

# INTERNATIONAL GCSE

## Accounting (9-1)

### GETTING STARTED GUIDE

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Pearson Edexcel International GCSE in Accounting (4AC1)

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For first teaching in September 2017

First examination June 2019



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## A. Getting started for teachers

### 1. Introduction

The Pearson Edexcel International GCSE in Accounting is part of a suite of qualifications offered by Pearson. This Getting Started Guide provides an overview of the new International GCSE qualification, to help you to get to grips with the changes to content and assessment, and to help you to understand what these mean for you and your students.

### 2. What's new?

- The International GCSE has been reformed to ensure the demand is comparable to the UK GCSE, it is appropriate for international markets and it fully supports progression to further study.
- The new model has two examination papers rather than one, to make it comparable with the newly reformed UK GCSEs. Two papers helps to reduce student reliance on performance in one paper and prepares students more appropriately for A level.
- Following customer feedback we have ensured candidates have the opportunity to prepare full accounts to show their knowledge and skills.
- The number of Assessment Objectives has been reduced from four to three. It was felt a discrete Assessment Objective for 'evaluate' was not necessary at this level.
- The content has been split into five topic areas. Topics 1-3 will be assessed in Paper 1. Paper 2 is more holistic building on the knowledge, understanding and skills covered in Topics 1-3 in addition to the content specified in Topics 4 & 5.
- The following topics have been introduced to the specification:
  - Types of Business organisation
  - Use of Technology in accounting
  - Professional ethics
  - Capital and revenue expenditure
  - Depreciation
- The following topics have been removed from the specification:
  - VAT
  - Non-Profit organisations
  - Limited Company Accounts
  - Creditor and Debtors ratios
  - Stock Turnover Ratio
- Terminology has been updated to reflect the International Accounting Standards (IAS) terminology used in International A level Accounting

- Bad debts is now called **irrecoverable debts**
  - Debtors and creditors are now referred to as **trade receivables and payables**
  - Fixed Assets is now **Non Current Assets**
  - Long-term liabilities is now **Non Current Liabilities**
  - Stock is now **inventories**
  - Net Profit is now called **profit for the year**
  - Balance sheet is now **Statement of Financial Position**
  - Trading, Profit and Loss Account is now **Statement of Profit or Loss**
  - Gross Profit Margin now **Gross Profit Percentage**
  - Net Profit Margin is now **Profit For The Year As A Percentage Of Revenue**
  - Liquidity ratios updated to **Current ratio** (working capital) and **Liquid ratio** (acid test).
- The question papers have been simplified and now contain fewer command words.
  - The specification content has been updated to reflect the modern accounting environment.

### 3. Key features of the qualification

#### Why choose the Pearson Edexcel International GCSE in Accounting?

We've listened to feedback from all parts of the international school community, including a large number of teachers and universities. As a result, we've made changes that equip students with the knowledge and skills they need to progress onto further study of Accounting.

- **Two paper assessment:** Designed to provide students with greater opportunities to demonstrate their skills and knowledge of Accounting. We will test knowledge, understanding and application in *Paper 1: Introduction to Bookkeeping and Accounting*, and focus the assessment on two practical case-studies allowing students to prepare full accounts in *Paper 2: Financial Statements*.
- **Practical application:** In Paper 2, students apply their knowledge with case-studies to produce and correct financial statements.
- **Engaging and accessible content:** The specification and question papers have been redesigned to ensure they are engaging and accessible for students. The material is appropriate and relevant for progression, building a solid foundation in Accounting.
- **Broad and deep development of students' skills:** The design of the new qualification aims to extend students' knowledge by broadening and deepening their skills. For example, students will:
  - Analyse, evaluate and present information in appropriate accounting formats.
  - Respond appropriately to a range of question types, including multiple-choice, short-answer, extended response as well as questions requiring completion of accounts.
  - Develop an understanding of International Accounting Standards (IAS) terminology – using International Financial Reporting Standards (IFRS) principles, procedures and techniques.
- **Progression to further study at A level and beyond:** The new two-paper assessment model, coupled with updated content, ensure students are fully prepared for Level 3 study and provides a useful stepping stone for progression on to professional qualifications such as ACA, ACCA and CIMA.

## 4. Qualification overview

This section provides an overview of the course to help you see what you will need to teach.

### Paper Overview

The overview gives a general summary of the structure of each of the examined papers.

Paper 1: Introduction to Bookkeeping and Accounting	Paper code 4AC1/01
<ul style="list-style-type: none"><li>Externally assessed</li><li>Availability: January and June</li><li>First assessment: June 2019</li></ul>	66.6% of the total International GCSE
<b>Content Summary</b>  Students must study all of the following topics:  Topic 1: The accounting environment Topic 2: Introduction to bookkeeping Topic 3: Introduction to control processes.	
<b>Assessment</b> <ul style="list-style-type: none"><li>Students are assessed through a 2-hour written examination, set and marked by Pearson.</li><li>The examination comprises a mixture of multiple-choice, short- and long-answer questions, and is presented in two sections.</li></ul> <b>Section A</b> <ul style="list-style-type: none"><li>Section A comprises 10 1-mark multiple-choice questions and three short-answer questions worth 5 marks each.</li></ul> <b>Section B</b> <ul style="list-style-type: none"><li>Section B comprises five multi-part questions worth 15 marks each.</li><li>The total number of marks available for the examination paper is 100.</li><li>The examination addresses all three Assessment Objectives.</li></ul>	

Paper 2: Financial Statements	Paper code 4AC1/02
<ul style="list-style-type: none"><li>Externally assessed</li><li>Availability: January and June</li><li>First assessment: June 2019</li></ul>	33.3% of the total International GCSE
<b>Content Summary</b>  Students must study <b>both</b> of the following topics:  Topic 4: The preparation of financial statements Topic 5: Accounting for end of period adjustments	
<b>Assessment</b> <ul style="list-style-type: none"><li>Students are assessed through a 1-hour 15-minute written examination, set and marked by Pearson.</li><li>The examination comprises two multi-part questions focusing on the preparation, analysis or evaluation of financial statements.</li></ul>	

- The total number of marks available for the examination paper is 50.
- The examination addresses all three Assessment Objectives.

## Content Overview

<b>Topic 1: The accounting environment</b>	1.1 Types of business organisation 1.2 Accounting concepts 1.3 Use of technology in accounting 1.4 Professional ethics
<b>Topic 2: Introduction to bookkeeping</b>	2.1 Business documentation 2.2 Books of original entry 2.3 Ledger accounting 2.4 Capital expenditure and revenue expenditure 2.5 Depreciation 2.6 Irrecoverable debts 2.7 Other receivables and payables
<b>Topic 3: Introduction to control processes</b>	3.1 Trial balance 3.2 Control accounts 3.3 Correction of errors 3.4 Bank reconciliation statements
<b>Topic 4: The preparation of financial statements</b>	4.1 Financial statement of a sole trader 4.2 Financial statements of a partnership 4.3 Incomplete records 4.4 The calculation and interpretation of accounting ratios 4.5 Financial statements of a manufacturer
<b>Topic 5: Accounting for end of period adjustments</b>	5.1 Application of accounting concepts 5.2 Depreciation 5.3 Irrecoverable debts 5.4 Other receivables and payables

## Assessment Overview

<b>Paper 1 – Introduction to Bookkeeping and Accounting</b>	<b>Paper 2 – Financial Statements</b>
<b>66.6% of total assessment</b>  <b>100 marks</b>  <b>120 minutes (2 hours) examination</b>  This paper will draw on Topics 1 -3.  Section A 10 x multiple choice questions (MCSs) 3 x short answer 5-mark questions	<b>33.3% of total assessment</b>  <b>50 marks</b>  <b>75 minutes examination</b>  This paper is holistic in nature drawing on content areas 4 and 5 and builds on the knowledge, understanding and skills covered in content areas 1-3. The examination contains 2 x multi-part questions focusing on the preparation,

Section B 5 x multi-part questions worth 15 marks each.	analysis or evaluation of financial statements.
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### Assessment objectives

Assessment Objective	Description	Weighting in International GCSE
AO1	Demonstrate a knowledge and understanding of accounting terminology, principles, procedures and techniques.	35 – 40%*
AO2	Select and apply the knowledge and understanding of accounting procedures to a variety of accounting problems.	41 – 47%
AO3	Analyse, evaluate and present information in appropriate accounting formats and communicate reasoned explanations.	17 – 20%
		100%

\* A maximum of 15% of the total qualification marks will assess knowledge recall.

## 5. Content guidance

### Paper 1: Introduction to Bookkeeping and Accounting

In this paper, students will be assessed on their knowledge, understanding and skills related to the fundamental principles of accounting and bookkeeping.

The unit is divided into three topics:

- Topic 1: The accounting environment
- Topic 2: Introduction to bookkeeping
- Topic 3: Introduction to control processes.

Paper 1 will draw exclusively from topics 1-3.

### Topic 1: The accounting environment

#### 1. Types of business organisation

a) Explain the characteristics of:



- public sector organisations
- private sector organisations
- sole traders
- partnerships.

Students are expected to know what is meant by each type of business. They should be able to recognise the advantages and disadvantages of sole traders, partnerships (including limited partnerships), private and public limited companies as a form of business ownership.

Students are expected to have an understanding that small businesses are more likely to be either sole traders, partnerships or private limited companies. They must also recognise that sole traders and partnerships (not limited partnerships LLPs) are unincorporated and therefore the owners of these businesses face a higher level of risk due to unlimited liability.

Students are expected to be aware of the main differences between a general partnership and a limited partnership (LLP) and that a limited partnership must have at least one partner who has unlimited liability. They should know the impact for the partners of having/not having drawn up a Deed of Partnership and how this relates to the ratio of profits or losses shared, salaries paid to the partners, interest paid on capital or equity, interest charged on drawings, interest paid on loans made by the partners.

Students also need to recognise that sources of finance are also dependent on the type of business. For instance, share capital is not applicable to a sole trader or partnership, whereas personal savings are inappropriate to a private limited company. Similarly, banks may be unwilling to lend to small businesses due to the high risks involved and they may have to rely on retained profit (assuming the business is not a start-up business). With smaller businesses, it is likely that the owners of the business will also be the people responsible for the running of the business.

Students must also consider larger businesses such as public limited companies. These businesses are likely to have a separation between ownership and control and will probably have greater ability to access share and loan capital due to their size and lower risk profile.

**b) Explain the connection between stakeholders and a business, identifying the stakeholders' use of the business's financial statements.**

Students should be able to identify who the stakeholders are: owners; managers; employees; customers; suppliers; providers of external finance; government. They should be able to identify how each of the stakeholders can make use of the financial statements. The owners will assess profitability and make a judgement about their return on investment eg will they get a share of the profit. Managers assess performance which helps them with decision making. Employees are keen to know about the performance of the business, to check on job security and the likelihood of achieving a pay rise. Customers will not want to trade with a business if the business looks financially unstable. Credit terms and interest charges can be negotiated by suppliers depending on the business's financial stability. Providers of external finance will assess liquidity and the likelihood that loans, for example, will be repaid. The Government looks at the profits of the business to monitor if the business is paying enough tax.

## **2. Accounting concepts**

### **a) Understand the significance of the following accounting concepts:**

- consistency
- prudence
- accruals
- materiality
- money measurement
- business entity.

Students are expected to know that concepts are the basic rules that accountants follow when they produce a set of financial statements. The concepts ensure that the accounts are a true and fair reflection of the business. They ensure that the accounts drawn up are free from bias and do not mislead. They also mean that accounting processes are standardised and so different businesses' accounts can be compared.

Students are expected to know that the consistency concept means that a firm uses consistent accounting methods eg depreciation. The prudence concept means that accountants will take a conservative figure which understates rather than overstates the profit.

Students should recognise the necessity of recording all losses in the books so as to ensure that profits are not anticipated by recording them before they have been gained. Students need to know that the accruals concept covers the practice of recognising revenues and their related expenses in the period in which they were incurred so as not to misstate earnings for that period. Students are expected to know that the materiality concept applies when the value of an item is relatively small ie not material and does not warrant separate recording - for example small stationery items grouped together under sundry expenses. Materiality also covers the classification of some items eg a stapler could last longer than a year but it would not be classified as a non-current asset as it has no resale value (it would not be depreciated). It is more appropriate for it to be recorded under expenses.

The Money Measurement concept states that only transactions and activities that can be measured in terms of money can be included in the accounting records. Items that would not be accounted for include things like workforce skill, morale, market leadership, brand recognition, quality of management. The last of the concepts relates to business entity. This states that private transactions and matters relating to the owners of a business are separated from the transactions that relate to the business.

## **3. Use of technology in accounting**

### **a) Explain the benefits of using technology within accounting:**

- accounting software
- spreadsheets.

There are numerous websites that can be used to show specific IT software packages for accounting eg Sage or Quickbooks. They will outline many of the advantages of using such technology over using a manual system: data can be

processed much more quickly; accuracy is improved and updates are carried out automatically; financial documents can be produced easily and quickly; accounting records are produced in real time so supplier, customer, inventory, bank and payroll records are up-to-date; management information reports can be produced quickly aiding decision making eg aged trade receivables, ratio analysis, staff attendance, payroll; financial transactions can be made electronically when connected to the internet; resources can be used more efficiently eg requiring fewer staff; documents can be easily shared and less file storage space required.

Spreadsheets can be used to produce accounting statements, reports and calculations. They speed up the accounting process and data can be produced in a number of different ways which can be easily changed. Spreadsheets are used to provide financial budgets, cashflow, non-current asset registers as well as to calculate interest payments, etc.

**b) Explain the issues regarding the security of data:**

- data loss
- access
- confidentiality.

Students should understand the need for security from using their own mobile phones but that any security breach for an organisation can have even more serious consequences. Steps should be taken to protect against data loss by saving work regularly, careful choice of storage method with encryption or password protection, automatic back-up processes with the ability to restore data.

**c) Explain the methods of protecting data:**

- hardware
- software

Students should know about the following actions which a business can take to protect hardware and software: installing a firewall; installing antivirus software; installing anti-spyware software; using complex and secure passwords (different for different levels of users); checking the security settings on internet browsers.

## **4. Professional ethics**

**a) Describe the principles of professional ethics.**

Students need to appreciate the importance of professional ethics in the real world and the fact that all accountants have to follow the principles of professional ethics. The aim should be to try to make use of real examples in the news that demonstrate accounting fraud and/or where accountants have behaved unethically.

There are **five main principles of professional ethics** that students need to know:

1. **Integrity** - does the accountant operate in a straightforward and honest manner demonstrating fairness and trustworthiness? They cannot produce financial statements that deliberately omit data that could lead to misunderstanding or take bribes to change data.

2. **Objectivity** - accountants must be free from bias or conflict of interest, for example, they cannot prepare accounts for a family member or a company in which they have shares.
3. **Professional competence and due care** - accountants' knowledge and skills must be of an appropriate level to provide a professional service. This means that they need to be qualified to the relevant standard and keep up to date with any changes in accounting policies and regulations.
4. **Confidentiality** - there is a legal obligation to maintain the confidentiality of financial information which means not passing on information to any third parties. There are exceptions to this ruling if a client is found to be trying to deceive the government by paying less tax or are involved in money laundering.
5. **Professional behaviour** - this means that accountants have to comply with all relevant laws and regulations so as not to bring the profession into disrepute.

Students could be given different scenarios and asked to choose which professional ethic is being demonstrated. A relevant acronym with accompanying pictures could be used to help students remember the five principles of professional ethics.

#### **b) Apply the principles of professional ethics to accounting roles and functions.**

There are many different roles within accounting but they usually cover the same five areas: accounts payable; accounts receivable; payroll; reporting and financial statements and checking the accounts. Students need to understand that to carry out any of these roles and functions, they need to apply the five principles of professional ethics eg. exercising confidentiality with payroll data, demonstrating integrity by putting systems in place to show compliance and to protect against fraud and theft

#### **c) Explain the concept of public interest and how it is applied to accounting roles and functions.**

Students need to know that accountants need to operate in the interest of its stakeholders eg. investors, owners, customers, competitors, taxpayers.

Stakeholders will want to see sound financial data which is not misleading. Investors may wish to compare financial information from two different companies to make an investment decision. Sound financial data can improve efficiency and lower costs benefiting stakeholders. As a result, all accounting roles should be carried out to the highest level of ethical and professional standards.

Financial statements should be audited to ensure accuracy. There is an international code of conduct for all individuals within accounting functions. To ensure that this code is being adhered to, rigorous checking systems need to be put in place.



## Topic 2: Introduction to bookkeeping

Please note: All transactions will be recorded in US Dollars

### 1. Business documentation

#### a) Explain the purpose of business documents.

Students are expected to know that a financial transaction involving buying and selling requires some very important documentation, including: source/business documents; journals and day books; ledgers; trial balances and financial statements. The documents form part of an established procedure and if used properly, help trading to run smoothly. They can be used to quickly solve any disputes between a buyer and a seller. Both parties will use the same documents, following a standard sequence.

#### b) Prepare the following business documents:

- purchase order
- purchase invoice
- sales invoice
- credit note
- statement of account
- remittance advice
- petty cash voucher.

A *purchase order* is normally raised by the customer's purchasing office and then sent to the supplier. Once it has been accepted by the supplier, a formal contract exists between the two parties.

A *purchase invoice* is presented to the buyer by a seller for payment within a specified time scale and indicates what has been purchased, the amount and the price. It can be used to prove that something has been bought and how much was paid for it.

Once the goods have been despatched to the buyer, a *sales invoice* is sent from the supplier to the purchaser detailing what has been sold, discounts allowed, the amount to be paid and the terms for the payment.

A *credit note* is effectively a negative invoice. It is issued to the buyer when the amount owed by them is reduced. The credit note will be to the value of the returned goods.

A *statement of account*, sent to a customer, details all of the customer's transactions over the past month. It will list all amounts owing for the month, payments from the customer during that time and any credit notes. This results in the total amount outstanding at the end of the month.

A *remittance advice* is a note sent from the customer to their supplier, informing the supplier that they have paid their invoice. A cheque usually accompanies the remittance advice unless paying by BACS. **(n.b. BACS system does not exist in Pakistan. They use RTGS - Real Time Gross Settlement System.)**

A *petty cash voucher* is a document used to record small disbursement payments in cash from a petty cash fund where the raising of a cheque would not be sensible.

None of the business documents will include VAT or sales tax.

### **c) Cash receipt**

A cash receipt is not only proof of payment but also evidence of the purchase, should the goods need to be returned if they are faulty or unsuitable. The receipt should be kept by the customer. Use of electronic cash tills means that receipts are issued automatically. Cash deposits to the bank can also be checked against the till records.

## **2. Books of original entry**

### **a) Explain the purpose of books of original entry.**

A book of original entry is where a transaction is first recorded. There are separate books for each different kind of transaction, eg revenue is entered in one book, purchases in another book, cash in another book. All transactions that are entered into the bookkeeping system originate from a business document such as an invoice, credit note, cheque book stub, paying-in slip, etc. If a large business did not separate transactions into different types, it would be difficult to find a specific transaction and to detect any errors. A single book would be too hard to handle and to manage.

### **b) Prepare the following books of original entry:**

- purchases day book
- sales day book
- purchases returns book
- sales returns book
- three-column cash book
- petty cash book
- the journal.

Students should be able to prepare all seven books of original entry.

The *purchases day book* is used to record all purchases from suppliers made on credit.

The *sales day book* lists all invoice totals relating to credit sales.

The *sales returns day book* and *purchase returns day book* record sales returned by customers to the business and purchases returned to suppliers respectively.

The *three-column cash book* contains the bank and cash accounts and records payments and receipts of money. The cash book is a book of original entry but, unlike other books of original entry, it is also a ledger account and therefore has a debit and credit side. Cash discounts are given as an incentive to pay invoices promptly. Discounts allowed are given to customers who pay their invoices within a specified period of time ie less than the credit period agreed. A note is made against their name but this is not part of the double entry system - it is just

a note. At the end of the month the discounts are totalled and entered in the ledger accounts. Similarly, with discounts received.

Students need to know how to record receipts (money coming into the petty cash), record *petty cash* payments under the relevant columns and be able to restore the imprest. The journal is used to record non-routine transactions: correction of errors; opening entries for business start-ups; purchase of non-current assets on credit; sales of non-current assets and adjustments eg irrecoverable debts.

NB Make sure that students use correct dates and details as marks are awarded for correct date, details and amounts in combination.

### 3. Ledger accounting

#### a) Explain the purpose of:

- nominal ledger
- receivables ledger
- payables ledger.

Students need to know that each month journal entries are posted chronologically to individual accounts in the ledgers. The nominal ledger contains all of the accounts except trade payables and trade receivables.

The purpose of the nominal ledger is to: provide an accurate record of all financial transactions; it helps to compile the trial balance, so that the books balance; it makes tax returns easier because expenses and income are all in one place; it records real revenue and expenses so that a business can stay on top of spending; it help spot unusual transactions; it helps to identify (and stop) fraud; it aids in the compiling of the financial statements which enable the evaluation of profitability, liquidity and overall financial health.

The receivables ledger holds the information transferred from the Sales day book. It's purpose is to provide knowledge about which customers owe money to the business (as a result of credit sales) and how much.

Information in the Purchases day book gets posted to the Payables Ledger. The Payables Ledger provides data about which suppliers the business owes money to (as a result of credit purchases) and how much.

#### b) Record transactions in ledger accounts using double entry principles.

Students need to know the accounting equation which forms the foundation of double entry accounting.

Transactions are recorded using the rules for double entry. They could be given acronyms to help remember the rules such as: DEAD CLIC (**D**ebit entry: **E**xpenses; **A**ssets; **D**rawings / **C**redit entry: **L**iabilities; **I**ncome; **C**apital or **E**quity), PEARLS (**P**urchases, **E**xpenses, **A**ssets / **R**evenue, **L**iabilities, **S**ales) but make sure that they are using current terminology. Students should be able to record transactions and balance off the accounts.

NB When completing double entry questions in the exam, students must show the balance c/d and balance b/d for the following period as marks are usually awarded for the balance b/d figure. The word 'balance' should not be abbreviated. Make sure that students use correct dates and details as marks are awarded for correct date, details and amounts in combination.





## 4. Capital expenditure and revenue expenditure

a) Explain the terms:

- capital expenditure
- revenue expenditure.

**Capital expenditure** is spending on: non-current assets; additions to non-current assets; expenses incurred in acquiring non-current assets and getting them ready for use. Examples include: buying a non-current asset; delivery or installation costs associated with buying a non-current asset; legal fees associated with buying property; carriage inwards costs associated with buying non-current assets; costs of building an extension to property.

**Revenue expenditure** is spending on the day to day running costs/expenses for services a business uses. These expenses are associated with the current accounting period and are shown in the Statement of Profit or Loss. They include wages, repair and maintenance costs, depreciation.

Students could be given a list of transactions with two columns entitled capital and revenue expenditure and they have to decide how to categorise the spending.

**b) Explain the importance of the correct treatment of capital expenditure and revenue expenditure.**

Correctly identifying spending as either capital expenditure or revenue expenditure is important in order to calculate the correct profit for the year and the correct value of the assets in the Statement of Financial Position. Incorrectly treating capital expenditure as revenue expenditure means that it will be recorded as an expense in the Statement of Profit or Loss which means that the profit will be understated. Non-current assets will also be understated eg. if the purchase of a vehicle was wrongly posted to the motor expenses account instead of the motor vehicle account. Conversely, if revenue spending is posted as capital spending, profit for the year and non-current assets would both be overstated.

## 5. Depreciation

**a) Explain the causes of depreciation.**

Non-current assets provide a benefit to the business over several years. The non-current asset will lose value/depreciate as it is used up. The business will have to estimate this annual depreciation and record it as an expense in the Income Statement / Statement of Profit or Loss. Depreciation is caused by: obsolescence - the asset becoming out of date due to improvements in technology; wear and tear/physical deterioration - the asset becomes less useful as it becomes older and less reliable; erosion, rust, rot and decay - equipment eroded or wasting away due to forces of nature; excessive use - over time the asset may lose value due to being used intensively; inadequacy - the growth or size of the business makes the asset unsuitable eg larger vehicles resulting in businesses selling off their smaller vehicles; time factor - some assets have a legal life fixed in terms of years eg a lease where a proportion of the lease is depreciated each year until it's value is nil; depletion - some assets are of a wasting nature such as the extraction of raw materials from mines or quarries.

**b) Distinguish between straight line and reducing balance methods of depreciation.**

Annual depreciation is treated as an expense in the Income Statement / Statement of Profit or Loss. It represents a reduction in the value of the non-current asset. Rather than placing the full cost of the asset as an expense, the business only charges the amount of the asset used up this year to this year's Statement of Profit or Loss. Students are expected to know about only two methods of depreciation. Straight line depreciation depreciates the asset by the same amount every year. The depreciation is spread evenly over the expected life of the asset. This can be worked out in two ways: using the formula (cost price - disposal value) / number of years of use OR the annual depreciation is a given percentage of the cost price. Students should know which method is appropriate for which type of non-current asset. Eg the reason why a business uses the reducing balance method is because motor vehicles bring more benefits to the business in the early years and, therefore, in order to match revenue with related expenses (matching concept) the business has to use the reducing balance method which gives high depreciation charges in the early years.

**c) Calculate and record depreciation in the books of account.**

Students need to be able to calculate depreciation and prepare ledger accounts and journal entries for the provision of depreciation.

**d) Calculate and record profit or loss of the disposal of non-current assets.**

Students need to be able to prepare ledger accounts and journal entries to record the sale of non-current assets, including the use of disposal accounts and the resultant calculation of profit or loss on disposal.

**This topic will be re-visited in Paper 2 when students will be required to transfer the appropriate depreciation figures to the financial statements as well as the profit or loss on disposal figure.**

## **6. Irrecoverable debts**

**a) Explain why it is necessary to provide a provision for irrecoverable debts.**

If a business suspects that some customers may not pay, it is prudent for the business to make an allowance for these debts. An allowance / provision is a just-in-case scenario and means that the business will not overstate its profits or understate its losses. Similarly, it will not overestimate the value of its trade receivables and, therefore, assets.

**b) Distinguish between an irrecoverable debt and a provision for an irrecoverable debt.**

An irrecoverable debt occurs when a trade receivable is unable to pay the amount they owe. If we know that a debt will not be paid, we cannot leave this in the accounts as it would go against the concept of prudence (students should be able

to apply the concept to irrecoverable debts). If an adjustment was not made, trade receivables would be overstated as would the values of the assets of the business. Irrecoverable debts relate to a specific customer whose debt is actually being written off. Irrecoverable debts are treated as an expense and therefore appear in the Income Statement.

A provision for irrecoverable debts is created when the business believes that a debt may eventually turn out to be irrecoverable and never be paid - the provision is not an expense. The provision for irrecoverable debts is deducted from the trade receivables value in the Statement of Financial Position. This ensures that the trade receivables is not over estimated and therefore better reflects the true value of the trade receivables which will ultimately be recovered. Students need to know the different types of provision eg general provision, specific provision. They will not be asked a question which involves an aged trade receivables schedule.

**c) Calculate and record irrecoverable debts and provision for irrecoverable debts in the books of account.**

Students should know how to prepare ledger accounts and journal entries to record irrecoverable debts and the creation of, and adjustment to, a provision for irrecoverable debts. Students can be asked to make entries in the ledger accounts which cover a number of years. Students will not be asked a question where irrecoverable debts are subsequently recovered. **This topic will be re-visited in Paper 2 when students will be required to transfer the appropriate figures to the financial statements spanning several years.**

## **7. Other receivables and payables**

**a) Explain why it is necessary to account for other receivables and payables.**

Students need to know the reasons why these adjustments are made. They are made in order to comply with the accruals/matching concept. This concept states that when calculating profit, a business must match expenses and revenues to the time period in which they were incurred or earned. If the amount actually paid or received is more or less than the amount that should have been paid or received for the financial period then adjustments are needed. Making adjustments will ensure that the correct figure for profit for the year is recorded in the Income Statement / Statement of Profit or Loss.

**b) Distinguish between other receivables and payables.**

Other payables are added because they belong to this financial period whereas other receivables are deducted because they belong in the next period, not this one. Recording prepaid expenses and accrued revenues as current assets and accrued expenses / prepaid revenues as current liabilities ensures that the Statement of Financial Position gives a fair valuation of the business.

**c) Calculate and record other receivables and payables in the books of account.**

Students should be able to prepare ledger accounts and journal entries to record accrued and prepaid expenses. Students should be able to prepare ledger accounts and journal entries to record accrued and prepaid incomes. **For examiners: will students be asked to make journal entries??** Students need to be able to prepare the ledger and journal entries for inventory of stationery or packing materials when these items are not all used up during the period. If stationery is left over, it is a form of prepayment and needs to be carried down to the next period when it will be used.

## **Topic 3: Introduction to control processes**

### **1. Trial balance**

#### **a) Explain the purpose of a trial balance.**

All accounts in the ledgers are balanced off periodically. The trial balance is a list of balances from all the ledger accounts. It is a key statement and is used to compile the end of year financial statements ie the income statement and the Statement of Financial Position.

Since double entry bookkeeping involves making a debit and a corresponding credit entry then it follows that all of the debit balances must equal all of the credit balances. If they do not, an error has occurred.

#### **b) Prepare a trial balance.**

Students should be able to prepare a trial balance from a given list of balances and amend a trial balance which contains errors.

#### **c) Understand the limitations of a trial balance.**

A trial balance is a method used to test the arithmetical accuracy of the accounting entries. If the two columns of the list are not equal, there must be an error in recording transactions in the accounts. However, there are plenty of errors which cannot be disclosed by the trial balance so we cannot say that the trial balance is conclusive proof of the accuracy of the accounting entries - refer to the errors that do not affect the trial balance under section 3a.

### **2. Control accounts**

#### **a) Explain the purpose of control accounts.**

Students need to know the reasons for having control accounts. Control accounts provide a check on accuracy eg a trade receivables control account compares all of the totals taken from the books of original entry with the totals in the trade receivables ledger to check that they balance. Control accounts are produced regularly so that if an error has occurred, it can help to find it rather than trying to locate errors amongst the hundreds or thousands of transactions during a

whole year. Usually the control account is prepared by a more senior member of staff so it acts as an internal check. The control account provides the balances for the trade receivables and trade payables which can be used in the production of the trial balance or the Statement of Financial Position. A single balance on a control account is much simpler and quicker than all of the balances on the personal accounts in the receivables and payables ledger. It keeps down the number of accounts in the double entry system to a more manageable size, since the personal accounts are memorandum accounts only and the control accounts instead provide the accounts required for the double entry system.

**b) Prepare a trade receivables control account and a trade payables control account.**

Students need to prepare trade receivables and trade payables control accounts to include credit purchases and sales, receipts and payments, cash discounts, returns, irrecoverable debts, dishonoured cheques, interest on overdue accounts, contra items (do not use the term set-offs), refunds, opening and closing balances (debit and credit within each account). Students should use the names of the books as the narrative in the control account and not the name of the accounts - this could be added as supplementary information in brackets alongside the name of the books. NB Make sure that students use correct dates and details as marks are awarded for correct date, details and amounts in combination.

### **3. Correction of errors**

**a) Identify and explain errors that do and do not affect the balancing of the trial balance.**

Some errors can be identified because they result in the trial balance totals not agreeing eg if an error was made on one half of the double entry, then there would be a difference between the debit and credit totals. These will be corrected using a temporary suspense account. However, there are six errors that can occur which do not affect the trial balance totals. The error of omission means that the entry is completely missed out of the accounting records so that there is no debit or corresponding credit entry. The totals will therefore still agree. An error of commission means that the entry has been made in the right type or class of account but in the wrong account name, for example, it has been entered in the wrong customer's account or entered in the wrong expense account. When an entry has been made to the wrong class / type of account, it is called an error of principle. This could be an asset being wrongly entered in an expense account, for example, motor expenses entered in the vehicle account rather than the vehicle expenses account. A compensating error occurs when an error made in one part of the accounting system exactly cancels out another error made elsewhere, for example, the rent account is overcast by \$100 and the wages account is undercast by \$100. When a wrong value is recorded in the books of original entry, it is called an error of original entry. As a result, the wrong value is recorded in the accounts, for example, a sales invoice was recorded as \$430 in the sales journal rather than \$424; the sales account and the customer's account will both be overcast by \$6. The error complete reversal of entries occurs when the correct values are entered into the right accounts but are posted to the wrong side of the accounts, ie the account which should be debited is credited and vice versa.

**b) Prepare journal entries to correct errors.**

Students should be able to correct errors by means of journal entries.

**c) Prepare a suspense account.**

If a trial balance does not balance and the errors cannot be found, the trial balance totals need to be made to agree with each other by inserting the amount of the difference between the two sides in a suspense account. When errors are found, they must be corrected using double entry. Each correction must be described by an entry in the journal.

## **4. Bank reconciliation statements**

**a) Explain the purpose of bank reconciliation statements.**

Students should know that the purpose of preparing the bank reconciliation statement is to find the reasons for the differences in the balance shown in the cash book with that shown on the bank statement. A business should regularly check or reconcile the bank statement against its own records. This helps to identify and mistakes or discrepancies made by the business or the bank.

**b) Understand the process of bank reconciliation.**

Students need to know that the cash book needs to be updated for bank charges, bank interest paid and received, correction of errors, credit transfers, direct debits, dividends and standing orders. The cash book will then be compared with the bank statement to see if there are any items that have passed through the banking system but not the business's cash book. It must be proved that any differences are not due to errors so a bank reconciliation statement is drawn up.

**c) Prepare a bank reconciliation statement.**

Students should be able to prepare a bank reconciliation statement to include bank errors, uncredited deposits and unpresented cheques. This can be presented by starting with the balance in the cash book or the bank statement balance. Students will be rewarded for using either method.

## **Paper 2: Financial Statements**

In this paper, students will be assessed on their knowledge and understanding of financial statements and their ability to produce and make appropriate adjustments to entries at the end of an accounting period.

The unit is divided into two topics:

Topic 4: The preparation of financial statements

Topic 5: Accounting for end of period adjustments.

Paper 2, which is more holistic in nature, builds on the knowledge, understanding and skills covered in topics 1-3 in addition to the content specified in topics 4 and 5.

### **Topic 4: The preparation of financial statements**

#### **1. Financial statements of a sole trader**

##### **a) Prepare income statements to show gross profit and profit for the year.**

Students are expected to prepare the statement of Profit or loss (income statement) by showing the revenue, cost of sales, gross profit and list all the expenses with adjustments: adjustments for provision for depreciation using the straight line and reducing balance methods; adjustments for Accrued and prepaid expenses and accrued and prepaid income; adjustments for irrecoverable debts and the provision for irrecoverable debts, with opening balances and at the year-end adjustments to calculate the profit or loss for the year.

The cost of sales must have all the elements such as opening inventory, purchases (with or without adjustments such as goods for personal use) and closing inventory. The carriage inwards must be added to the purchases. Returns Inwards to be deducted from Revenue. Returns Outwards to be deducted from Purchases.

**(See appendix 1A for layout of Statement of profit or loss (income statement))**

##### **b) Prepare statements of financial position to show assets, liabilities and equity.**

Students are expected to prepare the statement of financial position by showing the assets (Non-current assets and current assets separately), liabilities (Non-current liabilities and current liabilities separately) and equity to balance the total assets to total equity and liabilities.

The non-current assets must be shown with detailed information such as cost, accumulated depreciation and carrying value.

The equity section must have opening equity, additional equity introduced during the year, profit or loss during the year and drawings, in the form of cash/bank, goods or services.

Each section must be subtotaled.

**(See appendix 1B for layout of Statement of financial position)**



## **2. Financial statements of a partnership**

### **a) Understand the nature of a partnership and the reasons for forming one.**

Students are expected to know the characteristics and need for the partnership form of organisation by comparing it with the sole trader in terms of the ownership/management, resources and responsibility of the business debts.

### **b) Understand the nature and structure of a limited liability partnership (LLP).**

Students are expected to know the nature and structure of a limited liability partnership (LLP) in comparison to the general partnership.

### **c) Apply the provisions of Section 24 of the Partnership Act 1890 in relation to partners' salaries, division of profit or loss, interest on loans, capital and drawings.**

Students are expected to know the application of the section 24 of the Partnership Act 1890 in the absence of the partnership agreement for the appropriation of the profit/(loss).

### **d) Understand the nature and purpose of an appropriation account.**

Students are expected to know the need and the entries recorded in the appropriation account.

### **e) Prepare income statements and appropriation accounts.**

Students are expected to prepare the statement of Profit or loss (income statement) for partnership same as for the sole trader and by not recording the items relating to the appropriation of the profit/(loss) such as salaries of partners/interest on capital etc in the statement of profit or loss (income statement). Students are expected to make adjustments to the Statement of Profit or Loss as detailed in Section 1a (Sole Traders).

Students are expected to prepare the appropriation account according to the partnership agreement by labelling the individual partners entitlement such as salaries, interest on capital etc with the change in partnership due to admission and retirement/death of partner/s at the start/end of the year and during the year to calculate the profit/(loss) share for each partner. Including changes to the profit sharing ratio.

**(See appendix 1A for layout of Statement of profit or loss (income statement)**

**(See appendix 1C for layout of partnership appropriation account)**

### **f) Prepare partners' current accounts and capital accounts.**

Students are expected to know the need to keep the separate capital and current accounts for each partner.

Students are expected to prepare the partners individual capital accounts to record the entries relating to the structural changes in the partnership due to the

admission and retirement of the partner/s such as goodwill, profit or loss on revaluation and realisation. It is also expected that students can prepare the revaluation and realisation accounts to calculate the profit or loss on revaluation or realisation for each partner.

Students are expected to prepare the partners individual current accounts to record the day to day entries between the partners and the partnership, from appropriation account, such as interest on capital, salaries, interest on drawings etc including drawings, in the form of cash/bank, goods or services, taken by each partner.

g) Prepare statements of financial position to include partners' capital balances and current account balances.

Students are expected to know the difference between the sole trader and partnership statement of financial position.

Students are expected to prepare the statement of financial position for partnership same as for the sole trader except the equity section which is shown with the capital and current account balances for each partner separately. Students are expected to make adjustments to the Statement of Financial Position as detailed in Section 1a (Sole Traders).

**(See appendix 1D for layout of Statement of financial position for partnership)**

### **3. Incomplete records**

a) Calculate the profit for the year by comparing the open and closing equity figures.

Students are expected to calculate the profit either by comparing the opening and closing equity information provided or by using the ratios provided such as profit for the year and return on capital employed.

b) Calculate revenue and purchases using appropriate accounting techniques, to include control accounts.

Students are expected to calculate the revenue and purchases by using ratios such as the gross profit percentage(margin) or markup and by preparing the receivables and payables control account from the information provided.

c) Prepare income statements and statements of financial position from incomplete records and information.

Students are expected to prepare statement of profit or loss (income statements) and statements of financial position from incomplete records by using the information provided from the cashbook (bank Summary), opening and closing balances provided, reconstruction of the accounts to calculate the missing figures, use of the ratios to calculate the missing figures and use of the cost of sales to calculate the missing figures in addition to the points (a) and (b) above. Students

are expected to make adjustments to the financial statements as detailed in Section 1a (Sole Traders).

#### **4. The calculation and interpretation of accounting ratios**

##### **a) Explain the difference between profitability and liquidity.**

Students are expected to know the purpose of the financial statements to understand and explain the difference between the profitability and liquidity as a measurement of the business's performance. The profitability measures a business's success in terms of the profit/(loss) for the long-term survival. The liquidity measures a business's success in terms of its ability to meet its current liabilities from its current assets.

##### **b) Calculate and interpret the following **profitability** ratios:**

- gross profit percentage
- profit for the year as a percentage of revenue
- return on capital employed.

The students are expected to calculate and analyse the ratios, for a sole trader or partnership, by stating the possible reasons or impact of increase or decrease in the ratios on the business rather than the ratios are higher (better) or lower (worse) compared to another business/industry average or in relation to the previous years.

These profitability ratios must be expressed as a percentage (%) up to two decimal places or as indicated in the question by using the formulae as follows:

- gross profit percentage =  $(\text{Gross profit} / \text{revenue}) \times 100 = X\%$
- profit for the year as a percentage of revenue =  $(\text{profit for the year} / \text{revenue}) \times 100 = X\%$
- return on capital employed =  $(\text{profit for the year} / \text{total equity}) \times 100 = X\%$   
\*total equity = Capital employed ie Equity + Non-current Liabilities

##### **c) Calculate and interpret the following **liquidity** ratios:**

- current (working capital) ratio
- liquid (acid test) ratio.

The students are expected to calculate and analyse the ratios, for a sole trader or partnership, by stating the possible reasons or impact of increase or decrease in the ratios on the business rather than the ratios are higher (better) or lower (worse) compared to another business/industry average or in relation to the previous years.

These liquidity ratios must be expressed as a ratio (:) up to two decimal places or as indicated in the question by using the formulae as follows:

- current (working capital) ratio =  $\text{Current assets} : \text{current liabilities} = X:X$
- liquid (acid test) ratio =  $(\text{Current assets} - \text{inventory}) : \text{current liabilities} = X:X$

## **5. Financial statements of a manufacturer**

a) Understand the difference between the inventories of raw materials, work-in-progress and finished goods.

Students are expected to know the meaning of different types of inventories in a manufacturing business such as raw material, work in progress and finished goods by relating these to the different stages of production process.

b) Prepare manufacturing accounts to show prime cost, production cost and total cost.

Students are expected to prepare the manufacturing account by showing all the elements with labels such as

- prime cost = the direct materials (opening raw materials + purchases + carriage inwards - closing raw material) + direct labour + direct costs.
- Production cost = prime cost + indirect material + indirect labour (factory supervisor/manager's salary) + Depreciation on non-current assets used in factory + any other factory expense + opening balance of work in progress and – closing work in progress
- Total cost = production cost + mark up

The students are expected to know how to prepare statement of profit or loss for a manufacturing business.

## **Topic 5: Accounting for end of period adjustments**

### **1. Application of accounting concepts**

**a) Apply the following accounting concepts:**

- consistency
- prudence
- accruals
- materiality
- money measurement
- business entity.

Students are expected to state/define and apply the above stated accounting concepts for various business transactions such as inventory valuation methods, a provision for irrecoverable debts and depreciation charge etc.

## **2. Depreciation**

### **a) Explain the causes of depreciation.**

Students are expected to state causes/reasons for the depreciation such as wear and tear, passage of time, out-dated/obsolescence, depletion of resources etc.

Students are also expected to relate the charge for depreciation on its non-current assets to the relevant accounting concepts such as accruals concept and consistency concept.

### **b) Distinguish between straight line and reducing balance method of depreciation.**

Students are expected to know the difference between both methods and how it can affect the profit for the year and the use of both methods according to the usage of the non-current assets.

### **c) Calculate and record depreciation in the books of account.**

Students are expected to calculate the depreciation charge for the year according to the depreciation policy in terms of the method, rate, annual or on a monthly basis and whether charged on the assets according to the length of ownership or according to the assets possession at the statement of financial position date. Students are expected to record the depreciation in the books of account by preparing the depreciation charge account and accumulated depreciation account to show the depreciation charge correctly in the financial statements.

### **d) Calculate and record profit or loss on disposal of non-current assets.**

Students are expected to calculate and record the profit or loss on disposal by preparing the disposal account to show the correct treatment for the profit or loss on disposal to be transferred to the statement of profit or loss and updated cost and accumulated depreciation balances in the statement of financial position.

## **3. Irrecoverable debts**

### **a) Explain why it is necessary to provide a provision for irrecoverable debts.**

Students are also expected to know when a debt becomes an irrecoverable debt and explain the reason to have/create a provision for irrecoverable debts by relating it to the application of the relevant accounting concepts such as accruals concept and prudence concept.

### **b) Distinguish between an irrecoverable debt and a provision for an irrecoverable debt.**

Students are also expected to know the difference between an irrecoverable debt and a provision for an irrecoverable debt not just in theory but also in relation to the accounting treatment as the irrecoverable debt is written off in the statement

of profit or loss and it is only the change in the provision of irrecoverable debts is recorded in the statement of profit or loss. The trade and other receivables are shown net of irrecoverable debts in the statement of financial position.

The closing balance of the provision for an irrecoverable debt is recorded in the statement of financial position by deducting it from the trade and other receivables.

**(refer to appendix 1A and 1B/D)**

**c) Calculate and record irrecoverable debts and provision for irrecoverable debts in the books of account.**

Students are also expected to calculate the irrecoverable debts and provision for irrecoverable debts including both the specific or general provision from the information provided.

The students are expected to prepare the irrecoverable debts account to show the transfer to the statement of the profit or loss for the written off amount and how it is recorded in the trade receivables control account.

Students are also expected to account for the recovery of an irrecoverable debt previously written off.

The students are expected to prepare the provision for irrecoverable debts account to show the transfer to the statement of the profit or loss for change (increase/decrease) in the provision for irrecoverable debts and to show the closing balance on the statement of financial position.

#### **4. Other receivables and payables**

**a) Explain why it is necessary to account for other receivables and payables.**

Students are also expected to explain the reason for the other receivables and other payables according to the relevant accounting concepts such as accruals concept.

**b) Distinguish between other receivables and payables.**

Students are also expected to state the difference between other receivables and other payables according to the incomes and expenses.

**c) Calculate and record other receivables and payables in the books of account.**

Students are expected to calculate and record the other receivables and other payables by preparing these accounts, accruals/accrued expenses, accrued income, prepayments/prepaid expenses, prepaid income to transfer the correct amount for the expense or income to the statement of profit or loss and to show the other receivables and other payables in the statement of financial position.

## 6. Assessment overview

Our new assessments have been designed in collaboration with teachers and universities to ensure they are appropriate and accessible to all candidates to allow successful progression to Level 3 study and beyond. Careful consideration has been given to the design and structure of the papers, including organisation of the paper, length of paper, question types and the level of demand of the paper.

There are a range of question types, including multiple-choice questions, short open, open responses, calculations, short responses and extended responses. This range of question types enables the papers to differentiate effectively across the full 9 to 1 grading scale.

There are two exam papers which have a consistent approach and assessment structure. Paper 1 will draw on the content areas 1-3 and Paper 2, which is more holistic in nature drawing on content areas 4 and 5 and builds on the knowledge, understanding and skills covered in content areas 1-3.

### Assessment objectives

Assessment Objective	Description	Weighting in International GCSE
AO1	Demonstrate a knowledge and understanding of accounting terminology, principles, procedures and techniques.	35 – 40%*
AO2	Select and apply the knowledge and understanding of accounting procedures to a variety of accounting problems.	41 – 47%
AO3	Analyse, evaluate and present information in appropriate accounting formats and communicate reasoned explanations.	17 – 20%
		100%

\* A maximum of 15% of the total qualification marks will assess knowledge recall.

## Command word taxonomy

For this new qualification, we have reduced the number of command words and given each command word a consistent mark tariff. The table below lists the command words that may be used in the question papers, the number of marks the question is worth, along with an outline of what is required for each command word.

Command word	Mark Tariff	Assessment Objective	Requirements
(Multiple-choice question – MCQ)	1	AO1	There will be ten multiple-choice questions (MCQ) in Paper 1. Candidates must select the correct answer from a choice of four options. These questions are designed to test recall of knowledge from the specification content. (AO1).
<b>State</b>	1	AO1	This requires the recall of one or more pieces of information. One mark per item.
<b>Identify</b>	1	AO1	This requires information to be selected from a range of possibilities, list or given stimulus. One mark per item.
<b>Define</b>	2	AO1	To describe the meaning of an accounting term.
<b>Comment</b>	2	AO3	The answer must include a simple statement based on the scenario and also a summary of why/how that statement is important to the scenario.
<b>Evaluate</b>	2-8	AO3	This will involve reviewing information and then bringing it together to form a conclusion, drawing on evidence including strengths, weaknesses, alternative actions, relevant data or information. A supported judgement/decision will be reached in relation to its context.
<b>Describe</b>	2-6	AO1	The identification of number of steps in process or number of features.
<b>Explain</b>	3-6	AO3	This requires a linked justification/exemplification of a point.
<b>Complete</b>	1	AO1	This requires the completion of a table or structure. This may include a calculation which will then be required to fill the incomplete table/structure. One per step/item.
<b>Prepare</b>	1	AO2	This will involve arranging financial information into an appropriate format. One mark per step/item.
<b>Calculate</b>	1	AO2	This will involve working out a numerical problem using mathematical processes and formulae, showing relevant working. One per step.
<b>Recommend</b>	2-4	AO3	This will involve suggesting a solution/decision by reviewing information from a scenario and providing a justification/exemplification for that choice.
<b>...with examples</b>	+1	AO1	For each relevant example.



## Understanding the question types and mark schemes

There are two 'types' of mark scheme used in the new assessment: points-based and levels-based mark schemes. The mark schemes have been designed to clearly identify the skills being assessed within each question type.

### Points-based mark schemes

Points-based mark schemes are used for all questions except those requiring continuous prose. These mark schemes show:

- the number of marks for the question
- the assessment objectives for each question
- example responses that would typically be expected
- any additional guidance.

The correct response is shown for multiple-choice questions and calculations.

The example responses in the mark schemes show typical responses expected from candidates but are not intended to be exhaustive.

### 'Multiple Choice' Questions (MCQs)

An exemplar is shown below. There will be ten multiple-choice questions (MCQ) in Paper 1. Candidates must select one correct answer from a choice of four options. All of the MCQs will be in Section A on Paper 1. All MCQs will test simple knowledge (AO1).

#### 1 Which statement is **incorrect**

- ☐ **A**  $\text{assets} = \text{liabilities} + \text{capital}$
- ☐ **B**  $\text{capital} = \text{assets} - \text{liabilities}$
- ☐ **C**  $\text{capital} - \text{liabilities} = \text{assets}$
- ☐ **D**  $\text{liabilities} = \text{assets} - \text{capital}$

The correct answer is 'C'.

### **‘Define’ questions**

An exemplar is shown below. These questions are designed to test simple Knowledge (AO1).

(a) Define the term ‘current assets’.

Question	Answer	Mark
12 (a)	<b>Award up to 2 marks for a correct response.</b>  Resources that a company owns <b>(1)</b> for a short term <b>(1)</b> .	<b>(2)</b>

### **‘Identify’ questions**

An exemplar is shown below. These questions are designed to test simple Knowledge (AO1).

(b) Identify **three** types of error that are **not** identified by a trial balance.

Question	Answer	Mark
17(b)	<b>Award 1 mark for each correctly stated type.</b> <b>For example</b> <ul style="list-style-type: none"><li>• Commission <b>(1)</b></li><li>• Omission <b>(1)</b></li><li>• Principle <b>(1)</b></li><li>• Original entry <b>(1)</b></li><li>• Compensating <b>(1)</b></li><li>• Complete reversal <b>(1)</b></li></ul>	<b>(3)</b>

### ‘Calculate’ questions

An exemplar is shown below. These questions are designed to test application (AO2).

Sita provided the following information at the end of the year.

Revenue           \$50 800  
Gross profit       \$29 400

(b) Calculate Sita’s gross profit percentage.

Question	Answer	Mark
12 (a)	<b>Award up to 2 marks for a correct response.</b>  Resources that a company owns <b>(1)</b> for a short term <b>(1)</b> .	<b>(2)</b>

### ‘State’ questions

An exemplar is shown below. These questions are designed to test simple Knowledge (AO1).

(b) State two items that may appear in a bank statement but which will not appear in the cash book until after the bank statement has been received.

Question	Answer	Mark
15 (b)	<b>Award 1 mark for each correctly stated item (maximum 2).</b> For example Bank charges <b>(1)</b> Standing orders <b>(1)</b> Direct debits <b>(1)</b> Dishonoured cheques <b>(1)</b>	<b>(3)</b>

### ‘Complete’ questions

An exemplar is shown below. These questions are primarily designed to test simple Knowledge (AO1).

(b) Complete the following table to show the book of original entry for each transaction.

Question	Answer	Mark												
12	<p><b>Award 1 mark for each correct book of original entry.</b></p> <table><tr><th>Transaction</th><th>Book of original entry</th></tr><tr><td>Purchase of goods on credit</td><td>Purchases day book <b>(1)</b></td></tr><tr><td>Purchase of a non-current asset on credit</td><td>Journal <b>(1)</b></td></tr><tr><td>Purchase of a postage stamp</td><td>Petty cash book <b>(1)</b></td></tr><tr><td>Purchase of goods paying by cash</td><td>Cash book <b>(1)</b></td></tr><tr><td>Return of goods previously purchased on credit</td><td>Purchases returns book <b>(1)</b></td></tr></table>	Transaction	Book of original entry	Purchase of goods on credit	Purchases day book <b>(1)</b>	Purchase of a non-current asset on credit	Journal <b>(1)</b>	Purchase of a postage stamp	Petty cash book <b>(1)</b>	Purchase of goods paying by cash	Cash book <b>(1)</b>	Return of goods previously purchased on credit	Purchases returns book <b>(1)</b>	
Transaction	Book of original entry													
Purchase of goods on credit	Purchases day book <b>(1)</b>													
Purchase of a non-current asset on credit	Journal <b>(1)</b>													
Purchase of a postage stamp	Petty cash book <b>(1)</b>													
Purchase of goods paying by cash	Cash book <b>(1)</b>													
Return of goods previously purchased on credit	Purchases returns book <b>(1)</b>													
		(5)												

### ‘Describe’ questions

An exemplar is shown below. These questions are primarily designed to test simple Knowledge (AO1).

At the end of each month, Razha prepares a bank reconciliation statement.

(b) Describe two reasons why it is necessary to do this.

Question	Answer	Mark
15(a)	<p><b>Award up to 2 marks for each correct reason.</b></p> <p><b>For example</b></p> <p>To identify any differences between the bank balance shown in the cash book <b>(1)</b> and the balance on the bank statement <b>(1)</b>.</p> <p>To aid the identification of errors in either the cash book <b>(1)</b> or made by the bank <b>(1)</b>.</p> <p>To assist in the prevention of fraud <b>(1)</b> by confirming that the items on the bank statement matches those in the cash book <b>(1)</b>.</p>	<b>(4)</b>

## ‘Prepare’ questions

An exemplar is shown below. These questions are primarily designed to test Application (AO2).

(b) Prepare the bank reconciliation statement at 30 September 2017.

Question	Answer	Mark																								
15(c)	<p><b>Award 1 mark for each correct amount against the relevant label.</b></p> <p style="text-align: center;"><b>Razha</b> <b>Bank Reconciliation Statement</b> <b>at 30 September 2017</b></p> <table border="1"> <thead> <tr> <th></th><th></th><th>£</th></tr> </thead> <tbody> <tr> <td>Balance as per cash book (1)</td><td></td><td>3 604 (1)</td></tr> <tr> <td>Unpresented cheques</td><td>591 (1)</td><td></td></tr> <tr> <td></td><td>875 (1)</td><td></td></tr> <tr> <td></td><td></td><td>1 466</td></tr> <tr> <td></td><td></td><td>5 070</td></tr> <tr> <td>Outstanding lodgements</td><td></td><td>2 237 (1)</td></tr> <tr> <td>Balance as per bank statement (1)</td><td></td><td>2 833 (1)</td></tr> </tbody> </table>			£	Balance as per cash book (1)		3 604 (1)	Unpresented cheques	591 (1)			875 (1)				1 466			5 070	Outstanding lodgements		2 237 (1)	Balance as per bank statement (1)		2 833 (1)	(7)
		£																								
Balance as per cash book (1)		3 604 (1)																								
Unpresented cheques	591 (1)																									
	875 (1)																									
		1 466																								
		5 070																								
Outstanding lodgements		2 237 (1)																								
Balance as per bank statement (1)		2 833 (1)																								

## Levels-based mark schemes

Questions with 6 or more marks have a levels-based mark scheme. These clearly show:

- the number of marks for the question
- the assessment objectives within each question
- indicative content
- a levels grid which describes the qualities and skills expected within responses.

The number of marks and assessment objectives within each question highlight the skills being assessed.

The indicative content in the mark schemes shows the typical types of responses expected but are not used as a basis for marking.(see Using the levels-based mark schemes on page \*).

The levels grids have been designed to make clear the skills and attributes expected for each question and within each level. These are based on the assessment objectives and definitions summarised in the Command Word section – pages \* of this guide. These skills will appear consistently across the mark schemes.

### **Using the levels-based mark schemes**

The extended answer questions have levels-based mark schemes to give candidates the opportunity to demonstrate what they know and understand and reward them appropriately. Each candidate can approach an answer quite differently but they will be rewarded for the overall quality of their response rather than for the quantity of points made.

### **Finding the right level**

The first stage when applying the levels-based mark schemes is to decide which level the answer should be placed in. To do this, examiners use a 'best-fit' approach, deciding which level most closely describes the quality of the answer.

Answers can display characteristics from more than one level, and where this happens examiners use their professional judgement to decide which level is most appropriate.

### **Placing a mark within a level**

After a level has been decided on, the next stage is to decide on the mark within the level. The guidance below describes how to place an answer within the level. However, indicative content should also be used for guidance.

Examiners should be prepared to use the full range of marks available in a level and not restrict marks to the middle. Markers should start at the middle of the level (or the upper middle mark if there is an even number of marks) and then move the mark up or down to find the best mark. To do this, they should take into account how far the answer meets the requirements of the level:

- If it meets the requirements fully, markers should be prepared to award full marks within the level. The top mark in the level is used for answers that are as good as can realistically be expected within that level.

- If it only barely meets the requirements of the level, markers should consider awarding marks at the bottom of the level. The bottom mark in the level is used for answers that are the weakest that can be expected within that level.
- The middle marks of the level are used for answers that have a reasonable match to the descriptor. This might represent a balance between some characteristics of the level that are fully met and others that are only barely met.

### ‘Explain’ questions

An exemplar is shown below. These questions are primarily designed to test simple Knowledge (AO3).

- (a) Explain the difference between capital expenditure and revenue expenditure.

Question	Indicative content		Mark
16(a)	<b>Explain (AO3)</b> <ul style="list-style-type: none"> <li>• Revenue expenditure is monies spent on the day-to-day running of a business whereas capital expenditure is monies spent on the purchase of or addition to a non-current asset.</li> <li>• The cost of revenue expenditure is written off against profit in the year incurred whereas capital expenditure items are purchased to generate profit for the business and not for resale.</li> <li>• Revenue expenditure is used up within one year and appears in the income statement whereas capital expenditure items will last longer than one year and appear on the statement of financial position.</li> </ul> <p>The indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.</p>		(6)
Level	Mark		
	0	No rewardable material.	
Level 1	1–2	<ul style="list-style-type: none"> <li>• Some understanding of the accounting principles demonstrated but explanation has not been developed adequately.</li> </ul>	
Level 2	3–4	<ul style="list-style-type: none"> <li>• Good understanding of the accounting principles demonstrated with a developed explanation but with limited evidence to support response.</li> </ul>	
Level 3	5–6	<ul style="list-style-type: none"> <li>• Excellent understanding of the accounting principles demonstrated with a well-developed explanation with sufficient evidence to fully support response.</li> </ul>	

### ‘Evaluate’ questions

An exemplar is shown below. There will be 'Evaluate' question in each examination paper. These questions are designed to test the skill of evaluation (AO3). They are marked using a levels of response mark scheme which is shown below. To reach level 3, a candidate's answer must contain 'detailed application' to satisfy the (AO3) descriptor. It is recommended they have at least logical interconnections within their answer.

(c) Evaluate the profitability for the first year of trading.

Question	Indicative content		Mark
2(c)	<b>Explain (AO3)</b> <ul style="list-style-type: none"> <li>During the first year of trading Sita has generated a good level of profitability as her gross profit margin and profit for the year as a percentage of revenue both indicate that the business is being managed efficiently.</li> <li>The gross profit percentage indicates that Sita's business is generating a good return on the cost of her goods. To increase this percentage, Sita could consider raising her selling price without a subsequent increase in the cost price.</li> <li>The profit for the year as a percentage of revenue indicates that Sita is able to control her overheads while earning a good return on her investment.</li> <li>In order to ensure that the profitability of the business is maintained or improved, Sita should continually monitor her income and expenditure and take appropriate steps to ensure that her profitability is comparable to other similar businesses. The indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.</li> </ul>		(6)
Level	Mark		
	0	No rewardable material.	
Level 1	1-2	<ul style="list-style-type: none"> <li>Some understanding of the accounting principles demonstrated but explanation has not been developed adequately.</li> </ul>	
Level 2	3-4	<ul style="list-style-type: none"> <li>Good understanding of the accounting principles demonstrated with a developed explanation but with limited evidence to support response.</li> </ul>	
Level 3	5-6	<ul style="list-style-type: none"> <li>Excellent understanding of the accounting principles demonstrated with a well-developed explanation with sufficient evidence to fully support response.</li> </ul>	

If a candidate wrote an answer which showed excellent use of terminology and demonstrated full understanding of the concept of profitability, it would be placed at the top of level 3.

However, if the answer was totally generic and consisted of no application, it would be placed in level 0.



## **b. Support to understand assessment objectives**

### **Assessment Objective and weightings**

		% in International GCSE
AO1	Demonstrate a knowledge of accounting terminology, principles, procedures and techniques	35 – 40%
AO2	Select and apply their knowledge and understanding of accounting procedures to a variety of accounting problems	41 – 47%
AO3	Analyse, evaluate and present information in appropriate accounting formats and communicate reasoned explanations	17 – 20%

### **Relationship of Assessment Objectives to units**

	AO1	AO2	AO3
Paper 1	25 – 28%	23 – 25%	9 – 10%
Paper 2	11 – 12%	19 – 21%	8 – 9%
Total for International GCSE	35 – 40%	41 – 47%	17 – 20%



### Example questions

#### **AO1**

A trader operates petty cash on the imprest system with a float of \$200. During the month, the petty cashier spends \$143.28.

How much cash should the petty cashier receive at the end of the month in order to restore the imprest?

- A    \$56.72
- B    \$143.28**
- C    \$200
- D    \$343.28

This is a sample multiple-choice question that would appear in Section A of Paper 1. The distractor answers for A, C and D are designed to test the learner's understanding of the principles of maintaining a petty cash imprest system.

### **How to teach AO1**

This objective is for learners to demonstrate a knowledge and understanding of accounting terminology, principles, procedures and techniques.

Once the delivery of the lesson has been completed learner's knowledge of the topic may be tested using

- practice multiple-choice questions
- asking groups or pairs to consider key words and share their explanation with the rest of the class.

## AO2

On 1 July 2016 Amar's trade receivables ledger control account had a balance of \$24 199

On 30 June 2017 he provided information for the year

	\$
Cash sales	7 299
Credit sales	562 197
Returns from credit customers	2 199
Receipts from credit customers	421 983
Discounts allowed	18 900
Discounts received	13 921
Irrecoverable debts	2 391
Credit balance in payables ledger transferred to receivables ledger	432
Complete the trade receivables ledger control account	

### Trade Receivables Ledger Control Account

Date	Details	\$	Date	Details	\$
1 July	Balance b/d	24 199 (1)	30 June	Returns inwards book	2 199 (1)
30 June	Sales book	562 197 (1)		Cash book	421 983 (1)
				Discount allowed	18 900 (1)
				Irrecoverable debts	2 391 (1)
				Set off	432 (1)
				Balance c/d	140 491
		586 396			586 396
1 July	Balance b/d	140 491 (1)			

(8 marks)

This is a sample extracted from a multi-part question that would appear in Section B of Paper 1.

The learners are given information and have to apply their **knowledge and understanding** by completing an accounting record.

## **How to teach AO2**

This objective is for learners to select and apply their knowledge and understanding of accounting procedures to a variety of accounting problems.

Once the delivery of the lesson has been completed learners' abilities may be tested by

- completing practice multi-part questions
- asking groups or pairs to complete their own questions with deliberate errors that peer groups or pairs have to locate



## **AO3**

Brian, Jack and Terry are in partnership trading as Pullman LLP

Explain why the partners have chosen to form this form of business structure

- **The partnership would have limited liability which would mean that each partner was liable only for the debts of the business up to the amount of their investment.**
- **The formation of a partnership means that Brian, Jack and Terry will share the profits, liabilities and decision making.**

**This will allow the business access to a wider range of funding Options as the more partners there are the more capital which will be invested.**

- **The formation of a partnership means that all three partners are able to bring their own expertise and skill to the day to day management of the business and provide cover for absent colleagues as necessary.**

**(6 marks)**

## **How to teach AO3**

This objective is for learners to analyse, evaluate and present information in appropriate accounting formats and communicate reasoned explanations.

Once the delivery of the lesson has been completed learners' abilities may be tested by

- completing practice multi-part questions
- creating scenarios for learners to practice explanations e.g. a bank manager explaining to a customer the advantages and disadvantages of limited companies.

## 7. Delivery of the qualification – transferable skills

### Why transferable skills?

Transferable skills empower the students with skills which help them to improve their overall performance, not just in subject areas.

In recent years, higher education institutions and employers have consistently flagged the need for students to develop a range of transferable skills to enable them to respond with confidence to the demands of undergraduate study and the world of work.

Through our teaching materials and support offered we want to:

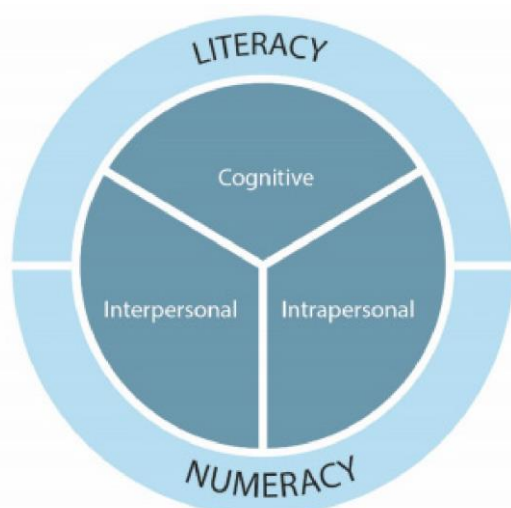
1. increase awareness of transferable skills that are already being assessed (for both students and teachers)
2. indicate where, for teachers, there are opportunities to teach additional skills that won't be formally assessed, but that would be of benefit to students.

### What are transferable skills?

The Organisation for Economic Co-operation and Development (OECD) defines skills, or competencies, as 'the bundle of knowledge, attributes and capacities that can be learned and that enable individuals to successfully and consistently perform an activity or task and can be built upon and extended through learning'.

To support the design of our qualifications, the Pearson Research Team selected and evaluated seven global 21st-century skills frameworks. Following on from this process, we identified the National Research Council's (NRC) framework<sup>2</sup> as the most evidence-based and robust skills framework, and have used this as a basis for our adapted skills framework.

The framework includes cognitive, intrapersonal skills and interpersonal skills.



[1] (OECD (2012), Better Skills, Better Jobs, Better Lives (2012):<http://skills.oecd.org/documents/OECDSkillsStrategyFINALENG.pdf>)

[2] Koenig, J. A. (2011) Assessing 21st Century Skills: Summary of a Workshop, National Research Council)

## 8. Suggested resources



Name of resource	Publisher and ISBN	Notes
Pearson Edexcel International GCSE (9-1) Accounting Student Book  James Haigh	Pearson  ISBN: 9780435189655	Publishing in 2017. Written for the new Edexcel International GCSE (9-1) Accounting specification.
Pearson Edexcel IGCSE Accounting Student Book with ActiveBook CD  Sheila Robinson	Pearson  ISBN: 9780435991296	Published in 2010.
Cambridge I-GCSE Accounting Student Book  Catherine Coucom	Cambridge University Press  ISBN: 9781107625327	Published in 2012.
Cambridge I-GCSE Accounting Workbook  Catherine Coucom	Cambridge University Press  ISBN: 9780415384209	Published in 2012.
Complete Accounting for Cambridge O Level & IGCSE Written by Brian Titley, Iain Ward-Campbell and Christine Gilchrist	Oxford University Press:  ISBN: 9780199138104	Published in 2014.
Book-keeping and Accounts (Eighth Edition)  Frank Wood and Sheila Robinson	Pearson Education Ltd.  ISBN: 9780273773061	Published in 2013.
Essential Accounting for Cambridge I-GCSE  David Austen, Christine Gilchrist and Peter Hailstone)	Oxford University Press  ISBN: 9781408525531	Published in 2014.

## 9. Support for delivering the new qualification

Our package of support to help you plan and implement the new specification includes:

**Planning** – We will provide a course planner and an editable scheme of work that you can adapt to suit your department. We will also provide face-to-face and online training for international and UK-based schools.

**Teaching and learning** – To support you in delivering the new specification, we will provide suggested resource lists and suggested activities.

**Tracking learner progress** – ResultsPlus provides the most detailed analysis available of your students' exam performance. It can help you to identify topics and skills where students could benefit from further learning.

**Support** – Our subject advisor service, and online community, will ensure you will receive help and guidance from us as well as enabling you to share ideas and information with each other. Email our subject advisor at [TeachingAccounting@pearson.com](mailto:TeachingAccounting@pearson.com)

## 10. Course planner

This section contains a course planner for each of the papers within the qualification.

The course planner follows the specification in topic order.

This is only a suggested course planner and it does not need to be followed. However, it may be useful when working through the specification for the first time.

## Two-year planner

### Planner at-a-glance

This course planner assumes one or two teaching sessions each week depending on the length of the lessons. If there is less time allocated to Accounting than other curriculum subjects, it is advised to use home learning opportunities well. Nominally, 15 hours have been given to each section but, depending on the school or college, there are some sections that could be given less time and more individual study, such as types of business organization.

Term	Year	Topic/Paper	Guided Learning Hours
1	Y10	Types of business organisations	10
2	Y10	Introduction to bookkeeping	25
3	Y10	Introduction to control processes	25
1	Y11	The preparation of financial statements	25
2	Y11	Accounting for end of period adjustments	20
3	Y11	Paper 1 and 2 revision	15

## Why choose the Pearson Edexcel International GCSE in Accounting?

This course will enable you to:

- understand the nature and purpose of accounting in business and organisations and the principles on which accounting is based
- understand the use of accounting as an aid to business decision making
- understand the use of accounting as a means of assessing the financial position of an organization
- develop the ability to quantify, to judge relevance and to write clear and concise explanations.

### **Is there any pre-requisite knowledge required before I take this course?**

We recommend that you are able to read and write in English at Level B2 of the Common European Framework of Reference for Languages. There are no prior learning requirements for this qualification.

### **Is this the right subject for me?**

Even a basic knowledge of accounting will enhance your life skills and opportunities. All businesses and enterprises need accounting records and students who acquire an International GCSE in Accounting are better placed to advance their careers in the financial sector and within industry throughout the world.

‘Accountant graduates tend to have excellent employment prospects’.  
(Source: 2016 UK Complete University Guide)

### **How will I be assessed?**

You will be assessed by 100% external examination.

What can I do after I have completed my course?

You can progress on to the further study of Accounting and other similar subjects at Level 3 and then continue on to higher education.

### **What next?**

Speak to your Accounting teacher at school or college for further guidance.

## Appendix 1A

### Layout for Statement of Profit or Loss for a sole trader and partnership

Statement of Profit or Loss for the year ended ...



		\$
Revenue		x
Less returns inwards		<u>(x)</u>
		x
<u>Cost of sales</u>		
Opening inventory	x	
Purchases	x	
Goods for own consumption (drawings)	(x)	
Carriage inwards	x	
Less returns outwards	(x)	
Less closing inventory	<u>(x)</u>	
Cost of Sales		<u>x</u>
Gross profit/(Loss)		x/(x)
<u>Other income</u>		
Discounts received	x	
Rent received	x	
Commission received	x	
Decrease in provision for irrecoverable debts	x	
Interest received	<u>x</u>	
		<u>x</u>
		<u>x</u>
<u>Expenses</u>		
Rent and rates	x	
Repairs and maintenance	x	
Insurance	x	
Wages and salaries	x	
Discounts allowed	x	
Lighting and heating	x	
Irrecoverable debts	x	
Increase in provision for irrecoverable debts	x	
Depreciation charge	x	
Motor vehicles repairs	x	
Advertising	<u>x</u>	
		<u>(x)</u>
<b>Profit/(Loss) for the year</b>		<b><u>x/(x)</u></b>

## Appendix (1B)

# Layout for Statement of Financial Position for a sole trader

## Statement of Financial Position at ...



	\$	\$	\$
<b><u>Assets</u></b>			
<b><u>Non-current Assets</u></b>	Cost	Accumulated depreciation	Carrying value
Land and buildings	x	(x)	x
Plant and machinery	x	(x)	x
Motor vehicles	x	(x)	<u>x</u>
			x
 <b><u>Current Assets</u></b>			
Inventories (closing)		x	
Trade and other receivables	x		
Provision for irrecoverable debts	<u>(x)</u>	x	
Bank		x	
Cash_____		<u>x</u>	
			<u>x</u>
 <b>TOTAL ASSETS</b>			<b><u>x</u></b>
 <b><u>Equity and Liabilities</u></b>			
<b><u>Equity</u></b>			
Opening equity		x	
Additions during the year		x	
Profit/(loss) for the year		x/(x)	
Drawings		<u>(x)</u>	
Total Equity			x
 <b><u>Liabilities</u></b>			
<b><u>Non-current liabilities</u></b>			
Bank loan		_____	x
 <b><u>Current liabilities</u></b>			
Trade and other payables		x	
Bank overdraft		<u>x</u>	
		<u>_____</u>	<u>x</u>
_____			- <u>x</u>
 <b>TOTAL EQUITY AND LIABILITIES</b>			<b><u>x</u></b>

## Appendix 1(C)

# Layout of the Appropriation Account for Partnerships

## Appropriation Account for the year ended ...



		\$
Profit/(loss) for the year		x(x)
<u>Interest on Drawings:</u>		
A (partner's full name)	x	
B (partner's full name)	x	
C (partner's full name)	<u>x</u>	
		<u>x</u>
		x
<u>Salary:</u>		
A (partner's full name)	x	
B (partner's full name)	x	
C (partner's full name)	<u>x</u>	
		(x)
<u>Interest on Capital:</u>		
A (partner's full name)	x	
B (partner's full name)	x	
C (partner's full name)	<u>x</u>	
		(x)
Profit /(loss) available for distribution		<u><u>x(x)</u></u>
<u>Share of the Profit/(loss):</u>		
A (partner's full name)		x/(x)
B (partner's full name)		x/(x)
C (partner's full name)		x/(x)



## Appendix (1D)

### Layout for Statement of Financial Position for a partnership

Statement of Financial Position at ...



	\$	\$	\$
<b><u>Assets</u></b>			
<b><u>Non-current Assets</u></b>	Cost	Accumulated depreciation	Carrying value
Land and buildings	x	(x)	x
Plant and machinery	x	(x)	x
Motor vehicles	x	(x)	<u>x</u>
			<u>x</u>
 <b><u>Current Assets</u></b>			
Inventories (closing)		x	
Trade and other receivables		x	
Allowance for irrecoverable debts		<u>(x)</u>	
Bank		x	
Cash_____		<u>x</u>	
			<u>x</u>
 <b>TOTAL ASSETS</b>			<b><u>x</u></b>
 <b><u>Equity and Liabilities</u></b>			
<b><u>Equity</u></b>			
<b><u>Capital accounts</u></b>			
A (partners full name)		x	
B (partners full name)		x	
C (partners full name)		x	
 <b><u>Current accounts</u></b>			
A (partners full name)		x/(x)	
B (partners full name)		x/(x)	
C (partners full name)		<u>x/(x)</u>	
Total Equity			x
 <b><u>Liabilities</u></b>			
<b><u>Non-current liabilities</u></b>			
Bank loan		x	
 <b><u>Current liabilities</u></b>			
Trade and other payables		x	
Bank overdraft		<u>x</u>	
_____		<u>x</u>	
			<u>x</u>
 <b>TOTAL EQUITY AND LIABILITIES</b>			<b><u>x</u></b>

