# GRADES: 11 ECON / 11 BUS/ 11 GTS

# SUBJECT: PRINCIPLES OF ACCOUNTS

# CONTENT/ SYLLABUS

## TEACHER (S):


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&

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## *SECTION 6: ACCOUNTING ADJUSTMENTS*

***Specific Objectives and Content***

Students should be able to:

1. Explain accounting concepts that underpin the need for adjustments;
    - Prudence, accrual, consistency.

2. Explain why adjustments are made to financial statements;
    - The reasons for adjustments; application of the matching/accruals concept.

3. Prepare journal entries and ledger accounts to reflect adjustments and the treatment in the balance sheet;
    - Pre-payments – prepaid expenses and advanced revenues;
    - Accruals – accrued expenses and revenues.
    - (a) Journal entries. (b) Ledger accounts.

4. Explain the reasons for bad debts;
    - Definition of bad and doubtful debts;
    - reasons for bad debts (aging debtors) and provisions for doubtful debts.

5. Prepare journal entries and ledger accounts to write off bad debts and create provision for doubtful debts.

6. Indicate the treatment of bad and doubtful debts in the Income Statement and Balance Sheet;
Accounting entries in the Income Statement and Balance Sheet.

7. Discuss the nature of depreciation;
    - Definition of depreciation.
    - Causes of depreciation.
    - Factors to be considered when calculating depreciation (cost, estimated useful life and scrap value).

8. Calculate annual depreciation expenses using straight line method and reducing balance method;
    - Straight line method (using formula) and
    - reducing balance method of depreciation.

9. Prepare journal entries and ledger accounts for provision for depreciation;
    - Journal entries for the provision for depreciation; the maintenance of the provision for depreciation account;
    - the treatment of accumulated depreciation on the Balance Sheet;
    - the determination of Net Book Value (NBV).

10. Distinguish between capital expenditure and revenue expenditures.

11. Determine the amount of expenses or revenues to be transferred to the Income Statement;
    - Journal entries and Ledger accounts for expenses and revenues.

12. Prepare income statements to reflect adjusting entries; and,
    - Pre-payments and accruals.
    - (b) Indicate where accruals and prepayments will appear on the Balance Sheet.

13. Prepare Financial Statements after adjustments.
    - The preparation of adjusted Financial Statements.

## *SECTION 7: CONTROL SYSTEMS*

***Specific Objectives and Content***

Students should be able to:

1. Explain the uses of control systems in the accounting process;
   - The need for control systems.
   - (b) Uses of control systems.

2. Outline the THREE most commonly used control systems in the accounting process;
   - Common control systems: (a) Suspense Account;
   - (b) Control Accounts; and,
   - (c) Bank Reconciliation Statements.

3. Distinguish between those errors which affect and those which do not affect the trial balance;

4. Prepare journal entries for the correction of errors;
   - Corrections of errors via journal entries.

5. Explain the need for suspense account; Uses of the suspense account.

6. Construct a suspense account; Suspense Accounts.

7. Construct a statement of revised profit after the correction of errors;
   - The effect of errors on the Income Statement and the Balance Sheet.

8. Explain the purposes of control accounts and how they are prepared; Uses of control accounts.

9. Identify the sources of information for entries made in control accounts;
   - Sources of information for entries in control accounts.

10. Construct sales and purchases ledger control accounts;
    - Sales Ledger Control Accounts,
    - Purchases Ledger Control Accounts.

11. Explain the significance of the balances on control accounts;
    - Meaning (significance) of the balances on Control Accounts.

12. Identify items that will result in differences between cash book and bank statement balances;
    - Items that cause the difference between cash book and Bank statement balances and updating of the cash book:
    - unpresented cheques;
    - standing order;
    - bank charges;
    - late lodgments; and,

- dishonoured cheques.

13. Construct a bank reconciliation statement using the adjusted cash book balance.
    - Uses and construction of the Bank Reconciliation Statement.

## *SECTION 8: ACCOUNTING FOR PARTNERSHIPS*

### *Specific Objectives and Content*

Students should be able to:

1. Define a partnership business;
    - Definition of partnership;
    - comparison of a partnership with sole traders and corporations;
    - types of partners.

2. State the features of a partnership;
    - Features of partnership – voluntary association, mutual agency, unlimited liability.

3. Give reasons for establishing partnerships;
    - Reasons for formation of partnership, for example, increased capital, diverse skills.

4. Outline the essential components of a partnership agreement;
    - Features of partnership agreement, including share of profits,
    - interest on capital and drawings, salaries.

5. Prepare journal entries and ledger accounts to record the capital of partnership;
    - The capital account of partners – cash and non-cash resources;
    - types of capital account – fixed and fluctuating capital accounts and their implications.
6. Use various methods to share profit/loss among partners;
    - Methods of sharing profit/loss: capital ratio, fixed percentage, equally.

7. Prepare appropriation account of partnerships;
    - The preparation of the appropriation account.

8. Prepare current account of partners;
    - The current account prepared with items posted from the appropriation account; columnar form and single accounts.

9. Explain the significance of the brought down balances on partners' current accounts; and,
    - The significance of the debit and credit balances brought down on the current accounts.

10. Prepare balance sheet of partnerships.
    - The treatment of current account balances on the balance sheet; (emphasis on capital section).

***SECTION 9: ACCOUNTING FOR LIMITED LIABILITY COMPANIES, CO-OPERATIVES AND NON-PROFIT ORGANISATIONS***

***Specific Objectives and Content***

Students should be able to:

1. Identify the essential features of limited liability companies, cooperatives and non-profit organisations;
    - Features of limited liability companies, co-operatives, non-profit, public and private organisations.
    - (b) Principles of limited liability companies, co-operatives, non-profit, public and private organisations.

2. Identify the types of limited liability companies, co-operatives and nonprofit organisations;
    - Types of limited liability companies, cooperatives (for example, Credit Union, Agricultural Societies) and
    - non-profit organisations.

3. Outline the advantages and disadvantages of a limited liability company;
    - Advantages and disadvantages of limited liability companies.

4. Describe the various methods of raising capital available to limited liability companies and cooperatives;
    - Methods of raising capital – equity (preference and ordinary shares),
    - debt (debentures, bank loans).
    - Shareholders' equity:
    - Elements of shareholders' equity: share capital, reserves.

5. Identify the various types of shares and the rights of the owners of each type of share;
    - Types of shares; rights and privileges of owners of each type of share.

6. Prepare journal entries to record the issue of shares and debentures;
    - Journal entries to record capital.

7. Calculate dividend payments for various types of shares;
    - Calculation of dividend payments.

8. Appropriate profits between dividends and reserves; Appropriation of profits (dividends and reserves).

9. Prepare the final accounts of limited liability companies and co-operatives;

    - Final accounts of limited liability companies.
    - (b) Preparation of Income Statement showing distribution of surplus.
    - (c) Preparation of Balance Sheet.

10. Analyse performance and position using ratios; and,
    - Calculation and interpretation of accounting ratios (See Section 5, Specific Objectives 6 and 7).

11. Prepare receipts and payment accounts for non-profit organisations.
    - Preparation of receipts and payment accounts only.

## *SECTION 10: MANUFACTURING AND INVENTORY CONTROL*

***Specific Objectives and Content***

Students should be able to:

1. Distinguish between direct and indirect costs;
    - Elements of cost: direct materials,
    - direct labour and factory overheads.

2. Prepare manufacturing accounts;
    - Preparation of manufacturing account showing:
    - (a) cost of raw material consumed;
    - (b) prime cost;
    - (c) factory overheads;
    - (d) work in progress; and,
    - (e) cost of production.

3. Calculate unit cost of items produced; Calculation of unit cost of items produced.

3. Prepare final accounts for a manufacturing concern;
    - Preparation of Trading, Profit and Loss Account and
    - Balance Sheet of a manufacturer.

4. Apply basic costing principles;
    - Basic costing principles, for example, cost-plus pricing,
    - absorption costing, mark-up pricing.

6. list methods of inventory valuation; and, Methods of inventory valuation:
    - First in, First out (FIFO);
    - (b) Last in, First out (LIFO); and,
    - (c) Average cost (AVCO).

7. Calculate the value of closing inventory using either FIFO or LIFO; AVCO.
    - Calculate the value of closing inventory.
    - (b) Assess the effect of different methods of inventory valuation on profit.

## *SECTION 11: ACCOUNTING FOR THE ENTREPRENEUR*

***Specific Objectives and Content***

Students should be able to:

1. List methods of payment;
    - Employees.
    - (b) Goods and Services.
    - (c) Suppliers.
    - Methods of payment, for example, cheques, standing orders, direct deposits (direct debit), cash, electronic fund transfer and point of sale (EFTPOS).

2. Identify basic source documents of the payroll;
    - Use of time cards, time books, electronic clock-in cards, employee earnings records.

3. Prepare spreadsheet to arrive at net pay amounts after deductions;
    - Preparation of payroll and wage documents from time cards, computer records.

5. Identify main accounting software used for payroll;
    - Main accounting software used for payroll, for example,
    - Quick Books, Peach Tree Accounting.

6. Distinguish between voluntary and statutory deductions;
    - Statutory and voluntary/non-statutory deductions.

6. Calculate employees’ earnings;
    - calculating gross and net pay (wages);
    - (b) calculating overtime from employee records; and,
    - (c) calculation of statutory deductions and
    - non-statutory deductions, for example, income tax, social security and mortgage.

7. Prepare cash flow projections within a six-month period;
    - Preparation of simple cash flow projection and outflow.
    - Inflows: sales, owners’ equity, cash, grants, surplus cash/profit (by month four or five).
    - Outflows: overhead expenses – utilities, wages and salaries, transportation (and other expenses that the business may incur).

8. Prepare sales and production budgets for a three-month period; and,
    - Preparation of simple sales and production budgets (sale targets, production costs, production inputs).

9. Use accounting knowledge and skills to prepare a simple business plan.
    - Preparation of a simple business plan for a small project, for example, rearing chickens, farming cash crops, craft.