

IGCSE Accounting 0452

Unit no 2 : Sources and recording of data

Recommended prior knowledge

An awareness that businesses survive through buying and selling goods and services and that records must be maintained of all this activity

Context

Any business, however small it may be, needs to maintain records of all the transactions it makes. The records that are produced from these documents form the basis on which the owner can successfully run his business. Without maintaining the balance on a customer's account the owner will be in a weak position in obtaining what is due to him.

Outline

This unit takes students through the rudimentary process of recording data into the books of prime (original) entry, the double entry system and balancing the accounts.

2.1 Learning outcomes

The double entry system of book-keeping

- To be able to explain the meaning of assets, liabilities and owner's equity
- To be able to explain and apply the accounting equation

Suggested teaching activities

Prepare cards with examples of assets, liabilities and capital and get the students to arrange them into non-current and current assets, capital, non-current and current liabilities.

Build up the outline of a basic balance sheet by introducing relevant transactions of a new business to explain assets, liabilities and capital. For example introducing \$20,000 into a business creates a capital account and an asset account of bank. Then using the money in the bank introduce buying non-current assets, inventory etc.

Mulitchoice Quiz 1

Learning resources

Textbooks

IGCSE & O Level Accounting - Catherine Coucom Chapters 1, 2, 6, 7
IGCSE & O Level Accounting Workbook Catherine Coucom – Questions 2-12, 17, 25-35
Frank Wood's Book-keeping and Accounts – Sheila Robinson & Frank Wood Chapter 3-6, 7.14-17
Frank Wood's Business Accounting 1
Frank Wood and Alan Sangster Chapter 1-2

Online

<http://www.bized.co.uk/learn/business/accounting/busaccounts/pizza/stutwtwo.htm>

Quiz 1 The Accounting Equation

2.1 Learning outcomes

- To be able to outline the double entry system of book-keeping

Suggested teaching activities

Involve students in posting debit/credit entries with red/blue markers. Often 'fun' to invite two students to take part. Stress the need for suitable annotation, dates and folio references.

Learning resources

Past examination question:
http://teachers.cie.org.uk/login/login_for_m?came_from=http%3A//teachers.cie.org.uk/index_html
P3 Oct 2008 Q4 (a)(i)

Quiz 2 Double entry

- To be able to process data using the double entry system

Use Multichoice Quiz 2 in groups or individually. Use the documents prepared for the hypothetical business to make entries in the relevant accounts. The teacher may select appropriate invoices to be processed some may be cash transactions some credit. Some invoices may be paid net and some may have cash discount deducted.

Past examination question:
http://teachers.cie.org.uk/login/login_for_m?came_from=http%3A//teachers.cie.org.uk/index_html
P3 Oct 2009 Q3 (d)
P2 Oct 2008 Q1 (d)

- To recognise the division of the ledger into the sales ledger, the purchases ledger and the nominal (general) ledger

Visually and verbally demonstrate the posting of transactions into the three ledgers. A small group exercise could be used to get the students to prepare wall charts.

http://www.bbc.co.uk/dragonsden/business/glossary/sales_ledger

Quiz 3 Daybooks

Use Quiz 3 either for each student or split students into groups.

2.2 Learning outcomes

Business documents

To recognise and understand the following business documents: invoice, credit note, debit note, statement of account

Suggested teaching activities

In groups students could be asked to prepare a bank of sales and purchases invoices with/without trade discount. A theme could be introduced for a hypothetical business. Accuracy of all the information on the invoices must be encouraged

Learning resources

Past examination question:
http://teachers.cie.org.uk/login/login_for_m?came_from=http%3A//teachers.cie.org.uk/index_html
P2 May 2009 Q3 (b)
P2 Oct 2009 Q2 (a)

- To be able to complete proforma business documents

Students should be guided through the preparation of a full set of documents.

2.2 Learning outcomes

- To understand the use of business documents as sources of information
- Students do **not** need to know about document details

2.3 Learning outcomes

Book of prime (original) entry

- To be able to explain the advantages of using various books of prime entry
- To be able to explain the use of, and process, accounting data in the books of prime (original) entry cash book, petty cash book, sales journal, purchases journal, sales returns journal, purchases returns journal and the journal
- To be able to post the ledger entries from the books of prime entry
- To be able to distinguish between and account for trade discount and cash discounts

Suggested teaching activities

Students should know the difference between cash, cheque and credit transactions and the different treatment of each – initially visually and verbally demonstrate the concepts to students.

Suggested teaching activities

Demonstration of entering transactions into the various books of prime entry, totalling the books of prime entry and transferring entries into the relevant accounts in the ledgers.

A plenary session could take place at this point whereby students hold up a card and invite other members to explain the use of the book of prime entry and to explain the next process of posting to the various ledgers. (Names could be chosen randomly)

An excellent insight into students' understanding of the process of business documents

Demonstrate the preparation of invoices with both trade and cash discounts. Give students worked examples.

Use Quiz 4 either individually or in groups.

Learning resources

Learning resources

Past examination question:

http://teachers.cie.org.uk/login/login_for_m?came_from=http%3A//teachers.cie.org.uk/index_html

P2 June 2009 Q3 (a)

P2 Nov 2009 Q1 (d)

P3 Nov 2009 Q1 (a)

P2 June 2008 Q2 (a)

P2 Nov 2008 Q1 (a)

P2 Nov 2008 Q2 (a)

Past examination question:

http://teachers.cie.org.uk/login/login_for_m?came_from=http%3A//teachers.cie.org.uk/index_html

P3 Nov 2008 Q4 (a)(iii),(v)

Quiz 4 Daybooks and discounts

- To be able to explain the dual function of the cash book as a book of prime (original) entry and as a ledger account for bank and cash

Verbal explanation of the cash book. Demonstration of the 2 and 3 column cash book. Give students pre-prepared cash book exercises.

Textbooks

IGCSE & O Level Accounting – Catherine Coucom Chapter 4
 IGCSE & O Level Accounting Workbook – Catherine Coucom Questions 18-21
 Frank Wood’s Book-keeping and Accounts – Sheila Robinson & Frank Wood Chapter 20-21
 Frank Wood’s Business Accounting 1 Frank Wood and Alan Sangster Chapter 13

To be able to explain and apply the imprest system of petty cash

Students could prepare petty cash vouchers and then write up an analysed petty cash book. Use pre-prepared proformas to aid students with exercises.

Textbooks

IGCSE & O Level Accounting – Catherine Coucom Chapter 4
 IGCSE & O Level Accounting Workbook – Catherine Coucom Questions 22-24
 Frank Wood’s Book-keeping and Accounts – Sheila Robinson & Frank Wood Chapter 22
 Frank Wood’s Business Accounting 1 Frank Wood and Alan Sangster Chapter 18

Past examination question:

http://teachers.cie.org.uk/login/login_for_m?came_from=http%3A//teachers.cie.org.uk/index_html

P2 May 2008 Q1 (g)

2.4 Learning outcomes

The ledger

- To be able to prepare ledger accounts in either 'T' account format or running balance format

Suggested teaching activities

Verbally and visually demonstrate the entries required in the ledger accounts. Students will need lots of practice questions.

Learning resources

Textbooks

IGCSE & O Level Accounting – Catherine Coucom Chapters 2, 4, 6, 7
IGCSE & O Level Accounting Workbook – Catherine Coucom Questions 7-12, 17-21, 25-35
Frank Wood's Book-keeping and Accounts – Sheila Robinson & Frank Wood Chapters 3 -7
Frank Wood's Business Accounting 1
Frank Wood and Alan Sangster Chapters 3, 4, 5

Past examination question:

http://teachers.cie.org.uk/login/login_for_m?came_from=http%3A//teachers.cie.org.uk/index_html

P2 May 2009 Q4 (a), (b)
P3 May 2009 Q1 (a)(i)
P2 Oct 2009 Q1 (e), (f)
P3 Oct 2009 Q1 (b)
P3 Oct 2008 Q1 (a), (b), (c)
P2 Oct 2009 Q2 (b)
P3 May 2008 Q5 (b)(i)
P2 Oct 2008 Q2 (b)
P2 Oct 2009 Q2 (d)
P3 Oct 2009 Q3 (e) (ii)

- To be able to post transactions to the ledger accounts
- To be able to balance ledger accounts as required and make transfers to final accounts
- To be able to interpret ledger accounts and their balances

Use a few of the invoices that were posted to relevant journals to post the different ledgers.

Demonstrate the balancing off of the ledger accounts. Provide students with the opportunity to balance example accounts. Peer examination can also be employed to check balances and brought down figures.

Ask students 'what does a debit / credit balance indicate?'