Correct errors by means of suspense accounts</p> <p>Adjust the profit or loss for an accounting period after the correction of errors</p> <p>Understand the effect of correction of errors on a statement of financial position</p> <p>Explain and recognise the application of the following accounting principles:</p> <ul style="list-style-type: none"> <li>• matching</li> <li>• business entity</li> <li>• consistency</li> <li>• duality</li> <li>• going concern</li> <li>• historic cost</li> <li>• materiality</li> <li>• money measurement</li> <li>• prudence</li> <li>• realisation</li> </ul> <p>Understand the basis of the valuation of inventory at the lower of cost or net realisable value</p> <p>Prepare simple inventory valuation statements</p> <p>Recognise the importance of matching costs and revenues</p> <p>Prepare ledger accounts and journal entries to record accrued and prepaid expenses</p> <p>Prepare ledger accounts and journal entries to record accrued and prepaid incomes</p>	

Cambridge IGCSE Accounting 0452	Cambridge International AS & A level Accounting 9706 – Papers 1 & 2
<b>Reconciliation and verification</b>	
<p>Understand the use and purpose of a bank statement</p> <p>Update the cash book for bank charges, bank interest paid and received, correction of errors, credit transfers, direct debits, dividends, and standing orders</p> <p>Understand the purpose of, and prepare, a bank reconciliation statement to include bank errors, uncredited deposits and unpresented cheques</p> <p>Understand the purposes of purchases ledger and sales ledger control accounts</p> <p>Identify the books of prime (original) entry as sources of information for the control account entries</p> <p>Prepare purchases ledger and sales ledger control accounts to include credit purchases and sales, receipts and payments, cash discounts, returns, bad debts, dishonoured cheques, interest on overdue accounts, contra entries, refunds, opening and closing balances (debit and credit within each account)</p>	<p>Understand the need to reconcile and verify ledger accounts using documentation from internal and external sources</p> <p>Prepare a bank reconciliation statement from relevant information</p> <p>Prepare ledger accounts and journal entries to correct errors using a suspense account and record the effects of these in the financial statements</p> <p>Prepare sales and purchase ledger control accounts</p> <p>Reconcile control accounts and ledgers</p> <p>Outline the uses and limitations of control accounts</p>
<b>Accounting for non-current assets</b>	
<p>Distinguish between and account for capital expenditure and revenue expenditure</p> <p>Distinguish between and account for capital receipts and revenue receipts</p> <p>Calculate and comment on the effect on profit of incorrect treatment</p> <p>Calculate and comment on the effect on asset valuations of incorrect treatment</p> <p>Define depreciation</p> <p>Explain the reasons for accounting for depreciation</p> <p>Name and describe the straight-line (equal instalment), reducing (diminishing) balance and revaluation methods of depreciation</p> <p>Prepare ledger accounts and journal entries for the provision of depreciation</p>	<p>Understand the distinction between and treatment of capital and revenue incomes and expenditures</p> <p>Understand the causes of depreciation</p> <p>Understand the purpose of accounting for depreciation and the application of relevant accounting concepts in respect of non-current assets</p> <p>Calculate depreciation using the reducing balance, straight-line and revaluation methods</p> <p>Evaluate the most appropriate method of calculating depreciation</p> <p>Prepare ledger accounts and journal entries for non-current assets, depreciation and disposal (including entries for part exchange)</p> <p>Calculate the profit or loss on disposal of a non-current asset</p> <p>Record the effect of providing for depreciation in the</p>

Cambridge IGCSE Accounting 0452	Cambridge International AS & A level Accounting 9706 – Papers 1 & 2
Prepare ledger accounts and journal entries to record the sale of non-current assets, including the use of disposal accounts	income statement and statement of financial position
<b>Preparation of financial statements</b>	
<p>Explain the importance of preparing income statements and statements of financial position.</p> <p>Calculate the gross profit and profit for the year based on accounting principles for a specified period</p> <p>Recognise that profit for the year is the increase in the net assets during that period</p> <p>Understand that statements of financial position record assets and liabilities on a specified date</p> <p>Recognise and define the content of a statement of financial position: non-current assets, intangible assets, current assets, current liabilities, non-current liabilities, working capital, capital employed and capital owned</p> <p>Comment on the inter-relationship of items in a statement of financial position</p> <p>Explain the advantages and disadvantages of operating as a sole trader</p> <p>Explain the difference between a trading business and a 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>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>Record interest on partners' loans, interest on capital, interest on drawings, partners' salaries and the division of the balance of profit or loss</p>	<p>Understand the need for and purpose of financial statements</p> <p>Calculate adjustments needed for:</p> <ul style="list-style-type: none"> <li>• accruals and prepayments</li> <li>• irrecoverable debts and doubtful debts</li> <li>• depreciation</li> <li>• inventory</li> </ul> <p>Prepare an income statement and statement of financial position for a sole trader from full or incomplete accounting records</p> <p>Prepare an income statement, appropriation account and statement of financial position for a partnership from full or incomplete accounting records</p> <p>Prepare capital and current accounts to record changes required in respect of goodwill and revaluation of assets on the introduction of a new partner, retirement of an existing partner and the dissolution of a partnership</p> <p>Prepare an income statement, statement of financial position and simple cash flows for a limited company from full or incomplete accounting records</p> <p>Describe the distinction between capital and revenue reserves</p> <p>Explain the different types of shares a company may issue</p> <p>Prepare ledger accounts to record the issue of the different type of shares, including bonus and rights issues</p> <p>Prepare a statement of changes in equity</p>

Cambridge IGCSE Accounting 0452	Cambridge International AS & A level Accounting 9706 – Papers 1 & 2
<p>Explain the uses of, and differences between, capital and current accounts</p> <p>Draw up partners' capital and current accounts in ledger account form and as part of a statement of financial position</p> <p>Explain the advantages and disadvantages of operating as a limited company</p> <p>Understand the meaning of the term limited liability</p> <p>Understand the meaning of the term equity</p> <p>Understand the capital structure of a limited company comprising preference share capital, ordinary share capital, general reserve and retained earnings</p> <p>Understand and distinguish between share capital (preference shares and ordinary shares) and loan capital (debentures)</p> <p>Prepare income statements, statements of changes in equity and statements of financial position</p> <p>Make adjustments for accrued and prepaid expenses and accrued and prepaid income</p> <p>Make adjustments for bad debts and provisions for doubtful debts</p> <p>Make adjustments for provision for depreciation using the straight-line (equal instalment), diminishing (reducing) balance and revaluation methods</p> <p>Make adjustments for goods taken by the owner(s) for own use</p> <p>Explain the disadvantages of not maintaining a full set of accounting records</p> <p>Prepare opening and closing statements of affairs Calculate profit or loss for the year from changes in capital over time</p> <p>Calculate sales, purchases, gross profit, trade receivables and trade payables and other figures from incomplete information</p>	

Cambridge IGCSE Accounting 0452	Cambridge International AS & A level Accounting 9706 – Papers 1 & 2
<p>Apply the techniques of mark-up, margin and inventory turnover to arrive at missing figures</p> <p>Prepare income statements and statements of financial position from incomplete records</p> <p>Make adjustments to financial statements from incomplete records</p>	
<b>Analysis and communication of accounting information to stakeholders</b>	
<p>Explain the uses of accounting information by the following interested parties for decision making:</p> <ul style="list-style-type: none"> <li>• owners</li> <li>• managers</li> <li>• trade payables</li> <li>• banks</li> <li>• investors</li> <li>• club members</li> <li>• other interested parties e.g. tax authorities</li> </ul> <p>Understand, calculate and explain the importance of these ratios:</p> <ul style="list-style-type: none"> <li>• gross margin</li> <li>• profit margin</li> <li>• return on capital employed (ROCE)</li> <li>• current ratio</li> <li>• liquid (acid test) ratio</li> <li>• rate of inventory turnover (times)</li> <li>• trade receivables turnover (days)</li> <li>• trade payables turnover (days)</li> </ul> <p>Interpretation of accounting ratios:</p> <ul style="list-style-type: none"> <li>• prepare and comment on simple statements showing comparison of results for different years</li> <li>• make recommendations and suggestions for improving profitability and working capital</li> <li>• understand the significance of the difference between the gross profit percentage and the percentage of profit to revenue as an indicator of a business's efficiency</li> <li>• explain the relationship of gross profit and profit for the year to the valuation of inventory, rate of inventory turnover, revenue, expenses, and equity</li> <li>• understand the problems of inter-firm comparison</li> <li>• apply accounting ratios to inter-firm comparison</li> </ul> <p>Recognise the limitations of accounting statements due to such factors as:</p>	<p>Understand the need for the analysis of financial data to aid decision making by stakeholders</p> <p>Identify and discuss the differing requirements for information of user groups including:</p> <ul style="list-style-type: none"> <li>• management</li> <li>• employees</li> <li>• potential investors</li> <li>• creditors</li> <li>• government</li> <li>• public and environmental bodies</li> </ul> <p>and communicate the information required by these different stakeholder groups</p> <p>Calculate key accounting ratios to measure profitability, liquidity and efficiency:</p> <ul style="list-style-type: none"> <li>• profitability ratios including: <ul style="list-style-type: none"> <li>○ gross margin</li> <li>○ mark up</li> <li>○ profit margin</li> <li>○ return on capital employed</li> <li>○ expenses to revenue</li> </ul> </li> <li>• liquidity ratios including: <ul style="list-style-type: none"> <li>○ current ratio</li> <li>○ liquid (acid test) ratio</li> </ul> </li> <li>• efficiency ratios including: <ul style="list-style-type: none"> <li>○ non-current asset turnover</li> <li>○ trade receivables turnover (days)</li> <li>○ trade payables turnover (days)</li> <li>○ rate of inventory turnover (times)</li> </ul> </li> </ul> <p>Use ratios to evaluate and comment on the profitability, liquidity and efficiency of an organisation</p> <p>Identify and discuss the limitations of accounting information</p>

Cambridge IGCSE Accounting 0452	Cambridge International AS & A level Accounting 9706 – Papers 1 & 2
<ul style="list-style-type: none"> <li>• historic cost</li> <li>• difficulties of definition</li> <li>• non-financial aspects</li> </ul> <p>Recognise the influence of international accounting standards and understand the following objectives in selecting accounting policies:</p> <ul style="list-style-type: none"> <li>• comparability</li> <li>• relevance</li> <li>• reliability</li> <li>• understandability</li> </ul>	
<b>Costing for materials and labour</b>	
	<p>Understand the need to account for material and labour costs</p> <p>Identify and calculate fixed costs, variable costs, semi-variable costs and stepped costs</p> <p>Identify the elements of direct and indirect materials and labour</p> <p>Calculate the value of closing inventory using the FIFO and AVCO methods (perpetual and periodic)</p> <p>Calculate labour costs using different methods of remuneration including bonus schemes</p> <p>Understand the different characteristics, and the appropriateness, of using FIFO, AVCO and LIFO</p> <p>Demonstrate the effect of different methods of valuing inventory of material on profit</p>
<b>Traditional costing methods</b>	
	<p>Understand the application of absorption costing Allocate and apportion overhead expenditure between production and service departments</p> <p>Calculate overhead absorption rates</p> <p>Calculate and explain the causes of under absorption and over absorption of overheads</p> <p>Identify and explain the uses and limitations of absorption costing</p> <p>Understand the application of marginal costing</p> <p>Calculate the contribution of a product</p>

Cambridge IGCSE Accounting 0452	Cambridge International AS & A level Accounting 9706 – Papers 1 & 2
	<p>Prepare a break-even chart</p> <p>Calculate the break-even point, contribution to sales ratio and margin of safety</p> <p>Explain the use and limitations of break-even charts</p> <p>Prepare a statement reconciling the reported profit using marginal costing and absorption costing</p> <p>Identify the uses and limitations of marginal costing</p> <p>Calculate the effect of limiting factors on production</p>
<b>Cost-volume-profit analysis</b>	
	<p>Identify and explain the advantages and limitations of cost-volume-profit analysis</p> <p>Evaluate and interpret cost-volume-profit data and its value as a support for management decision making</p> <p>Prepare costing statements using unit, job, and batch costing principles</p> <p>Apply costing concepts to make business decisions and recommendations using supporting data</p>
<b>The application of accounting to business planning</b>	
	<p>Understand the benefit to business planning of using accounting data</p> <p>Explain the need for a business to plan for the future</p> <p>Explain why organisations prepare budgets and the benefits they bring to the planning process</p> <p>Explain the advantages and disadvantages of budgetary control, including both financial and non-financial factors</p>



Cambridge IGCSE Accounting 0452	Cambridge International AS & A Level Accounting 9706 – Paper 3
<b>Preparation of financial statements</b>	
<p><b>Manufacturing businesses</b></p> <ul style="list-style-type: none"> <li>• Distinguish between direct and indirect costs</li> <li>• Distinguish between direct material, direct labour, prime cost and factory overheads</li> <li>• Understand and make adjustments for work in progress</li> <li>• Calculate factory cost of production</li> <li>• Prepare manufacturing accounts, income statements and statements of financial position, including adjustments</li> </ul> <p><b>Not for profit organisations</b></p> <ul style="list-style-type: none"> <li>• Distinguish between receipts and payments accounts and income and expenditure accounts</li> <li>• Prepare receipts and payments accounts</li> <li>• Prepare accounts for revenue-generating activities, e.g. refreshments, subscriptions</li> <li>• Prepare income and expenditure accounts and statements of financial position including adjustments</li> <li>• Define and calculate the accumulated fund</li> </ul> <p><b>Limited companies</b></p> <ul style="list-style-type: none"> <li>• Explain the advantages and disadvantages of operating as a limited company</li> <li>• Understand the meaning of the term limited liability</li> <li>• Understand the meaning of the term equity</li> <li>• Understand the capital structure of a limited company comprising preference share capital, ordinary share capital, general reserve and retained earnings</li> <li>• Understand and distinguish between share capital (preference shares and ordinary shares) and loan capital (debentures)</li> <li>• Prepare income statements, statements of changes in equity and statements of financial position including adjustments</li> </ul>	<p>Understand the need for and purpose of financial statements for specific types of trading and not for profit organisations.</p> <p><b>Manufacturing businesses</b></p> <ul style="list-style-type: none"> <li>• Prepare a manufacturing account, including profit on transfer from factory to finished inventory</li> <li>• Account for manufacturing profit and the elimination of unrealised profit from unsold inventory</li> </ul> <p><b>Not for profit organisations</b> Prepare financial statements including:</p> <ul style="list-style-type: none"> <li>• trading account</li> <li>• income and expenditure account</li> <li>• statement of financial position</li> </ul> <p><b>Limited companies</b></p> <ul style="list-style-type: none"> <li>• Understand the nature and purpose of the financial statements of limited companies, and the regulatory framework in which they operate</li> <li>• Prepare an income statement, statement of financial position and statement of cash flows for a limited company in line with relevant international accounting standards</li> </ul>
<b>International Accounting Standards</b>	
	<p>Explain and apply the main provisions of the following International Accounting Standards:</p> <ul style="list-style-type: none"> <li>• IAS 1 Presentation of financial statements</li> <li>• IAS 2 Inventories (not long-term contracts)</li> <li>• IAS 7 Statement of cash flows</li> <li>• IAS 8 Accounting policies</li> <li>• IAS 10 Events after the reporting period</li> <li>• IAS 16 Property, plant and equipment</li> </ul>

Cambridge IGCSE Accounting 0452	Cambridge International AS & A Level Accounting 9706 – Paper 3
	<ul style="list-style-type: none"> <li>• IAS 36 Impairment of assets</li> <li>• IAS 37 Provisions, contingent liabilities and contingent assets</li> <li>• IAS 38 Intangible assets</li> </ul> <p>Explain the need for an ethical framework in accounting</p>
<b>Auditing and stewardship of companies</b>	
	<p>Explain the role of the auditor</p> <p>Explain and discuss the role of directors and their responsibilities to shareholders</p> <p>Discuss the importance of a true and fair view in respect of financial statements</p>
<b>Business purchase and merger</b>	
	<p>Understand the nature and purpose of the merger of different types of businesses to form a new enterprise</p> <p>Make entries in the relevant ledger accounts to record the:</p> <ul style="list-style-type: none"> <li>• merger of two or more sole traders' businesses to form a partnership</li> <li>• merger of a sole trader's business with an existing partnership to form an enlarged partnership</li> <li>• acquisition of a sole trader's business or partnership by a limited company</li> </ul> <p>Prepare income statements and statements of financial position for the newly formed business following the merger, for example the limited company acquiring the partnership</p> <p>Evaluate and discuss the advantages and disadvantages of the proposed merger</p>
<b>Consignment and Joint venture accounts</b>	
	<p>Distinguish between consignments and joint ventures and the environment in which they operate</p> <p>Prepare ledger accounts for consignment transactions, including the calculation of closing inventory valuation</p> <p>Prepare ledger accounts for joint ventures</p> <p>Calculate the profit for joint ventures</p>
<b>Computerised accounting systems</b>	
	<p>Understand the need for and be able to discuss the process of computerising the accounts of a business</p>

Cambridge IGCSE Accounting 0452	Cambridge International AS & A Level Accounting 9706 – Paper 3
	<p>Discuss the advantages and disadvantages of introducing a computerised accounting system</p> <p>Discuss the process of computerising the business accounts</p> <p>Discuss ways in which the integrity of the accounting data can be ensured during the transfer to a computerised accounting system</p>
<b>Analysis and communication of accounting information</b>	
	<p>Understand the need for the analysis of financial data to aid decision making by potential investors in a business.</p> <p>Calculate the following ratios:</p> <ul style="list-style-type: none"> <li>• working capital cycle</li> <li>• net working assets to revenue</li> <li>• income gearing</li> <li>• gearing</li> <li>• earnings per share</li> <li>• price earnings ratio</li> <li>• dividend yield</li> <li>• dividend cover</li> <li>• dividend per share</li> </ul> <p>Analyse and evaluate the results of the ratios and draw conclusions</p> <p>Make appropriate recommendations to potential investors on the basis of the analysis undertaken</p> <p>Evaluate the interrelationships between ratios</p>
<b>Activity based costing</b>	
	<p>Understand and discuss the application of activity based costing</p> <p>Identify and explain the uses and limitations of activity based costing</p> <p>Use activity based costing to:</p> <ul style="list-style-type: none"> <li>• apportion overheads</li> <li>• calculate the total cost of a unit</li> <li>• calculate the value of inventory</li> <li>• demonstrate the effect of different methods of overhead absorption on profit</li> </ul> <p>Apply activity based costing techniques to make business decisions and recommendations using supporting data</p>

Cambridge IGCSE Accounting 0452	Cambridge International AS & A Level Accounting 9706 – Paper 3
<b>Budgeting and budgetary control</b>	
	<p>Understand the need for and benefits of a budgetary control system to an organisation</p> <p>Discuss the advantages and disadvantages of a budgetary control system to an organisation</p> <p>Prepare the following budgets:</p> <ul style="list-style-type: none"> <li>• sales</li> <li>• production</li> <li>• purchases</li> <li>• labour</li> <li>• trade receivables</li> <li>• trade payables</li> <li>• cash</li> <li>• master budget</li> </ul> <p>Recognise the effect of limiting factors on the preparation of budgets</p> <p>Prepare a flexed budget statement</p> <p>Identify and explain the causes of differences between actual and flexed budgeted data</p> <p>Make business decisions and recommendations using supporting data</p> <p>Discuss the behavioural aspects of budgeting</p>
<b>Standard costing</b>	
	<p>Understand the application of a system of standard costing to an organisation</p> <p>Calculate the following variances:</p> <ul style="list-style-type: none"> <li>• direct material price and usage</li> <li>• direct labour rate and efficiency</li> <li>• fixed overhead expenditure, capacity, efficiency and volume</li> <li>• sales price and volume</li> </ul> <p>Reconcile standard cost to actual cost</p> <p>Reconcile standard profit to actual profit</p> <p>Explain the causes of the variances and their relationship to each other</p> <p>Discuss how standard costing can be used as an aid to improve the performance of the business</p>

Cambridge IGCSE Accounting 0452	Cambridge International AS & A Level Accounting 9706 – Paper 3
	Discuss the advantages and disadvantages of a standard costing system
<b>Investment appraisal</b>	
	<p>Understand the process of investment appraisal Ascertain future net cash inflows and outflows arising from the project, including the treatment of working capital</p> <p>Discuss the advantages and disadvantages of and apply the following capital investment appraisal techniques:</p> <ul style="list-style-type: none"> <li>• net present value (NPV)</li> <li>• accounting rate of return (ARR)</li> <li>• payback</li> <li>• internal rate of return (IRR)</li> </ul> <p>Make investment decisions and recommendations using supporting data</p> <p>Evaluate, apply and discuss sensitivity analysis techniques in respect of the data prepared</p>

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## Resources

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Although some of the resources for Cambridge International AS & A Level are similar to those for Cambridge IGCSE such as past papers and endorsed textbooks, some of the topics will be new. Reading widely and learning new skills are part of the challenge for learners of stepping up to Cambridge International AS & A Level Accounting.

### Past/specimen papers and mark schemes

Past examination papers and specimen papers provide opportunities for learners to become familiar with the assessment requirements of the course. Learners should try to get as much practice as they can before their final exams.

### Textbooks

There is a wide variety of textbooks available, some which cover the entire course and others which specialise in certain topics. Give your learners a list of suggested reading materials. There is one endorsed textbook that is currently available for this course.

To find a list of the endorsed textbooks go to [www.cambridgeinternational.org](http://www.cambridgeinternational.org)

### Websites

There are some specific AS & A Level Accounting revision sites which are great to use. You can also use general search engines to find information although some sites might be more relevant than others. Sometimes, teachers put lesson presentations on the internet too. Remember to check all internet resources for suitability, making sure that the content is relevant for your syllabus. Some websites match a certain syllabus. That does not mean that they are not useful, you will just need to be selective about the topics that you choose from them.

[www.cambridgeinternational.org](http://www.cambridgeinternational.org) (access to syllabus, past papers and mark schemes)

[www.osbornebooks.co.uk](http://www.osbornebooks.co.uk) (access to online quizzes for most Accounting A Level topics)

[www.khanacademy.org](http://www.khanacademy.org) (limited coverage of Accounting A Level topics)

## Suggested classroom activity

You could use the plan below to deliver a lesson that supports the transition to AS & A Level study.

Subject: Control account reconciliation		Syllabus reference: 1.3 Reconciliation and verification
<p><b>Lesson objectives:</b></p> <p>To consolidate existing knowledge of control accounts.</p> <p>To learn how to analyse the effect of errors on the sales ledger control account and the total of the balances on the sales ledger.</p>	<p><b>Lesson outcomes:</b></p> <p>To undertake a self-assessment of existing knowledge of control accounts.</p> <p>To be able to prepare a reconciliation between the sales ledger control account and the sales ledger balances.</p>	
<p><b>Introduction:</b></p> <p>Hand out the introductory task – preferably with the True/False headings and 10 statements cut to make separate slips.</p> <p>Allow learners 5 minutes to place the statements under the appropriate heading.</p> <p>Go through the correct positioning of each statement using question and answer techniques, clarifying any areas of doubt.</p>	<p><b>Resources:</b></p> <p><b>Introductory task:</b></p> <p>True/False statements from page 25 of this document.</p> <p>Scissors if required.</p> <p><b>Main activity:</b></p> <p>Past exam question and mark scheme: June 2017 Paper 21 Q3 (a) &amp; (b) only from <a href="http://www.cambridgeinternational.org">www.cambridgeinternational.org</a></p> <p>Working grid for part (b) from page 26 of this document.</p>	
<p><b>Main activity:</b></p> <ul style="list-style-type: none"> <li>• Give each learner a copy of the exam question. Ask them to first answer part (a) in pairs.</li> <li>• Choose one pair to state one benefit. Check if others agree.</li> <li>• Continue with another pair until all benefits have been given.</li> <li>• Give each learner a working grid for part (b) and ask them to read the additional information.</li> <li>• Ask learners to first make the eight Yes / No decisions individually and then compare their answers with their partner's answers.</li> <li>• Check if all correct (reveal or use questioning methods).</li> <li>• Ask learners to calculate and insert the amount to be adjusted in each case (columns 4 &amp; 7).</li> <li>• Check whether all adjusting amounts are correct (reveal or use questioning methods).</li> <li>• Explain to learners the correct way to complete the exam pro forma rubric.</li> <li>• Reveal marking scheme for (b).</li> </ul> <p>Review the activity by asking pairs of learners to answer questions such as:</p> <ul style="list-style-type: none"> <li>• What type of error affects both the control account and the list of balances?</li> <li>• How does an error in a book of prime entry alone affect the reconciliation?</li> </ul> <p><b>Homework:</b> Bridging exercise (see page 26)</p>		

Subject: Control account reconciliation		Syllabus reference: 1.3 Reconciliation and verification	
<p><b>Organisation:</b></p> <p>Introduction</p> <ul style="list-style-type: none"> <li>This could be done individually or in pairs.</li> </ul> <p>Main activity</p> <ul style="list-style-type: none"> <li>Group the class in pairs (if not done already).</li> </ul>	<p><b>Plenary:</b></p> <p>Ask learners to identify all the different skills and techniques they have learned during the lesson.</p>	<p><b>Challenge:</b></p> <p>More able learners will calculate the totals of their working grids and adjust the two totals given in the question to see if they reconcile. Some may even complete the exam question.</p>	<p><b>Assessment opportunities:</b></p> <p>Formative self-assessment of activities.</p> <p>Second exam question (see Bridging exercise).</p>



## True or False?

Place each of the following ten statements under the correct heading depending on whether you think it is True or False.

A control account is a master account which controls a number of subsidiary ledger accounts, for example, the sales ledger control account controls the trade receivables' accounts in the sales ledger.	The balance of a control account should equal the balances of the subsidiary ledger accounts.	The use of a sales ledger control account means that the balances of the subsidiary trade receivables' accounts do not then have to be checked.	The items which are involved in the sales ledger control account often include: credit sales, receipts from customers, purchases returns, cash discount allowed and bad debts written off.	The items which are involved in the purchases ledger control account often include: credit purchases, payments to suppliers, purchases returns and cash discount received.
If a business sells on credit to a customer and the customer's cheque is dishonoured, the amount will appear on the credit side of the sales ledger control account.	A set-off occurs when the same person has a balance in both the sales ledger and the purchases ledger. The smaller of the two amounts is set-off using double-entry and is also recorded in the two control accounts.	A sales ledger account must always have a debit balance.	Control accounts are important because they can be relied upon to pick up all errors in the double-entry accounting system.	A common way of operating sales and purchase ledger control accounts is as memorandum accounts. As such they do not form an integral part of the double-entry bookkeeping system.

<b>TRUE</b>	<b>FALSE</b>
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Next Steps

Working grid for exam question part (b)

Error	Control account affected*?	Effect on balance*	Amount \$	List of balances affected*?	Effect on balance*	Amount \$
1	Yes / No	+ / -		Yes / No	+ / -	
2	Yes / No	+ / -		Yes / No	+ / -	
3	Yes / No	+ / -		Yes / No	+ / -	
4	Yes / No	+ / -		Yes / No	+ / -	
	Net total effect			Net total effect		

\*circle as appropriate



## Bridging exercise

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### Note for teachers

This activity is designed to follow on from the learning in the classroom activity. It makes use of an exam question to give an indication of how each learner has gained knowledge and understanding from completing the earlier activity. Learners will need access to at least one of the endorsed textbooks and a copy of Question 2 from the November 2017 Paper (9706/22) and mark scheme. These papers are available from the [School Support Hub](#). As this is the first activity they have attempted, it would be a good idea to pair learners together, providing each with a partner for support.

### Learner task

You will now have completed your classroom activity and hopefully you have enjoyed learning more about the uses and limitations of control accounts. You are going to complete the following activity to give you an idea of how you might work independently as part of the AS & A Level Accounting course. Make sure that you first use your resources, then your partner and lastly your teacher for support.

**Aim:** We want you to answer a Cambridge International AS Level question on control accounts that extends your existing knowledge of the topic.

- Read from an endorsed Cambridge International AS & A Level textbook, for example pages 151–152 sections 14.7 and 14.8 (but ignoring the final ‘walkthrough’ example) of the *Cambridge International AS and A Level Accounting Coursebook* (2<sup>nd</sup> edition) by David Hopkins and Harold Randall and make notes to refer to at a later stage. This will help to consolidate your understanding of the uses and limitations of control accounts. You may also use similar pages from any other A Level textbook or workbook.
- Work with your study partner to compare your ideas and support each other’s note-taking. Add in any extra information that you have learned from your discussion with each other in a different colour pen.
- Now look at the past exam question you have been given – November 2017 Paper 22, Question 2.
- Part (a) of this question is quite similar to part (b) of the classroom question. Use your notes and follow the same method as before to draft your own answer.
- Work with your study partner to compare your answers for the question.
- Now look at part (b) of the question. You should be able to find these answers in the notes you made from the first part of this task. Just remember to apply your points to a sales ledger control account – this is not a generic question.
- Work with your study partner to compare your answers for the question.
- Now look at the mark scheme to self-assess your answers. Answer these questions:
  - What has gone well and what could be improved?
  - How many marks would you award yourself out of the 15 available?
- Make any corrections to your answer in a different colour. If there is anything that you are not sure about, do some extra reading and note-taking, chat to your study partner about it or ask your teacher.
- Fasten all your work together and submit it to your teacher. You have successfully completed a sales ledger control account reconciliation and answered your first AS Level-standard question. Great work!

Your completed activity will include: note-taking; example questions and self-assessment.



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