

# IGCSE Accounting 0452

## Unit no 4: Accounting procedures

### Recommended prior knowledge

Students should be competent in preparing income statements and balance sheets from a trial balance. They should be familiar with either a horizontal or a vertical balance sheet presentation.

### Context

Students should by now acknowledge that through the application of adjustments the most accurate picture of the financial state of the business is being prepared.

### Outline

This unit involves the student in preparing adjustments to the accounts. They should practise that adjustments or notes to the accounts require two ticks (one for the income statement adjustment and one for the balance sheet adjustment).

#### 4.1 Learning outcomes

Capital and revenue expenditure and receipts

- To distinguish between and account for capital expenditure and revenue expenditure

#### Suggested teaching activities

Use items in the classroom to illustrate the difference. (eg. tables chairs, paper, pens, running costs)

A small project could be to ask students to select a favourite business and to investigate capital/revenue expenditure and receipts.

#### Learning resources

##### Textbooks

IGCSE & O Level Accounting – Catherine Coucom Chapter 10  
IGCSE & O Level Accounting Workbook – Catherine Coucom Questions 50-52  
Frank Wood's Book-keeping and Accounts – Sheila Robinson & Frank Wood Chapter 9  
Frank Wood's Business Accounting 1  
Frank Wood and Alan Sangster Chapter 24

Past examination question:

[http://teachers.cie.org.uk/login/login\\_for\\_m?came\\_from=http%3A//teachers.cie.org.uk/index.html](http://teachers.cie.org.uk/login/login_for_m?came_from=http%3A//teachers.cie.org.uk/index.html)

P2 May 2009 Q1 (g)

P2 May 2008 Q5 (a)

P3 Oct 2008 Q2 (a)

#### 4.1 Learning outcomes

- To distinguish and account for capital receipts and revenue receipts
- To be able to calculate and comment on the effect on profit of incorrect treatment
- To be able to calculate and comment on the effect on asset valuations of incorrect treatment

#### Suggested teaching activities

Visually and verbally demonstrate the difference between capital and revenue receipts followed with student questions.

Use questions with the incorrect treatment to demonstrate the effect on profit.

Use the same questions with the incorrect treatment to demonstrate the effect on asset valuation.

#### Learning resources

## 4.2 Learning outcomes

Accounting for depreciation and disposal of non-current assets

## Suggested teaching activities

## Learning resources

### Textbooks

IGCSE & O Level Accounting – Catherine Coucom Chapter 12  
IGCSE & O Level Accounting Workbook – Catherine Coucom Questions 61-64  
Frank Wood's Book-keeping and Accounts – Sheila Robinson & Frank Wood Chapters 26 & 27  
Frank Wood's Business Accounting 1 Frank Wood and Alan Sangster Chapters 26-27

### Online

<http://www.bized.co.uk/learn/business/accounting/busaccounts/pizza/jan14.htm>

Past examination question:

[http://teachers.cie.org.uk/login/login\\_for\\_m?came\\_from=http%3A//teachers.cie.org.uk/index\\_html](http://teachers.cie.org.uk/login/login_for_m?came_from=http%3A//teachers.cie.org.uk/index_html)

P3 May 2009 Q1 (a)(ii)

P2 Oct 2008 Q5 (a), (c), (d),(e)

Past examination question:

[http://teachers.cie.org.uk/login/login\\_for\\_m?came\\_from=http%3A//teachers.cie.org.uk/index\\_html](http://teachers.cie.org.uk/login/login_for_m?came_from=http%3A//teachers.cie.org.uk/index_html)

P2 Oct 2009 Q4 (b), (c)

P2 May 2008 Q5 (b)

P3 May 2008 Q5 (b)(ii)

- To be able to define depreciation

Pose the question 'I bought a car last year and now it is only worth a third what I paid for it'. Ask students to offer reasons.

- To be able to explain the reasons for accounting for depreciation
- To be able to describe the straight line (equal instalment), reducing (diminishing) balance and revaluation methods of depreciation
- To be able to prepare ledger accounts and journal entries for the provision of depreciation

Demonstrate both straight line and reducing balance methods of depreciation.

Students should be encouraged to maintain an exemplar of each method of depreciation.

## 4.2 Learning outcomes

- To be able to prepare ledger accounts and journal entries to record the sale of non-current assets, including the use of disposal accounts

## Suggested teaching activities

Demonstrate the ledger accounts required to record annual depreciation and the accounting treatment on disposal.

Use Quiz 6 in groups or individually.

## Learning resources

P2 Oct 2008 Q5 (d0, (e)  
P3 May 2009 Q1 (c), (d)  
P2 Oct 2009 Q4 (e)  
P2 May 2008 Q5 (b)(iii)

Quiz 6 Depreciation

### 4.3 Learning outcomes

Other payables (Accruals) and Other receivables (Prepayments)

- To recognise the importance of matching costs and revenues
- To be able to prepare ledger accounts and journal entries to record accrued and prepaid expenses
- To be able to prepare ledger accounts and journal entries to record accrued and prepaid income

### Suggested teaching activities

Illustrate this by using a time line with costs and revenues.

Demonstrate the entries in the ledger accounts for accruals and prepayments.

Use pre-prepared student exercises.

### Learning resources

#### Textbooks

IGCSE & O Level Accounting – Catherine Coucom Chapter 11  
IGCSE & O Level Accounting Workbook Catherine Coucom Questions 56-60, 65-66  
Frank Wood's Book-keeping and Accounts – Sheila Robinson & Frank Wood Chapter 29  
Frank Wood's Business Accounting 1 Frank Wood and Alan Sangster Chapter 28

#### 4.4 Learning outcomes

Bad debts and provision for doubtful debts

#### Suggested teaching activities

#### Learning resources

##### Textbooks

IGCSE & O Level Accounting – Catherine Coucom Chapter 13  
IGCSE & O Level Accounting Workbook – Catherine Coucom Questions 67-72  
Frank Wood's Book-keeping and Accounts – Sheila Robinson & Frank Wood Chapter 28  
Frank Wood's Business Accounting 1 Frank Wood and Alan Sangster Chapter 25

Past examination question:

[http://teachers.cie.org.uk/login/login\\_for\\_m?came\\_from=http%3A//teachers.cie.org.uk/index.html](http://teachers.cie.org.uk/login/login_for_m?came_from=http%3A//teachers.cie.org.uk/index.html)

P3 Oct 2009 Q1 (c), (d)

P2 May 2008 Q1 (f)

P2 Oct 2008 Q2 (c)

P3 May 2008 Q2 (a), (b)

Quiz 7 Depreciation and bad and doubtful debts

- To understand the meaning of bad debts and bad debts recovered
- To be able to prepare ledger accounts and journal entries to record bad debts written off
- To be able to prepare ledger accounts and journal entries to record bad debts recovered
- To be able to explain the reasons for maintaining a provision for doubtful debts
- To be able to prepare ledger accounts and journal entries to record the creation of, and adjustments to, a provision for doubtful debts

Work through an example of 'writing off' a debt and reinstating it.

Explain how historical cost and the principle of prudence are involved.

Use examples for writing off a bad debt.

Visually and verbally demonstrate the writing off of a bad debt. Followed with student questions, and past examination questions.

Work through examples where there is an increase/decrease in the provision for doubtful debts.

Use Quiz 7 either in groups or individually.

#### 4.5 Learning outcomes

Valuation of inventory

- To understand the basis of the valuation of inventory at the lower of cost and the net realisable value
  
- To be able to prepare simple inventory valuation statements

#### Suggested teaching activities

Use examples to demonstrate the inventory valuation principle.

#### Learning resources

##### Textbooks

IGCSE & O Level Accounting – Catherine Coucom Chapter 10  
IGCSE & O Level Accounting Workbook – Catherine Coucom Questions 53-55  
Frank Wood's Book-keeping and Accounts – Sheila Robinson & Frank Wood Chapter 31  
Frank Wood's Business Accounting 1 Frank Wood and Alan Sangster Chapter 29

Past examination question:

[http://teachers.cie.org.uk/login/login\\_for\\_m?came\\_from=http%3A//teachers.cie.org.uk/index\\_html](http://teachers.cie.org.uk/login/login_for_m?came_from=http%3A//teachers.cie.org.uk/index_html)

P2 May 2009 Q1(d)

P2 May 2008 Q3 (a), (c)

P3 May 2008 Q4 (a)