



UNIVERSITY *of* CAMBRIDGE  
International Examinations

Cambridge  
International  
AS & A Level

# SYLLABUS

**Cambridge International AS and A Level  
Accounting**

**9706**

For examination in June and November 2014

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# 1. Introduction

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## 1.1 Why choose Cambridge?

University of Cambridge International Examinations is the world's largest provider of international education programmes and qualifications for 5 to 19 year olds. We are part of the University of Cambridge, trusted for excellence in education. Our qualifications are recognised by the world's universities and employers.

### Recognition

A Cambridge International AS or A Level is recognised around the world by schools, universities and employers. The qualifications are accepted as proof of academic ability for entry to universities worldwide, though some courses do require specific subjects.

Cambridge International A Levels typically take two years to complete and offer a flexible course of study that gives students the freedom to select subjects that are right for them. Cambridge International AS Levels often represent the first half of an A Level course but may also be taken as a freestanding qualification. They are accepted in all UK universities and carry half the weighting of an A Level. University course credit and advanced standing is often available for Cambridge International A/AS Levels in countries such as the USA and Canada.

Learn more at [www.cie.org.uk/recognition](http://www.cie.org.uk/recognition)

### Excellence in education

We understand education. We work with over 9000 schools in over 160 countries who offer our programmes and qualifications. Understanding learners' needs around the world means listening carefully to our community of schools, and we are pleased that 98 % of Cambridge schools say they would recommend us to other schools.

Our mission is to provide excellence in education, and our vision is that Cambridge learners become confident, responsible, innovative and engaged.

Cambridge programmes and qualifications help Cambridge learners to become:

- **confident** in working with information and ideas – their own and those of others
- **responsible** for themselves, responsive to and respectful of others
- **innovative** and equipped for new and future challenges
- **engaged** intellectually and socially, ready to make a difference.

### Support in the classroom

We provide a world-class support service for Cambridge teachers and exams officers. We offer a wide range of teacher materials to Cambridge schools, plus teacher training (online and face-to-face), expert advice and learner-support materials. Exams officers can trust in reliable, efficient administration of exams entry and excellent, personal support from our customer services. Learn more at [www.cie.org.uk/teachers](http://www.cie.org.uk/teachers)

### Not-for-profit, part of the University of Cambridge

We are a part of Cambridge Assessment, a department of the University of Cambridge and a not-for-profit organisation.

We invest constantly in research and development to improve our programmes and qualifications.

## 1.2 Why choose Cambridge International AS and A Level?

Cambridge International AS and A Levels have a proven reputation for preparing students well for university, employment and life. They help develop the in-depth subject knowledge and understanding which are so important to universities and employers.

You can offer almost any combination of 55 subjects. Students can specialise or study a range of subjects, ensuring breadth. Giving students the power to choose helps motivate them throughout their studies.

Cambridge International AS and A Level gives you building blocks to build an individualised curriculum that develops your learners' knowledge, understanding and skills in:

- in-depth subject content
- independent thinking
- applying knowledge and understanding to new as well as familiar situations
- handling and evaluating different types of information sources
- thinking logically and presenting ordered and coherent arguments
- making judgements, recommendations and decisions
- presenting reasoned explanations, understanding implications and communicating them clearly and logically
- working and communicating in English.

The syllabuses are international in outlook, but retain a local relevance. They have been created specifically for an international student body with content to suit a wide variety of schools and avoid cultural bias.

## 1.3 Why choose Cambridge International AS and A Level Accounting?

Cambridge International AS and A Level Accounting is accepted by universities and employers as proof of an understanding of the main principles of accounting. Successful Cambridge International AS and A Level candidates gain lifelong skills, including:

- an ability to apply accounting concepts, principles and practices
- an understanding of the role of accounting as an information system for monitoring, problem-solving and decision making and the place of accounting in changing economic, social and technological environments
- an ability to examine and evaluate accounting policies and practices critically and analytically
- improved skills of communication, analysis, interpretation and presentation of both qualitative and quantitative accounting information

## 1.4 Cambridge AICE (Advanced International Certificate of Education) Diploma

Cambridge AICE (Advanced International Certificate of Education) Diploma is the group award of Cambridge International AS and A Level.

Cambridge AICE Diploma involves the selection of subjects from three curriculum groups – Mathematics and Science; Languages; Arts and Humanities.

A Cambridge International A Level counts as a double-credit qualification and a Cambridge International AS Level as a single-credit qualification within the Cambridge AICE Diploma award framework.

To be considered for an AICE Diploma, a candidate must earn the equivalent of six credits by passing a combination of examinations at either double credit or single credit, with at least one course coming from each of the three curriculum areas.

The AICE Diploma is comprised of examinations administered in May/June and October/November series each year.

Accounting (9706) falls into Group 3, Arts and Humanities.

Learn more about the AICE Diploma at <http://www.cie.org.uk/qualifications/academic/uppersec/aice>

## 1.5 How can I find out more?

### If you are already a Cambridge school

You can make entries for this qualification through your usual channels. If you have any questions, please contact us at [international@cie.org.uk](mailto:international@cie.org.uk)

### If you are not yet a Cambridge school

Learn about the benefits of becoming a Cambridge school at [www.cie.org.uk/startcambridge](http://www.cie.org.uk/startcambridge).  
Email us at [international@cie.org.uk](mailto:international@cie.org.uk) to find out how your organisation can become a Cambridge school.

## 2. Assessment at a glance

Cambridge International AS Level candidates take only Papers 1 and 2.

Cambridge International A Level candidates have two choices. Candidates who want to take the whole of the Cambridge International A Level qualification at the end of a course of study take all four papers together. Candidates who want to get the Cambridge International A Level qualification in two stages take the Cambridge International AS Level first. If they pass Cambridge International AS Level, they then only need to take Papers 3 and 4 in order to complete the Cambridge International A Level.

### Cambridge International AS Level

<b>Paper 1</b>	<b>1 hour</b>	<b>Paper 2</b>	<b>1 hour 30 minutes</b>
Candidates answer 30 multiple choice questions on AS topics; there are 30 marks for this paper.		Candidates answer 3 structured questions on AS topics; there are 90 marks for this paper.	
30% of total marks		70% of total marks	

### Cambridge International A Level

<b>Paper 1</b>	<b>1 hour</b>	<b>Paper 2</b>	<b>1 hour 30 minutes</b>
Paper 1 for Cambridge International A Level is the same as Paper 1 for Cambridge International AS Level.		Paper 2 for Cambridge International A Level is the same as Paper 2 for Cambridge International AS Level.	
15% of total marks		35% of total marks	
<b>Paper 3</b>	<b>1 hour</b>	<b>Paper 4</b>	<b>2 hours</b>
Candidates answer 30 multiple choice questions; there are 30 marks for this paper. Each item on Paper 3 tests a topic in the Cambridge International A Level Supplement part of the syllabus, but may also require a knowledge and understanding of the Cambridge International AS Level syllabus.		Candidates answer 3 problem solving questions; there are 120 marks for this paper. Each question in Paper 4 tests a topic or topics in the Cambridge International A Level Supplement part of the syllabus, but may also require a knowledge and understanding of the Cambridge International AS Level syllabus.	
15% of total marks		35% of total marks	

## Availability

This syllabus is examined in the May/June examination series and the October/November examination series.

This syllabus is available to private candidates.

Centres in the UK that receive government funding are advised to consult the Cambridge website **[www.cie.org.uk](http://www.cie.org.uk)** for the latest information before beginning to teach this syllabus.

## Combining this with other syllabuses

Candidates can combine this syllabus in an examination series with any other Cambridge syllabus, except:

- syllabuses with the same title at the same level
- 7110 Principles of Accounts
- 9755 Principles of Accounting (Singapore)



## 3. Syllabus aims and objectives

### 3.1 Aims

The syllabus is intended to encourage courses that will enable candidates to:

- develop an ability to apply accounting concepts, principles and practices
- understand the role of accounting as an information system for monitoring, problem-solving and decision making and the place of accounting in changing economic, social and technological environments
- develop a critical and analytical approach to examining and evaluating accounting policies and practices
- develop skills of communication, analysis, interpretation and presentation of both qualitative and quantitative accounting information

### 3.2 Assessment objectives

Candidates are expected to demonstrate the following skills:

AO1: **Knowledge and Understanding** of the specified content.

AO2: **Application** of this knowledge and understanding to familiar and new situations.

AO3: **Analysis** of accounting information in an appropriate form.

AO4: **Communicate** reasoned explanations in a clear and logical manner.

AO5: **Evaluation** of accounting information and the ability to make recommendations based on accounting principles.

### 3.3 Specification grid

The marks available for each group of skills are as follows:

	Knowledge and Understanding	Application	Analysis	Communication	Evaluation	Total
Paper 1	15	10	5	0	0	30
Paper 2	30	30	10	10	10	90
Paper 3	15	10	5	0	0	30
Paper 4	40	40	20	10	10	120

## 4. Curriculum content

Overview of the curriculum for Cambridge International AS & A Level Accounting

Topic	AS Level	A Level
<b>THE ACCOUNTING SYSTEM</b>		
<b>A</b> Recording Financial Information	Examined at AS	May be examined at A Level
<b>B</b> Accounting Principles	Examined at AS	May be examined at A Level
<b>C</b> Control Systems	Examined at AS	May be examined at A Level
<b>FINANCIAL ACCOUNTING</b>		
<b>D</b> Preparation of Financial Statements	Examined at AS	Includes additional content at A Level
<b>E</b> Capital (Equity)	Examined at AS	Includes additional content at A Level
<b>F</b> Business Purchase	–	Examined at A Level
<b>G</b> Published Company Accounts	–	Examined at A Level
<b>FINANCIAL REPORTING AND INTERPRETATION</b>		
<b>H</b> Interpretation and Analysis	Examined at AS	Includes additional content at A Level
<b>I</b> Company Financing	–	Examined at A Level
<b>ELEMENTS OF MANAGERIAL ACCOUNTING</b>		
<b>J</b> Costing Principles and Systems	Examined at AS	Includes additional content at A Level
<b>K</b> Budgeting	Examined at AS	Includes additional content at A Level
<b>L</b> Standard Costing	–	Examined at A Level
<b>M</b> Investment Appraisal	–	Examined at A Level

## 4.1 Core content: Cambridge International AS Level

Content	Notes
<b>THE ACCOUNTING SYSTEM</b>	
<p><b>A. Recording financial information</b></p> <p>The recording and processing of accounting data based on the double-entry system of accounting.</p>	<p>Double-entry book-keeping, journal entries, other payables, other receivables, bad debts and the provision for doubtful debts.</p> <p>The distinction between capital and revenue incomes and expenditures and the treatment of tangible non-current assets including their depreciation, disposal and revaluation.</p> <p>The treatment of current assets, current liabilities, non-current liabilities, equity and reserves.</p>
<p><b>B. Accounting principles</b></p> <p>The recognition and application of accounting concepts.</p>	<p>The principles, concepts and conventions which underlie the accounting process including going concern, matching, other payables, other receivables, consistency, materiality, aggregation, offsetting and comparative information.</p> <p>The importance of a true and fair view, and of prudence and substance over form.</p> <p>The use of the business entity, historical cost and revaluation as features of the recording system.</p>
<p><b>C. Control systems</b></p> <p>Principles of accounting control systems.</p>	<p>The trial balance, bank reconciliations, suspense accounts, control accounts and the correction of errors and consequent adjustments to the income statement and statement of financial position.</p>
<b>FINANCIAL ACCOUNTING</b>	
<p><b>D. Preparation of financial statements</b></p> <p>The periodic determination of profit (or earnings) and overall financial position based on historical cost data and generally accepted accounting principles and policies, conventions and practices which relate to each type of organisation listed:</p>	<p>This section covers the preparation of financial statements, namely: manufacturing, trading, departmental, income statements, appropriation accounts, statements of financial position and simple cash flows, in good style and format.</p>

(a) Sole Traders and Private Limited Companies	<p>Manufacturing, trading, departmental, income statements and statements of financial position.</p> <p>The AS Level curriculum does <b>not</b> include published accounts of PLCs.</p>
(b) Partnerships	<p>The preparation of partnership appropriation accounts, current accounts and capital accounts.</p> <p>Changes in partnership – incoming and outgoing partners.</p> <p>Changes in profit sharing ratio.</p> <p>Intangible assets (Goodwill) adjustments in partners' capital accounts:</p> <ul style="list-style-type: none"> <li>(i) with the introduction of a goodwill (intangible assets) account in the firm's books, and</li> <li>(ii) when no goodwill (intangible assets) account is to be introduced.</li> </ul>
(c) Non-profit making (not for profit) organisations	For example, clubs and societies.
(d) Accounts prepared from incomplete records or where financial records are deficient or incorrect	
<p>A general knowledge and understanding of the accepted principles and application of inventory valuation, depreciation and goodwill (intangible assets) as it applies to the above.</p>	<p><b>Valuation of inventory</b></p> <p>The calculation of the value of closing inventory using the FIFO and AVCO methods (perpetual and periodic).</p> <p>The effect of different methods of valuing inventory on profit and the valuation of inventory in the statement of financial position.</p> <p>The different characteristics, and the appropriateness, of using FIFO and AVCO.</p> <p>Detailed calculations of the value of inventory using LIFO will <b>not</b> be set.</p> <p>The principle of applying the lower of cost or net realisable value when valuing closing inventory.</p> <p>There are <b>no</b> questions on long-term contracts.</p>

	<p><b>Depreciation</b></p> <p>The causes of depreciation: physical deterioration, economic factors, obsolescence, inadequacy and the passage of time.</p> <p>The terminology used in accounting for depreciation: cost, useful asset life, residual (scrap) value and carrying amount.</p> <p>The reasons for accounting for depreciation and the application of relevant accounting concepts.</p> <p>The calculation of depreciation: reducing balance, straight-line and revaluation methods.</p> <p>The calculation of profit or loss on disposal of non-current assets; ledger accounts and journal entries for non-current assets, depreciation and disposal; the application of relevant accounting concepts.</p>
	<p><b>Intangible assets</b></p> <p>The concept and treatment of intangible assets as it applies to Sole Traders and Limited Companies. (Partnership treatment of intangible assets is in A Level <b>only</b>)</p> <p>It is <b>not</b> necessary to know about taxation.</p> <p>There are <b>no</b> questions on any aspects of:</p> <ul style="list-style-type: none"> <li>• Brand names (although this may be included at A Level)</li> <li>• Container accounts</li> <li>• Joint ventures</li> <li>• Royalties</li> <li>• Investment accounts involving the apportionment of income and capital</li> <li>• Piecemeal dissolution of partnership, or the rule in Garner versus Murray</li> <li>• Bills of exchange</li> <li>• Group or consolidated accounts</li> <li>• Hire purchase accounts or branch and consignment accounts.</li> </ul>

<p><b>E. Capital (equity)</b></p> <p>The raising of capital.</p>	<p>The main types of share capital: ordinary shares; preference shares (cumulative, non-cumulative, participating and redeemable).</p> <p>The principles of overdrafts; trade credit and factoring; loans and debentures.</p> <p>The effect on the statement of financial position of the issue of shares.</p> <p>There are <b>no</b> questions on:</p> <ul style="list-style-type: none"> <li>• forfeiture of shares, redemption and purchase of own shares by a company, or on convertible loan stock.</li> <li>• the detailed procedure of book-keeping entries for share issues.</li> <li>• the published accounts of Limited Companies.</li> </ul>
<p><b>F. Business purchase</b></p>	<p>This topic is <b>not</b> in the AS Level syllabus.</p>
<p><b>G. Published company accounts</b></p>	<p>This topic is <b>not</b> in the AS Level syllabus.</p>

<b>FINANCIAL REPORTING AND INTERPRETATION</b>	
<p><b>H. Interpretation and analysis</b></p> <p>Users of financial statements.</p> <p>Calculation of ratios.</p>	<p>The differing requirements for information of user groups including management, shareholders, employees, potential investors, creditors, government, public and environmental bodies.</p> <p>See the ratios on pages 21–23.</p> <p>Ratios to aid the appraisal of profitability, liquidity and efficiency.</p> <p>Calculation of the following specific ratios:</p> <ul style="list-style-type: none"> <li>• Gross profit ratio (margin)</li> <li>• Mark up</li> <li>• Net profit ratio (percentage)</li> <li>• Return on capital employed</li> <li>• Expenses to sales ratio</li> <li>• Non-current asset turnover</li> <li>• Current ratio</li> <li>• Liquid (acid test) ratio</li> <li>• Trade receivables turnover (days)</li> <li>• Trade payables turnover (days)</li> <li>• Inventory turnover (days)</li> <li>• Inventory turnover (times)</li> </ul>
<p>Analysis and interpretation of accounting information</p> <p>Limitations of accounting information</p>	<p>The presentation, analysis and interpretation of accounting information as an aid to decision making by user groups; inter-firm comparisons and trend analyses.</p> <p>The limitations of accounting information. The difficulties of comparison presented by subjectivity, time lapse, monetary measurement and other external factors.</p>
<p><b>I. Company financing</b></p>	<p>This topic is <b>not</b> in the AS Level syllabus.</p>

<b>ELEMENTS OF MANAGERIAL ACCOUNTING</b>	
<p><b>J. Costing principles and systems</b></p> <p>Cost accounting for material, labour and overheads.</p>	<p>The elements of cost: cost classification and ascertainment of fixed, variable and semi-variable costs, stepped costs, total costs, unit costs and sunk costs.</p> <p>Availability of materials and labour and limiting factors relating to production and capacity. Preparation of cash budgets and forecasts in good style and format to aid decision making.</p>
<p>Marginal (variable) costing</p>	<p>Making simple business decisions using marginal costing e.g. make or buy.</p> <p>The concept of contribution and its application to the calculation of revenue, cost and profit data.</p> <p>The calculation of the break-even point, contribution to sales (revenue) ratio and margin of safety, the preparation and use of break-even graphs and contribution to sales (revenue) (profit/volume) graphs.</p> <p>The advantages and limitations of cost-volume-profit analysis.</p> <p>The evaluation and interpretation of cost-volume-profit data and its value as a support for management decision making.</p>
<p>Absorption (total) costing</p>	<p>Making simple business decisions using absorption costing.</p> <p>The classification of direct and indirect material and labour costs, other direct expenses and overhead expenditure.</p> <p>The allocation and apportionment of overhead expenditure between production and service departments and the calculation of overhead absorption rates; under absorption and over absorption of overheads.</p> <p>The uses and limitations of marginal costing and absorption costing.</p> <p>Valuation of inventory using absorption and marginal cost principles.</p>



Costing systems	Costing systems as used for job, unit, and batch costing, including the calculation of the value of inventory.  There are <b>no</b> questions on process costing.
<b>K. Budgets</b>	Preparation of simple cash budgets to aid decision making
<b>L. Standard costing</b>	This topic is <b>not</b> in the AS Level syllabus.
<b>M. Investment appraisal</b>	This topic is <b>not</b> in the AS Level syllabus.

## 4.2 Core content: Cambridge International A Level

Content	Notes
<b>THE ACCOUNTING SYSTEM</b>	
Cambridge International A Level candidates need to be familiar with all the material in the Cambridge International AS Level syllabus, although there are no questions testing this in detail.	
<b>FINANCIAL ACCOUNTING</b>	
<b>D. Preparation of financial statements</b>	
Knowledge of all the material in the AS Level syllabus is necessary.	As for the AS Level syllabus, plus:
Cash flow statements	The preparation of statement of cash flows in good style and format and in accordance with current accounting standards such as IAS7.  The internal financial statements of Limited Companies.
Partnership changes	As for the AS Level syllabus plus:  Dissolution of partnership.  Effects of asset and liability revaluation.
<b>E. Capital (Equity)</b>	
The whole of the AS Level syllabus, plus the following:  (a) Premium on redemption of shares and the capital redemption reserve. (b) Repayment of share capital. (c) Redemption and purchase of own shares. (d) Repayment of debentures. (e) Convertible loan stock. (f) Distributable profits.	As for the AS Level syllabus, plus the following:  The effect on the statement of financial position of the redemption of shares, capital reductions and reconstructions.  The effect on the statement of financial position of bonus and rights issues.  Revenue and capital reserves.  There are <b>no</b> questions on forfeiture of shares.  A knowledge of share issues, capital reductions and reconstructions.  There are <b>no</b> questions involving the detailed procedure of book-keeping entries required in the journal or in ledger accounts for share issues, capital reductions or reconstructions.

<p><b>F. Business purchase</b></p> <p>The purchase of an unincorporated business by a limited company.</p> <p>The purchase of assets, and the assumption of liabilities of one business by another, or by a new company which buys one or more existing businesses.</p> <p>Merger of unincorporated businesses to form a partnership or limited company.</p> <p>Evaluating a business with a view to acquiring it.</p>	<p>An appreciation of return on investment; calculation of goodwill (intangible assets) and negative goodwill (intangible assets); purchase of a business by issue of shares, debentures, and by cash.</p> <p>Mergers by means of combining or purchasing assets and liabilities.</p> <p>Valuation of a business by book value and net equity methods.</p>
<p><b>G. Published company accounts</b></p> <p>Principles governing the disclosure requirements of company annual reports covering:</p> <p>(a) The Directors' Report;</p> <p>(b) Income statement (statement of comprehensive income);</p> <p>(c) Statement of financial position;</p> <p>(d) Statement of cash flows;</p> <p>(e) Statement of changes in equity (total recognised gains and losses).</p>	<p>The main disclosure requirements relating to published corporate reports.</p> <p>Disclosure of accounting policies.</p> <p>Familiarity with the requirements to disclose details concerning fixed assets, depreciation.</p> <p>Treatment of intangible assets.</p> <p>There are <b>no</b> questions which rely wholly or mainly on the Companies Acts concerning the format of published accounts.</p> <p>There are <b>no</b> questions on corporate governance, reports of audit committees, remuneration committees, interim reports, segmental information and foreign exchange.</p>
<p><b>FINANCIAL REPORTING AND INTERPRETATION</b></p>	
<p><b>H. Interpretation and analysis</b></p> <p>Builds on the whole of the AS Level syllabus. There may be questions on all ratios in the syllabus (both AS and A Level).</p>	<p>See ratios given on pages 21–23.</p> <p>Ratios to aid the appraisal of financial structure; gearing and Stock Exchange ratios.</p>

<p><b>I. Company financing</b></p> <p>The financing of companies including capital gearing, capital structures, and loan capital. The bases of modern financial reporting and its limitations.</p>	<p>Rights and bonus issues.</p> <p>An understanding of the disclosure standards adopted by quoted companies.</p> <p>A basic knowledge of the following standards and how these standards relate to topics in the syllabus:</p>	
	<b>IAS</b>	<b>Topic</b>
	IAS 1	Presentation of financial statements
	IAS 2	Inventories (not long-term contracts)
	IAS 7	Statement of cash flows
	IAS 8	Accounting policies
	IAS 10	Events after the reporting period
	IAS 16	Property, plant and equipment
	IAS 18	Revenue
	IAS 23	Borrowing costs
	IAS 33	Earnings per share
	IAS 36	Impairment of assets
	IAS 37	Provisions, contingent liabilities and contingent assets
	IAS 38	Intangible assets
<b>ELEMENTS OF MANAGERIAL ACCOUNTING</b>		
<p><b>J. Costing principles and systems</b></p> <p>A Level Candidates need to be familiar with all the material in the AS Level syllabus, plus:</p>		
<p>Process costing, including by-products and waste products and the calculation of work in progress.</p>	<p>Process costing involving normal wastage and joint products, but not involving more than three processes.</p> <p>Valuation of inventory using absorption and marginal costing principles.</p> <p>Relevant costs and the preparation of costing reports for use in decision-making. Availability of materials and labour and limiting factors relating to production and capacity.</p>	

<p><b>K. Budgets</b></p>	<p>Advantages of using budgets.</p> <p>The preparation of the following budgets:</p> <ul style="list-style-type: none"> <li>• Master budget – budgeted income statements and statements of financial position</li> <li>• Production</li> <li>• Purchases</li> <li>• Expenditure</li> <li>• Trade receivables</li> <li>• Trade payables</li> <li>• Cash</li> <li>• Sales.</li> </ul> <p>Principal budget factors and the flexing of budgets.</p> <p>Behavioural aspects of budgeting.</p> <p>Limitations of budgets.</p>
<p><b>L. Standard costing</b></p> <p>Establishing cost standards for unit costs, and variance analysis involving usage and price variances.</p>	<p>Types of cost standard. Standard hours and calculation of a standard unit price. Calculation of sales volume and price variances; materials usage and price variances; labour efficiency and rate variances.</p> <p>Candidates do <b>not</b> need to calculate overhead and sales mix variances. There are <b>no</b> questions on standard costing involving several processes through which a product may pass.</p>

<p><b>M. Investment appraisal</b></p> <p>The elements of investment appraisal including discounted cash flow methods.</p> <p>Other factors affecting investment decisions.</p> <p>Sensitivity analysis.</p>	<p>Capital investment appraisal to include:</p> <ul style="list-style-type: none"> <li>• Ascertainment of future net cash flows</li> <li>• Payback</li> <li>• Discounted payback</li> <li>• Accounting rate of return (ARR).</li> </ul> <p>Discounting methods for calculating the net present value and internal rate of return. Discount factors are given.</p> <p>Advantages and disadvantages of using different methods of investment appraisal.</p> <p>Treatment of working capital required.</p> <p>Capital rationing and selection of appropriate projects. (Discount factors are given.)</p> <p>Critical changes in initial outlay and future net cash flows.</p>
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## 5. Appendix

### 5.1 Summary of commonly used ratios (AS and A Level)

#### Profitability ratios

$$(i) \text{ Gross Profit Ratio (margin) (also known as Gross Profit percentage)} = \frac{\text{Gross Profit}}{\text{Net Sales/Revenue}} \times 100$$

$$\text{Mark up} = \frac{\text{Gross Profit}}{\text{Cost of Sales}} \times 100$$

$$(ii) \text{ Net Profit Ratio (also known as Net Profit percentage)} = \frac{\text{NPBI}}{\text{Net Sales Revenue}} \times 100$$

$$\text{can also be expressed as } \frac{\text{Net Profit}}{\text{Net Sales/Revenue}} \text{ (after interest)}$$

*[Uses NPBI – Net Profit before interest, i.e. add back interest]*

$$(iii) \text{ Return on Capital Employed} = \frac{\text{NPBI}}{\text{Capital Employed}} \times 100$$

*[Capital Employed = Issued Shares + Reserves + Non-Current Liabilities]*

$$(iv) \text{ Return on Equity} = \frac{\text{Net Profit after Preference Dividends}}{\text{Equity}} \times 100$$

*[Equity = Issued Ordinary Shares + Reserves]*

$$(v) \text{ Return on Total Assets} = \frac{\text{NPBI}}{\text{Total Assets}} \times 100$$

*[Total Assets = Non-Current Assets + Current Assets]*

$$(vi) \text{ Operating expenses to Revenue Ratio} = \frac{\text{Operating Expenses}}{\text{Revenue}} \times 100$$

$$(vii) \text{ Non-Current Asset Turnover} = \frac{\text{Net Sales Revenue}}{\text{Total Net Book Value of Non-Current Assets}}$$

## Liquidity

$$(i) \text{ Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$(ii) \text{ Liquid Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

(Also known as 'Acid Test' or 'Quick Ratio')

$$(iii) \text{ Trade Receivables Turnover} = \frac{\text{Trade Receivables}}{\text{Credit Sales}} \times 365 \text{ days}$$

(Also known as Average Collection Period)

$$(iv) \text{ Trade Payables Turnover} = \frac{\text{Trade Payables}}{\text{Credit Purchases}} \times 365 \text{ days}$$

(Also known as Average Payment Period)

$$(v) \text{ Inventory Turnover} = \frac{\text{Average Inventory}}{\text{Cost of Goods Sold}} \times 365 \text{ days}$$

$$\text{Or Rate of Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}} \text{ (answer given in times)}$$



Cambridge International A Level *only*

$$(vi) \text{ Working Capital Cycle (in days) = Trade Receivables Turnover (in days) + Inventory Turnover (in days) - Trade Payables Turnover (in days)}$$

Or

$$\text{Working Capital Cycle (in days) = Average Collection Period + Inventory Turnover (in days) - Average Payment Period}$$

$$(vii) \frac{\text{Net Working Assets}}{\text{Sales/Revenue}} \times 100$$

Net Working Assets = Inventories plus Trade Receivables less Trade Payables

$$(viii) \text{ Income Gearing} = \frac{\text{Interest Expense}}{\text{Profit Before Interest and Tax (PBIT)}} \times 100$$

$$(ix) \text{ Gearing Ratio} = \frac{\text{Fixed Cost Capital}}{\text{Total Capital}}$$

Which is: 
$$\frac{\text{Non-Current Liabilities + Preference Share Capital}}{\text{Issued Ordinary Share Capital + All Reserves + Non-Current Liabilities + Preference Shares}}$$

Investment ratios (stock exchange ratios) Cambridge International A Level *only*

$$(i) \text{ Earnings per share} = \frac{\text{Net Profit - Preference Share Dividend}}{\text{No. of issued Ordinary Shares}}$$

$$(ii) \text{ Price Earnings Ratio} = \frac{\text{Market Price per share}}{\text{Earnings per share}}$$

$$(iii) \text{ Dividend yield} = \frac{\text{Dividend paid and proposed}}{\text{Market Price of share}}$$

$$(iv) \text{ Dividend cover} = \frac{\text{Profit available to pay ordinary dividend}}{\text{Ordinary dividend paid}}$$

$$(v) \text{ Dividend per share} = \frac{\text{Ordinary dividend paid}}{\text{Number of issued ordinary shares}}$$

- Calculate ratios using year-end balances where appropriate, unless the question specifies the use of average figures.
- Calculate ratios to the number of decimal places required by the question.

## 5.2 Resource list

This is **NOT** a list of prescribed texts, but a range of alternative texts from which teachers may wish to choose.

### Student textbooks

Author	Title	Publisher	ISBN	Date
Harold Randall and David Hopkins	<i>Accounting: A Level and AS Level</i> <i>*Endorsed Textbook*</i>	CUP	1107640625	2012
Ian Harrison	<i>Advanced Accounting for A2</i>	Hodder Education	9780340973592	2009
Ian Harrison	<i>Introducing Accounting for AS</i>	Hodder and Stoughton	0340959401	2008
Rob Jones	<i>Business Accounting</i>	Causeway Press	1902796411	2004

### Teacher's resources

Author	Title	Publisher	ISBN	Date
Catherine Coucom	<i>Professional Development for Teachers: Teaching and Assessing Skills in Accounting</i>	CUP	0521543673	2005
Ian Harrison	<i>The Complete A-Z Accounting</i>	Hodder and Stoughton	0340872667	2005
Frank Wood and Alan Sangster	<i>Business Accounting 1</i> <i>(11th edition)</i>	Prentice Hall	0273712128	2008
Frank Wood and Alan Sangster	<i>Business Accounting 2</i> <i>(11th edition)</i>	Prentice Hall	0273712136	2008

## Online resources:

- 1 **[www.osbornebooks.co.uk/pdf/resources\\_accounting.pdf](http://www.osbornebooks.co.uk/pdf/resources_accounting.pdf)** If problems are experienced with this site, select **[www.osbornebooks.co.uk/resources.html](http://www.osbornebooks.co.uk/resources.html)** then select Student Resources, Select Accounting and Finance and the Select Accounting Documents.pdf)
- 2 **[www.nrbarton.co.uk/Bookkeeping/index.html](http://www.nrbarton.co.uk/Bookkeeping/index.html)**
- 3 **[accounting10.tripod.com/content.htm](http://accounting10.tripod.com/content.htm)**
- 4 **[www.askltd.com/askjava/Intro.htm](http://www.askltd.com/askjava/Intro.htm)**
- 5 **[www.staffs.ac.uk/schools/business/bsadmin/staff/s5/mscproj/defn.htm](http://www.staffs.ac.uk/schools/business/bsadmin/staff/s5/mscproj/defn.htm)**
- 6 **[www.bized.ac.uk/compfact/ratios/](http://www.bized.ac.uk/compfact/ratios/)**
- 7 **[www.bized.ac.uk/stafsup/options/accounting/index.htm](http://www.bized.ac.uk/stafsup/options/accounting/index.htm)**
- 8 **[www.accountingeducation.com/links/index.cfm](http://www.accountingeducation.com/links/index.cfm)** (useful to focus searching to relevant areas)
- 9 **[www.carolworld.com/](http://www.carolworld.com/)** (Company Annual Reports Online site; commercial final accounts)
- 10 **[www.bbc.co.uk/schools/gcsebitesize/business/finance/index.shtml](http://www.bbc.co.uk/schools/gcsebitesize/business/finance/index.shtml)** (covers aspects of the syllabus)
- 11 **[www.business-studies.co.uk/accounts.htm](http://www.business-studies.co.uk/accounts.htm)** (Business Studies but some relevant resources for Accounting)
- 12 **[www.tutor2u.net/revision\\_notes\\_accounting.asp](http://www.tutor2u.net/revision_notes_accounting.asp)** (Business Studies but relevant resources for Accounting)
- 13 **[www.learnicie.org.uk/Login.aspx?ReturnUrl=%2fDefault.aspx](http://www.learnicie.org.uk/Login.aspx?ReturnUrl=%2fDefault.aspx)** (Business Studies but some relevant resources for Accounting)
- 14 **[www.accaglobal.com/publications/studentaccountant/technician/](http://www.accaglobal.com/publications/studentaccountant/technician/)** (ACCA Student Accountant site with some relevant articles)

## International standards:

- 15 **[www.iasplus.com/index.htm](http://www.iasplus.com/index.htm)** (Click on the standards button in the heading and then scroll down)
- 16 **[www.answers.com](http://www.answers.com)** (Then insert the relevant IAS in the heading)
- 17 **[http://en.wikipedia.org/wiki/Main\\_Page](http://en.wikipedia.org/wiki/Main_Page)** (Use the search facility to find individual IAS e.g. IAS 1: Presentation of Financial Statements. Wikipedia is also available in other languages – scroll down to the languages section on the Main Page.)

### 5.3 International standards terminology

The list below identifies the international standards terminology used in Cambridge accounting syllabuses. Cambridge anticipates including well-known standards, which are relevant to the level of study, in question papers, mark schemes and associated documents.

Centres should use the new terminology in their teaching and learning materials.

Current International usage	Previous Cambridge/UK usage
Statement of financial position (balance sheet)	<i>Balance sheet</i>
Bank (and other) loans/ Interest bearing loans and borrowing	<i>Loans repayable after 12 months</i>
Bank overdrafts and loans/ Interest bearing loans and borrowing	<i>Loans repayable within 12 months</i>
Capital or equity/shareholders' equity	<i>Capital</i>
Cash (and cash equivalents)	<i>Bank and cash</i>
Cost of sales	<i>Cost of goods sold</i>
Current assets	<i>Current assets</i>
Current liabilities	<i>Current liabilities/ Creditors: amounts due within 12 months</i>
Finance costs	<i>Interest payable</i>
Finance income/investment revenues	<i>Interest receivable</i>
Financial statements	<i>Final accounts</i>
Gross profit	<i>Gross profit</i>
Income statement (statement of comprehensive income)	<i>Trading and profit and loss account</i>
Intangible assets	<i>Goodwill etc.</i>
Inventory/inventories (of raw materials and finished goods)	<i>Stock</i>
Investment property	<i>Investments</i>
Non-current assets	<i>Fixed assets</i>
Non-current liabilities	<i>Long term liabilities/ Creditors: amounts falling due after more than one year</i>
Other operating expenses	<i>Sundry expenses (administration and distribution)</i>
Other operating income	<i>Sundry income</i>
Other payables	<i>Accruals</i>
Other receivables	<i>Prepayments</i>
Plant and equipment	<i>Plant and equipment</i>
Profit (before tax) for the year	<i>Net profit</i>

Property	<i>Land and buildings</i>
Raw materials Ordinary goods purchased	<i>Purchases</i>
Revenue	<i>Sales</i>
Share capital	<i>Share capital</i>
Trade payables	<i>Creditors</i>
Trade receivables	<i>Debtors</i>
Work in progress	<i>Work in progress</i>

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## 6. Additional information

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### 6.1 Guided learning hours

Cambridge International A Level syllabuses are designed on the assumption that candidates have about 360 guided learning hours per subject over the duration of the course. Cambridge International AS Level syllabuses are designed on the assumption that candidates have about 180 guided learning hours per subject over the duration of the course. ('Guided learning hours' include direct teaching and any other supervised or directed study time. They do not include private study by the candidate.)

However, these figures are for guidance only, and the number of hours required may vary according to local curricular practice and the candidates' prior experience of the subject.

### 6.2 Recommended prior learning

We recommend that candidates who are beginning this course should have previously completed a Cambridge O Level or Cambridge IGCSE course in Accounting or the equivalent.

### 6.3 Progression

Cambridge International A Level Accounting provides a suitable foundation for the study of Accounting or related courses in higher education. Equally it is suitable for candidates intending to pursue careers or further study in Accounting, or as part of a course of general education.

Cambridge International AS Level Accounting constitutes the first half of the Cambridge International A Level course in Accounting and therefore provides a suitable foundation for the study of Accounting at Cambridge International A Level and thence for related courses in higher education. Depending on local university entrance requirements, it may permit or assist progression directly to university courses in Accounting or some other subjects. It is also suitable for candidates intending to pursue careers or further study in Accounting, or as part of a course of general education.

Teachers and Learners should take into account that, in some countries, universities advise that some combinations of subjects with similar content should be avoided where possible, for example Economics, Business Studies and Accounting. Learners are advised to contact universities in advance of making decisions about subject combinations that include two or more of these subjects.

### 6.4 Component codes

Because of local variations, in some cases component codes will be different in instructions about making entries for examinations and timetables from those printed in this syllabus, but the component names will be unchanged to make identification straightforward.

## 6.5 Grading and reporting

Cambridge International A Level results are shown by one of the grades A\*, A, B, C, D or E indicating the standard achieved, Grade A\* being the highest and Grade E the lowest. 'Ungraded' indicates that the candidate has failed to reach the standard required for a pass at either Cambridge International AS Level or A Level. 'Ungraded' will be reported on the statement of results but not on the certificate.

If a candidate takes a Cambridge International A Level and fails to achieve grade E or higher, a Cambridge International AS Level grade will be awarded if both of the following apply:

- the components taken for the Cambridge International A Level by the candidate in that series included all the components making up a Cambridge International AS Level
- the candidate's performance on these components was sufficient to merit the award of a Cambridge International AS Level grade.

For languages other than English, Cambridge also reports separate speaking endorsement grades (Distinction, Merit and Pass), for candidates who satisfy the conditions stated in the syllabus.

Percentage uniform marks are also provided on each candidate's statement of results to supplement their grade for a syllabus. They are determined in this way:

- A candidate who obtains...
  - ... the minimum mark necessary for a Grade A\* obtains a percentage uniform mark of 90%.
  - ... the minimum mark necessary for a Grade A obtains a percentage uniform mark of 80%.
  - ... the minimum mark necessary for a Grade B obtains a percentage uniform mark of 70%.
  - ... the minimum mark necessary for a Grade C obtains a percentage uniform mark of 60%.
  - ... the minimum mark necessary for a Grade D obtains a percentage uniform mark of 50%.
  - ... the minimum mark necessary for a Grade E obtains a percentage uniform mark of 40%.
  - ... no marks receives a percentage uniform mark of 0%.

Candidates whose mark is none of the above receive a percentage mark in between those stated according to the position of their mark in relation to the grade 'thresholds' (i.e. the minimum mark for obtaining a grade). For example, a candidate whose mark is halfway between the minimum for a Grade C and the minimum for a Grade D (and whose grade is therefore D) receives a percentage uniform mark of 55%.

The percentage uniform mark is stated at syllabus level only. It is not the same as the 'raw' mark obtained by the candidate, since it depends on the position of the grade thresholds (which may vary from one series to another and from one subject to another) and it has been turned into a percentage.

Cambridge International AS Level results are shown by one of the grades a, b, c, d or e indicating the standard achieved, Grade a being the highest and Grade e the lowest. 'Ungraded' indicates that the candidate has failed to reach the standard required for a pass at Cambridge International AS Level. 'Ungraded' will be reported on the statement of results but not on the certificate.

For languages other than English, Cambridge will also report separate speaking endorsement grades (Distinction, Merit and Pass) for candidates who satisfy the conditions stated in the syllabus.

The content and difficulty of a Cambridge International AS Level examination is equivalent to the first half of a corresponding Cambridge International A Level.

Percentage uniform marks are also provided on each candidate's statement of results to supplement their grade for a syllabus. They are determined in this way:

- A candidate who obtains...
  - ... the minimum mark necessary for a Grade a obtains a percentage uniform mark of 80%.
  - ... the minimum mark necessary for a Grade b obtains a percentage uniform mark of 70%.
  - ... the minimum mark necessary for a Grade c obtains a percentage uniform mark of 60%.
  - ... the minimum mark necessary for a Grade d obtains a percentage uniform mark of 50%.
  - ... the minimum mark necessary for a Grade e obtains a percentage uniform mark of 40%.
  - ... no marks receives a percentage uniform mark of 0%.

Candidates whose mark is none of the above receive a percentage mark in between those stated according to the position of their mark in relation to the grade 'thresholds' (i.e. the minimum mark for obtaining a grade). For example, a candidate whose mark is halfway between the minimum for a Grade c and the minimum for a Grade d (and whose grade is therefore d) receives a percentage uniform mark of 55%.

The percentage uniform mark is stated at syllabus level only. It is not the same as the 'raw' mark obtained by the candidate, since it depends on the position of the grade thresholds (which may vary from one series to another and from one subject to another) and it has been turned into a percentage.

## 6.6 Access

Reasonable adjustments are made for disabled candidates in order to enable them to access the assessments and to demonstrate what they know and what they can do. For this reason, very few candidates will have a complete barrier to the assessment. Information on reasonable adjustments is found in the *Cambridge Handbook* which can be downloaded from the website **www.cie.org.uk**

Candidates who are unable to access part of the assessment, even after exploring all possibilities through reasonable adjustments, may still be able to receive an award based on the parts of the assessment they have taken.

## 6.7 Resources

Copies of syllabuses, the most recent question papers and Principal Examiners' reports for teachers are on the Syllabus and Support Materials CD-ROM, which we send to all Cambridge International Schools. They are also on our public website – go to **www.cie.org.uk/alevel**. Click the Subjects tab and choose your subject. For resources, click 'Resource List'.

You can use the 'Filter by' list to show all resources or only resources categorised as 'Endorsed by Cambridge'. Endorsed resources are written to align closely with the syllabus they support. They have been through a detailed quality-assurance process. As new resources are published, we review them against the syllabus and publish their details on the relevant resource list section of the website.

Additional syllabus-specific support is available from our secure Teacher Support website **http://teachers.cie.org.uk** which is available to teachers at registered Cambridge schools. It provides past question papers and examiner reports on previous examinations, as well as any extra resources such as schemes of work or examples of candidate responses. You can also find a range of subject communities on the Teacher Support website, where Cambridge teachers can share their own materials and join discussion groups.



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