

IGCSE

Accounting

Specification

Edexcel IGCSE in Accounting (4AC0)

First examination 2011

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Acknowledgements

This specification has been produced by Edexcel on the basis of consultation with teachers, examiners, consultants and other interested parties. Edexcel would like to thank all those who contributed their time and expertise to its development.

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Authorised by Roger Beard
Prepared by Lucy Stewart

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Introduction

The Edexcel International General Certificate of Secondary Education (IGCSE) in Accounting is designed for use in schools and colleges. It is part of a suite of IGCSE qualifications offered by Edexcel.

The Edexcel IGCSE in Accounting is designed as a two-year course. As students progress through the course they are introduced to new ideas and concepts while continuing to use and reinforce previously learned concepts and skills. Students who successfully follow this course will have a good understanding of accounting and its applications, and will find the transition to the study of GCE AS or Advanced Level in Accounting easy to make.

Key subject aims

The Edexcel IGCSE in Accounting qualification enables students to:

- understand the nature and purpose of accounting in business and non-profit-making organisations, and the principles on which accounting is based
- understand the use of accounting as an aid to business decision making
- understand the use of accounting as a means of assessing the financial position of an organisation
- develop the abilities to quantify, to judge relevance, and to write clear and concise explanations.

About this specification

Key features and benefits of the specification

Key features and benefits are:

- offers a course for students of various ages and from diverse backgrounds in terms of general education and lifelong learning
- comprehensive and detailed description of subject content
- a single tier of entry for the whole ability range
- assessment opportunities in both January and June examination series
- provides a sound foundation for progression to GCE AS and Advanced Level in Accounting, and other related qualifications.

Contents

Specification at a glance	1
Qualification content	3
Skills	3
Paper 1: Accounting	3
Subject content	4
Assessment	11
Assessment summary	11
Assessment Objectives and weighting	11
Entering your students for assessment	12
Student entry	12
Combinations of entry	12
Access arrangements and special requirements	12
Assessing your students	12
Awarding and reporting	13
Language of assessment	13
Malpractice and plagiarism	13
Student recruitment	13
Progression	13
Grade descriptions	14
Support and training	15
Edexcel support services	15
Training	15
Textbooks and other resources	16

Specification at a glance

This Edexcel IGCSE in Accounting is assessed through a written examination paper.

Paper 1: Accounting	Paper code: 4AC0/01
<ul style="list-style-type: none">• Externally assessed• Availability: January and June series• First assessment: June 2011	
<p>Overview of content</p> <p>There are 10 areas of subject content.</p> <ol style="list-style-type: none">1 Books of original entry2 The ledger3 Trading account, profit and loss account, balance sheet of a sole trader4 Adjustments5 Incomplete records6 Non-profit-making organisations7 Manufacturing accounts8 Partnerships9 Limited companies10 Analysis and interpretation of accounts	
<p>Overview of assessment</p> <ul style="list-style-type: none">• This qualification is assessed through a two-hour and 30-minute examination paper, set and marked by Edexcel.• Single tier of entry.• The total number of marks available is 100.	

Qualification content

Skills

This Edexcel IGCSE in Accounting requires students to demonstrate the application of:

- numeracy skills in the context of a business's accounts
- literacy skills through description and explanation.

Paper 1: Accounting

Content overview

There are 10 areas of subject content, which are fully detailed on the following pages. **The subject content may be taught in any order.** Students will need to demonstrate specified knowledge and critical understanding of:

- 1 Books of original entry
- 2 The ledger
- 3 Trading account, profit and loss account, balance sheet of a sole trader
- 4 Adjustments
- 5 Incomplete records
- 6 Non-profit-making organisations
- 7 Manufacturing accounts
- 8 Partnerships
- 9 Limited companies
- 10 Analysis and interpretation of accounts.

Assessment overview

- This qualification is assessed through a two-hour and 30-minute examination paper, set and marked by Edexcel.
- Single tier of entry.
- The paper will be a question and answer booklet and all questions are compulsory.
- The paper consists of two sections – Section A and Section B.
- Section A (10 marks) comprises 10 multiple-choice questions, drawn from all sections of the subject content.
- Section B (90 marks) comprises five questions, drawn from all sections of the subject content. These will include a range of question types – table completion, calculation/formulae and short-medium-answer questions.
- Students may use a calculator in the examination.
- The total number of marks available is 100.

Subject content

1. Books of original entry

By the end of the course, all students should be able to:

- 1.1 calculate capital by opening journal entries
- 1.2 use the journal with appropriate narration to:
 - (a) record correction of errors
 - (b) record purchase of assets on credit including Value Added Tax (VAT)
 - (c) record sale of assets on credit
 - (d) record unusual losses or gains, for example theft
 - (e) cancel cash discount taken in error
 - (f) make transfers to final accounts
 - (g) write off bad debts
- 1.3 use the principal documents in a business transaction, for example invoice, credit note, statement
- 1.4 explain how business documents are used as a source of information
- 1.5 record purchases, sales and returns in appropriate books, including VAT
- 1.6 explain the purpose of trade discount
- 1.7 explain how the books of original entry are related to the double-entry system
- 1.8 record entries in the ledger with appropriate narrative from the books of original entry
- 1.9 explain the need for a receipts and payments account
- 1.10 compile the cash account, including entries for VAT
- 1.11 balance the cash account and bring down the balance
- 1.12 compile a petty cash book using the imprest system and incorporating VAT
- 1.13 record transfers of cash from main cashier to petty cashier
- 1.14 explain the function of a three-column cash book
- 1.15 explain the purpose and treatment of cash (settlement) discounts and write up a two- or three-column cash book
- 1.16 explain and record contra entries
- 1.17 explain the need for reconciliation statements
- 1.18 interpret bank statements
- 1.19 select previously unrecorded items to be entered in the cash book
- 1.20 update the cash book balance
- 1.21 reconcile bank balance with cash book balance
- 1.22 explain the advantages and disadvantages of using computers in accounting.

2. The ledger

By the end of the course, all students should be able to:

- 2.1 record transactions by double-entry, using 'T' form and running balances
- 2.2 explain the significance of ledger balances
- 2.3 interpret an entry and an account
- 2.4 balance an account and bring down the balance
- 2.5 differentiate between purchases and sales transactions
- 2.6 differentiate between cash and credit transactions
- 2.7 differentiate between capital and revenue items
- 2.8 explain the different nature of:
 - (a) debit balances
 - (b) credit balances
- 2.9 close accounts
- 2.10 transfer balances to final accounts
- 2.11 make entries to record VAT in the ledger
- 2.12 understand the significance of a balance in the VAT account
- 2.13 calculate VAT from VAT inclusive as well as VAT exclusive figures
- 2.14 explain the need for ledger sub-divisions
- 2.15 explain reasons for compiling a trial balance
- 2.16 prepare a trial balance from balances in ledger accounts as at a given date
- 2.17 agree the trial balance
- 2.18 outline procedures to be adopted if a trial balance does not agree
- 2.19 explain the possible shortcomings of an agreed trial balance
- 2.20 explain the types of error that do not cause disagreement of the trial balance
- 2.21 correct errors that do not cause disagreement of the trial balance, through the journal and ledger
- 2.22 establish, maintain and clear a suspense account from a trial balance
- 2.23 correct errors causing the trial balance to disagree through the journal and the ledger
- 2.24 state sources of information for purchases and sales ledger control accounts
- 2.25 compile purchases and sales ledger control accounts
- 2.26 reconcile control account balances with debtors/creditors.

3. Trading account, profit and loss account, balance sheet of a sole trader

By the end of the course, all students should be able to:

- 3.1 state what is meant by the terms 'net sales' and 'net purchases'
- 3.2 differentiate between the two stock figures shown in the trading account
- 3.3 explain the distinction between cost and net realisable value of stock
- 3.4 compile a trading account, showing appropriate items using vertical layout
- 3.5 define 'gross profit' and 'gross loss'
- 3.6 show cost of sales
- 3.7 draw up a profit and loss account using vertical layout with all the appropriate income and expense entries relating to the given period
- 3.8 draw up a balance sheet in vertical form, marshalling the assets and liabilities in a specific order (permanence and liquidity)
- 3.9 differentiate between fixed and current assets
- 3.10 differentiate between current and long-term liabilities
- 3.11 show 'drawings' in cash or goods and record their transfer to the capital account
- 3.12 show changes in the proprietor's capital as a result of a further injection of capital
- 3.13 show changes in the proprietor's capital as the result of the revaluation of fixed assets
- 3.14 explain the nature of working capital
- 3.15 show working capital in the balance sheet.

4. Adjustments

By the end of the course, all students should be able to:

- 4.1 understand the significance of the following six accounting concepts: consistency, prudence, accruals, materiality, money measurement, business entity
- 4.2 state why adjustments are necessary in the preparation of final accounts
- 4.3 distinguish between the following methods of depreciation: straight-line; diminishing balance; revaluation
- 4.4 record depreciation by means of a provision for depreciation account
- 4.5 record disposal of assets by means of a disposal account
- 4.6 demonstrate an understanding of the significance of a balance in the disposal account
- 4.7 distinguish between amounts accrued and prepaid
- 4.8 deal with accounts where accruals and prepayments arise
- 4.9 adjust accounts which have a stock to carry forward, for example stationery
- 4.10 record bad debts and bad debts recovered
- 4.11 explain why it is necessary to make a provision in respect of bad (doubtful) debts
- 4.12 differentiate between bad debts and provision for bad (doubtful) debts
- 4.13 prepare a provision for a bad (doubtful) debts account, with profit and loss account and balance sheet entries.

5. Incomplete records

By the end of the course, all students should be able to:

- 5.1 explain that 'incomplete records' requires the application of accounting principles
- 5.2 explain that capital (net worth) is the difference between the total of the assets and the liabilities, and may be shown by a statement of affairs
- 5.3 calculate profit or loss by a comparison of capital at the beginning and end of a trading period
- 5.4 explain how an increase or decrease in capital arises
- 5.5 explain how items such as drawings and the introduction of new capital will affect the net profit figure
- 5.6 compute the purchases and sales for the year, by preparing control accounts
- 5.7 appreciate that returns, discounts and bad debts will affect the computations of sales and purchases
- 5.8 explain that cash purchases and sales must be dealt with separately from credit purchases and sales
- 5.9 prepare a trading account, profit and loss account, and balance sheet.

6. Non-profit-making organisations

By the end of the course, all students should be able to:

- 6.1 explain the nature and purpose of a receipts and payments account
- 6.2 prepare a receipts and payments account, and explain the significance of the balance shown
- 6.3 calculate the value of subscriptions for a period, including the accounting treatment of lifetime subscriptions
- 6.4 prepare a subscriptions account
- 6.5 explain the nature and purpose of an income and expenditure account prepared on the accruals basis
- 6.6 calculate the profits or losses for a given activity, using an appropriate format such as a trading account or statement
- 6.7 prepare an income and expenditure account
- 6.8 understand the term 'accumulated fund'
- 6.9 transfer a surplus or deficit to the accumulated fund
- 6.10 prepare a balance sheet.

7. Manufacturing accounts

By the end of the course, all students should be able to:

- 7.1 differentiate between direct and indirect costs; fixed and variable costs
- 7.2 calculate prime cost
- 7.3 allocate costs between manufacturing and trading activities
- 7.4 prepare a manufacturing account to calculate the cost of production.

8. Partnerships

By the end of the course, all students should be able to:

- 8.1 explain the need to expand a sole proprietor business by the introduction of partner(s)
- 8.2 explain the nature of a partnership
- 8.3 explain the importance of a partnership agreement
- 8.4 write up a capital account for each partner
- 8.5 write up a profit and loss appropriation account
- 8.6 demonstrate an understanding of interest on drawings, interest on capital and partners' salaries
- 8.7 show division of the residual profit or loss between partners
- 8.8 compile and explain the need for partners' current accounts
- 8.9 differentiate between debit and credit balances in current accounts
- 8.10 display capital accounts in the balance sheet
- 8.11 display current accounts in the balance sheet, including those with debit balances.

9. Limited companies

By the end of the course, all students should be able to:

- 9.1 prepare an appropriation account
- 9.2 calculate the dividend on ordinary shares and interest on loan capital (debentures)
- 9.3 distinguish between authorised and issued capital
- 9.4 distinguish between shareholders' funds and loan capital
- 9.5 prepare a balance sheet that clearly shows:
 - (a) fixed assets
 - (b) net current assets
 - (c) long-term liabilities
 - (d) capital and reserves.

10. Analysis and interpretation of accounts

By the end of the course, all students should be able to:

- 10.1 analyse and evaluate the profitability, liquidity and efficiency of a business by calculating:
 - (a) gross profit margin
 - (b) net profit margin
 - (c) return on capital employed
 - (d) current ratio
 - (e) acid test ratio
 - (f) debtor and creditor ratios
 - (g) rate of stock turnover
- 10.2 prepare a report showing comparison of results between businesses and the same business over time.

Assessment

Assessment summary

Paper 1 is externally assessed through an examination paper.

Summary of table of assessment

Paper 1: Accounting	Paper code: 4AC0/01
<ul style="list-style-type: none">• This qualification is assessed through a two-hour and 30-minute examination paper, set and marked by Edexcel.• Single tier of entry.• The total number of marks available is 100.	

Assessment Objectives and weighting

	% in IGCSE
AO1: demonstrate a knowledge and understanding of accounting terminology, principles, procedures and techniques	30%
AO2: apply accounting knowledge and understanding to assemble and classify accounting data in a variety of situations	30%
AO3: select, organise, interpret and use information to analyse problems and issues	30%
AO4: evaluate accounting information to make reasoned judgements and present conclusions accurately, logically and appropriately	10%
TOTAL	100%

Entering your students for assessment

Student entry

Details of how to enter students for this qualification can be found in Edexcel's *International Information Manual*, copies of which (in CD format) are sent to all active Edexcel centres. The information can also be found on Edexcel's international website:
www.edexcel-international.org/sfc/academic/infomanual

Combinations of entry

There are no forbidden combinations.

Access arrangements and special requirements

Edexcel's policy on access arrangements and special considerations for GCE, GCSE, IGCSE, and Entry Level qualifications aims to enhance access to the qualifications for students with disabilities and other difficulties without compromising the assessment of skills, knowledge, understanding or competence.

Please see the Edexcel website (www.edexcel.org.uk/sfc) for:

- the Joint Council for Qualifications (JCQ) policy *Access Arrangements and Special Considerations, Regulations and Guidance Relating to Students who are Eligible for Adjustments in Examinations*
- the forms to submit for requests for access arrangements and special considerations
- dates for submission of the forms.

Requests for access arrangements and special considerations must be addressed to:

Special Requirements
Edexcel
One90 High Holborn
London WC1V 7BH

Assessing your students

The first assessment opportunity for Paper 1 of this qualification will take place in the June 2011 series and in each following January and June series for the lifetime of the specification.

Your student assessment opportunities

Paper	June 2011	January 2012	June 2012	January 2013
Paper 1: Accounting	✓	✓	✓	✓

Awarding and reporting

The grading, awarding and certification of this qualification will follow the processes outlined in the current GCSE/GCE Code of Practice for courses starting in September 2009, which is published by the Qualifications and Curriculum Authority (QCA). The IGCSE qualification will be graded and certificated on an eight-grade scale from A* to G. Individual unit results will be reported.

Students whose level of achievement is below the minimum standard for Grade G will receive an unclassified U. Where unclassified is received it will not be recorded on the certificate.

The first certification opportunity for the Edexcel IGCSE in Accounting will be 2011.

Students whose level of achievement is below the minimum judged by Edexcel to be of sufficient standard to be recorded on a certificate will receive an unclassified U result.

Language of assessment

Assessment of this specification will be available in English only. Assessment materials will be published in English only and all work submitted for examination and moderation must be produced in English.

Malpractice and plagiarism

For up-to-date advice on malpractice and plagiarism, please refer to the JCQ's *Suspected Malpractice in Examinations: Policies and Procedures* document on the JCQ website www.jcq.org.uk

Student recruitment

Edexcel's access policy concerning recruitment to our qualifications is that:

- they must be available to anyone who is capable of reaching the required standard
- they must be free from barriers that restrict access and progression
- equal opportunities exist for all students.

Progression

This qualification supports progression to:

- study of GCE AS and Advanced Level in Accounting
- vocationally related and occupational qualifications, such as those of the Association of Accounting Technicians (AAT)
- foundation examinations offered by professional bodies such as the Association of Chartered Certified Accountants (ACCA), the Chartered Institute of Management Accountants (CIMA) and the Chartered Institute of Public Finance and Accountancy (CIPFA).

Grade descriptions

Grade descriptions are provided to give a general indication of the standards of achievement likely to have been shown by candidates awarded particular grades. The descriptions must be interpreted in relation to the specification content; they are not designed to define that content. The grade awarded will depend in practice upon the extent to which the candidate has met the Assessment Objectives overall. Shortcomings in some aspects of the assessment may be balanced by better performance in others.

Grade A

Candidates will be able to:

- demonstrate in-depth knowledge and critical understanding of the full range of the specification content
- apply this knowledge and understanding, using accounting terms, concepts and methods to address a range of accounting problems effectively
- select, organise, interpret and use accounting information to analyse accounting problems effectively
- evaluate accounting information effectively, make reasoned judgements and present conclusions accurately, logically and appropriately.

Grade C

Candidates will be able to:

- demonstrate knowledge and understanding of most aspects of the specification content
- apply this knowledge and understanding, using accounting terms, concepts, and methods appropriately to address accounting problems
- select, organise, interpret and use accounting information to analyse accounting problems with some accuracy
- make reasoned judgements and present conclusions.

Grade F

Candidates will be able to:

- demonstrate knowledge and understanding of some of the specification content
- apply this knowledge and understanding, using some accounting terms, concepts, theories and methods to address simple accounting problems
- show some ability to select, organise and use simple accounting information
- make judgements and present simple conclusions.

Support and training

Edexcel support services

Edexcel has a wide range of support services to help you implement this qualification successfully.

ResultsPlus — ResultsPlus is an application launched by Edexcel to help subject teachers, senior management teams, and students by providing detailed analysis of examination performance. Reports that compare performance between subjects, classes, your centre and similar centres can be generated in ‘one-click’. Skills maps that show performance according to the specification topic being tested are available for some subjects. For further information about which subjects will be analysed through ResultsPlus, and for information on how to access and use the service, please visit www.edexcel.org.uk/resultsplus

Ask the Expert — Ask the Expert is a new service, launched in 2007, that provides direct email access to senior subject specialists who will be able to answer any questions you might have about this or any other specification. All of our specialists are senior examiners, moderators or verifiers and they will answer your email personally. You can read a biography for all of them and learn more about this unique service on our website at www.edexcel.org.uk/asktheexpert

Ask Edexcel — Ask Edexcel is Edexcel’s online question and answer service. You can access it at www.edexcel.org.uk/ask or by going to the main website and selecting the Ask Edexcel menu item on the left.

The service allows you to search through a database of thousands of questions and answers on everything Edexcel offers. If you don’t find an answer to your question, you can choose to submit it straight to us. One of our customer services team will log your query, find an answer and send it to you. They’ll also consider adding it to the database if appropriate. This way the volume of helpful information that can be accessed via the service is growing all the time.

Examzone — The Examzone site is aimed at students sitting external examinations and gives information on revision, advice from examiners and guidance on results, including re-marking, re-sitting and progression opportunities. Further services for students — many of which will also be of interest to parents — will be available in the near future. Links to this site can be found on the main homepage at www.examzone.co.uk.

Training

A programme of professional development and training courses, covering various aspects of the specification and examination, will be arranged by Edexcel. Full details can be obtained from our website: www.edexcel.org.uk.

Textbooks and other resources

Please note that while resources are checked at the time of publication, materials may be withdrawn from circulation and website locations may change at any time.

Textbooks

Barrow P – *Bookkeeping for Dummies* (John Wiley, 2007) ISBN 0470058153

Cox D – *Business Accounts (Volume 3)* (Osborne Books, 2004) ISBN 9781872962634

Hedges R – *Bookkeeping Made Easy* (Lawpack Publishing, 2006) ISBN 9781905261420

Jones R – *Business Accounting* (Causeway Press, 2004) ISBN 1902796411

Wood F – *Business Accounting (Volume 1)* (FT Prentice Hall, 2005) ISBN 9780273681496

Wood F and Robinson S – *Book-keeping and Accounts 6th edition* (FT Prentice Hall, 2004) ISBN 9780273685487

Useful websites

www.aat.org.uk	Association of Accounting Technicians (AAT). Contains information on membership, approved assessment centres and course outlines.
www.accaglobal.com	Association of Chartered Certified Accountants (ACCA) which, in addition to information about the Association, has comprehensive student and teacher support for its examinations. Support includes articles covering most bookkeeping and accounting topics.
www.accounting2u.com	Site on which the CD ROM for the IGCSE Accounting is based.
www.bbc.co.uk/schools/gcsebitesize/business/finance	General revision site with options on accounting.
www.bized.co.uk	General business site with options on accounting.
www.cimaglobal.com	Chartered Institute of Management Accountants (CIMA). Contains information on membership, CIMA qualifications and professional development.
www.cipfa.org.uk	Chartered Institute of Public Finance and Accountancy (CIPFA). Contains information about membership and qualifications, related to accountancy in the public sector.
www.cleveraccountant.com	Website offering practical and accessible accounting downloads.
www.osbornebooks.co.uk	Educational publisher of learning resources for accounting and business studies.
www.triplelearning.co.uk	Provider of online materials for teachers and students. Materials cover International Baccalaureate (IB), A Level and GCSE.
www.tutor2u.net	Online resource for business, economics, politics and related subjects.

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For more information on Edexcel and BTEC qualifications
please visit our website: www.edexcel.org.uk

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