

Unit 1: The Accounting System

Syllabus Section	Learning Outcomes	Suggested Teaching Activities	Resources	Online Resources
The double entry model and cash transactions	<p>Students will be able to record receipts and payments of money in the cash book and the correct ledger accounts in an acceptable form.</p> <p>Insistence on neat work with figures entered in columns with units under units, tens under tens, hundreds under hundreds etc. Errors in figures should be corrected by deletion of the whole amount involved and the correct amount entered above the deleted item.</p>	<p>Play a team game in which one student is invited to start a business (own choice) and to make the entries for opening capital on the chalk or white board. The student will then choose other members of the class with whom to conduct cash transactions (e.g. purchases of assets and stock, sales etc.). Each student involved in a transaction will record it on the board.</p> <p>Give particular attention to the following:</p> <ul style="list-style-type: none"> • the twofold aspect of every transaction • a business is treated as being a person in its own right, separate from the owner. The accounts record transactions as they affect the business, not the owner • the concepts of debit and credit entries in ledger accounts • recording of cash transactions in cash book and postings to ledger accounts • the legend for each entry <u>must</u> name • the account in which the double entry is completed • the uses of the following accounts: sales, sales returns, purchases, purchase returns. On no account must a stock account be used at this stage. 	<p>(Randall, 2005, chapter 1)</p> <p>(Wood & Sangster, 1998a, chapter1 Review questions)</p>	

Credit transactions	<p>Students will be able to record credit transaction in the correct ledger accounts and record settlements by debtors and to creditors.</p> <p>Distinguish clearly between trade and cash discounts and their treatments.</p>	<p>Ensure students understand the concepts of debtors and creditors, and how the accounts for these take the place of the cash book until the accounts are settled.</p> <p>Team games involving cash and credit transactions may be played to maintain an active interest in the topic and to consolidate the learning process.</p> <p>Give particular attention to the following:</p> <ul style="list-style-type: none"> • explanations of terms 'debtors' and 'creditors' • debtors' and creditors' accounts • replace the cash book for credit transactions • students must distinguish between the books of the seller and the books of the buyer • trade discount is <u>never</u> recorded in books of account, but cash discount is always recorded • calculations of discounts must be accurate. 	<p>(Randall, 2005, chapter 2)</p> <p>(Wood & Sangster, 1998a, chapter 2 Review questions)</p>	
Books of prime entry	<p>Students should be able to identify the correct book of prime entry for every type of transaction, and to post individual transactions and totals to the correct ledger accounts.</p>	<p>Explain that books of prime entry are used to sort transactions according to type. They facilitate reference back to original documents (invoices etc.) and simplify postings to nominal accounts.</p> <p>Describe to students how an accountant might arrive at his/her desk and find the day's post in the in-tray. It contains invoices and credit notes from suppliers, cash from debtors, and invoices and credit notes sent to customers. Ask the class what their first job should be.</p>	<p>(Randall, 2005, chapter 3)</p> <p>(Wood & Sangster, 1998a, chapters 11 – 17 Review questions at ends of chapters)</p>	

		<p>Hopefully they will sort all the documents into separate piles according to type so that they can be processed in an orderly fashion. Explain that books of prime entry perform this function.</p> <p>Give particular attention to the following:</p> <ul style="list-style-type: none"> • the cash book is the only book of prime entry that is also part of the double entry system • students must know how the double entry is completed from the books of prime entry • the cash book is the book of prime entry for discounts. The double entry for discounts involves postings to the discount accounts and the accounts for suppliers or customers • journal entries are never made to other books of prime entry (with the possible exception of the cash book) • journal entries should always be made in the correct form and adequate narratives provided (unless these are expressly not required). 		
Balancing ledger accounts	Students should be able to balance ledger accounts and the cash book in the correct manner, carrying balances down when necessary.	<p>Explain the purpose of balancing accounts and when balancing is necessary.</p> <p>Ask the students to suggest the effects that might result from omitting to bring balances down on accounts (e.g. opening balances for the next period will be incorrect, the trader will lose sight of amounts owed, or assets will cease to be represented in the books).</p>	<p>(Randall, 2005, chapter 4)</p> <p>(Wood & Sangster, 1998a, Review questions 5.1 and 5.2)</p> <p>CIE paper 0452 May 2003</p>	

		<p>Give particular attention to the following points:</p> <ul style="list-style-type: none"> • stress that the balance on an account is the difference between the two sides of the account • the cash and bank columns of the cash book must be balanced separately • balances carried down on accounts must be shown as balances brought down on the accounts on the next day. Marks may be lost if this is not done (remind students that the difference between one grade and the next is only 1 mark). 		
The classification of accounts and division of the ledger.	Students will learn the important distinctions between the different classes of ledger accounts the advantages of having separate ledgers for the classes of accounts.	<p>Ensure that the classification of accounts is thoroughly understood as a necessary preparation for the final accounts topics which follow.</p> <p>From exercises which the students have already completed, select accounts and ask students to name the classes to which they belong, and the ledger in which they will be kept. This may be done as a team game.</p> <p>Give particular attention to the following:</p> <ul style="list-style-type: none"> • ledger accounts are either personal or impersonal accounts • impersonal accounts are either real accounts (for assets), or nominal accounts (for revenue or expenses) • explain how and why the ledger is divided into sections. 	(Randall, 2005, chapter 5) (Wood & Sangster, 1998a, chapter 11)	
Accounting Principles		It is suggested that these are best taught with the topics in Section D.		

The Trial Balance	<p>Students will be able to prepare trial balances from lists of balances extracted from ledgers and be able to recognize:</p> <ol style="list-style-type: none"> 1. balances which have obviously been omitted 2. errors which do not affect the trial balance 	<p>Ensure that students have a clear understanding why some errors do not affect the trial balance.</p> <p>Give the class examples of errors and ask them to state whether they would affect the trial balance. Those errors that would affect the trial balance should be identified according to type. This may be played as a team game.</p> <p>Give particular attention to:</p> <ul style="list-style-type: none"> • explaining the purpose and limitations of trial balances • ensuring students have a firm grasp of the six types of error which do not affect trial balances. 	<p>(Randall, 2005, chapter 6)</p> <p>(Wood & Sangster, 1998a, chapter 6 Review questions)</p> <p>CIE paper7110/2 Nov 2002 Q1</p>	
Bank reconciliation statements	<p>Students will be able to calculate the correct bank balance to be shown in balance sheets.</p>	<p>Explain to students why the bank account in the cash book may not show the amount of cash that the business really has deposited at the bank, and how they may ascertain the correct balance</p> <p>Give particular attention to:</p> <ul style="list-style-type: none"> • 3 steps are required to reconcile the cash book with the bank statement. Overdraft positions must be identified • adjustments to the cash book balance must result in adjustments to other balances in the trial balance. 	<p>(Randall, 2005, chapter 13)</p> <p>(Wood & Sangster, 1998a, chapter 29 review questions)</p> <p>CIE papers 0452/03 May 2003 Q3(a) & 7110/02 May 2003 Q1</p>	
Control and Suspense Accounts		<p>These are better left until the topics in Section D are taught</p>		