

SEC Syllabus (2012) Accounting

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ACCOUNTING

SEC 01

SYLLABUS

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Accounting SEC 01 Syllabus	(not available in September) Paper 1 (2hrs) + Paper II (2 hrs)
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The aims of the syllabus are to enable students:

1. To understand the function of accounting as a comprehensive and systematic method of recording the daily transactions of both profit making organizations; and non profit making organizations.
2. To appreciate the importance of accounting in the appraisal of the financial position and performance of the enterprise and in the making of sound business decisions.
3. To provide a solid base for progression to MATSEC Intermediate and Advance level examinations in the subject.

To assess whether these aims have been achieved students will be examined on the ability to:

1. Record the information generated within an enterprise in a methodical manner;
2. Summarise the information into a set of financial statements and to evaluate the performance and position of the entity therefrom;
3. Apply the financial information into making of simple financial decisions; and

The examination will consist of two papers of two hours duration each. Questions will be set in English and must be answered in English.

Paper I (100 marks) is to be taken by all candidates. This is a core paper and will consist of ten multiple choice questions of two marks each and four other questions carrying 20 marks each.

There will be two versions of **Paper II**: Paper IIA and Paper IIB. Questions in Paper IIB will be easier than those in Paper IIA. Candidates are required to indicate on the registration form which Paper II they wish to sit for. No change in the choice of paper will be allowed after the registration period.

Paper IIA (100 marks) will be divided into two sections. Section I will consist of two compulsory questions, each question will carry 30 marks. Section II will consist of three other questions, out of which candidates will be required to answer two. Each question in this section will carry 20 marks.

Paper IIB (100 marks) will be divided into two sections. Section I (40 marks) will consist of two compulsory questions each carrying 20 marks and Section 2 (60 marks) will consist of five questions, out of which candidates will be required to answer four. Each question in this section will carry 15 marks.

The final accounts of a sole trader's business can be examined in either the horizontal or vertical format. The vertical format is required for all other final accounts of other business organizations. Workings are to be in accounting form or by way of calculations.

Noiseless electronic calculators will be permitted. **Candidates are strongly advised to show all workings.**

Results

Candidates sitting for Paper I and Paper IIA may qualify for grades 1, 2, 3, 4 or 5. The results of candidates who do not obtain at least a grade 5 shall remain Unclassified (U). Candidates sitting for Paper I and Paper IIB may qualify for grades 4, 5, 6 or 7. The result of candidates who do not obtain at least grade 7 shall remain Unclassified (U).

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SYLLABUS		Notes for Guidance
THE NATURE & PURPOSE OF ACCOUNTING		<ul style="list-style-type: none"> a) Accounting as an information system b) The users of accounting information with particular reference to the local situation and the reasons why they need such information. c) The various services provided by the accountant within the local environment.
AN ELEMENTARY KNOWLEDGE OF THE FOLLOWING ACCOUNTING CONCEPTS AND IN PARTICULAR, HOW THEY AFFECT THE PREPARATION OF THE FINAL ACCOUNTS INCLUDING BALANCE SHEET.		<ul style="list-style-type: none"> a) The Accruals Concept b) The Business Entity Concept c) The Prudence Concept d) The Consistency Concept
THE PRINCIPLES OF DOUBLE-ENTRY		Recording of transactions using the double-entry system.
THE LEDGER		<ul style="list-style-type: none"> a) The ledger as a principle book of Accounting; b) The reasons behind its sub-division into several books; c) Recording entries in the ledger using the traditional 'T' form accounts and for the Sales Ledger and the Purchases Ledger also the 'running balance' format; d) Balancing the accounts; an interpretation of any balances remaining, understanding as to their proper place in the balance sheet; e) To differentiate between: <ul style="list-style-type: none"> i. capital and revenue expenditure; ii. income and expenditure items for transfer to the Profit and Loss Account iii. assets and liabilities for recording, in the Balance Sheet. f) The extraction of a Trial Balance <ul style="list-style-type: none"> i. Why it should agree; ii. What is and what is not implied by its agreement; iii. Errors not revealed by a trial balance; iv. To distinguish between fixed (non-current assets) and current assets and between current and long-term liabilities.

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<p>THE CASH BOOK AND THE PETTY CASH BOOK</p>		<ul style="list-style-type: none"> a) The purpose of a two-column and three-column cash book; b) Cash discounts – their recording and eventual transfer; c) Writing up the Cash Book and Balancing of the Cash Book; d) The use of the Petty Cash Book and the Imprest systems. The writing up of the Petty Cash Book . e) Bank statements and their reconciliation with the cash book; f) Familiarity with the bank statement format and the following terms contained therein: overdrawn, credit transfer, dishonoured cheque, bank charges, direct debit, standing order, bank interest; g) The difference between a bank deposit account and a current account.
<p>BOOKS OF ORIGINAL ENTRY</p>		<ul style="list-style-type: none"> a) Understand the purpose of Day Books and their relationship with the ledger; b) The source of information used to complete the Day Books e.g. the invoice, the credit note, etc; c) Record purchases, sales and returns to the appropriate Day Book, including analysis columns; d) The recording of Value Added Tax in the Day Books only; e) The use of ‘folio’ columns; f) Trade discount and its treatment; g) The General Journal in the following circumstances: <ul style="list-style-type: none"> i. to correct errors; ii. to write off bad debts; iii. to create/increase/decrease the provision for doubtful debts; iv. purchase/sale of fixed assets on credit; v. to record depreciation; vi. to transfer to the final accounts; <p>Narratives may be required.</p>
<p>ACCRUALS AND REPAYMENTS</p>		<ul style="list-style-type: none"> a) The need for these adjustments; b) To calculate and record for accruals and prepayments both income and expenditure; c) The treatment for consumables (e.g: stationery, fuel etc) <p>Combined accounts such as postages and stationery accounts will not be examined.</p>

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DEPRECIATION		<ul style="list-style-type: none"> a) The necessity to provide for depreciation; b) Different methods of depreciation and their use (straight-line, reducing balance and revaluation methods); c) The provision for depreciation account; d) The asset disposal account.
BAD DEBTS AND PROVISIONS FOR DOUBTFUL DEBTS		<ul style="list-style-type: none"> a) The distinction between a definite bad debt and a doubtful debt; b) Writing off bad debts; c) The distinction between a specific and a general provision and the calculation required; d) The preparation of separate bad debts account and provision for doubtful debts account; e) Treatment of bad debts recovered.
DRAWINGS		Treatment of cash drawings and drawings in kind i.e. goods at cost and personal expenses.
SOLE TRADER'S BUSINESS		The preparation of the final accounts of a sole trader. These may include year-end adjustments. Students are to be able to prepare final accounts of a sole trader in both the vertical and the horizontal format.
CONTROL ACCOUNTS FOR DEBTORS AND CREDITORS		<ul style="list-style-type: none"> a) The purpose they serve; b) The source documents used in compiling them; c) Their preparation.
PARTNERSHIPS		<ul style="list-style-type: none"> a) The advantages/disadvantages of a partnership; b) The partnership deed and the main common clauses in such an agreement; c) The use and preparation of separate capital and current accounts including the understanding of debit and credit balances; d) Treatment of interest on capitals, partners' salaries, interest on drawings, interest on loans from partners, partners' drawings in cash and in kind and the division of residual profits or losses. e) Students should be able to deal with changes in partners' capital during the year. Changes in profit sharing ratio will not be examined. f) The preparation of final accounts in vertical and horizontal format including the Appropriation account. <p>The actual calculation of interest on drawings will not be required.</p>

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INCOMPLETE RECORDS		<ul style="list-style-type: none"> a) Utilising direct method in arriving at the profit figure by the use of a Statement of Affairs; b) The disadvantages of having Incomplete Records; c) The use of control accounts to calculate the sales and purchase figures; d) The preparation of the final accounts and Balance Sheet from incomplete information. <p>Students should not be required to use accounting ratios for this topic</p>
DEPARTMENTAL ACCOUNTS		<ul style="list-style-type: none"> a) The need for such accounts; b) Direct allocation and apportionment of expenses in accordance with given data; c) The preparation of the final accounts and Balance Sheet and their interpretation.
MANUFACTURING ACCOUNT		<ul style="list-style-type: none"> a) The purpose of preparing a Manufacturing account; b) The elements of cost; c) Distinction between the various classifications of cost: <ul style="list-style-type: none"> i. direct production costs and factory overheads; ii. fixed and variable overheads; iii. prime cost and total factory costs; iv. manufacturing expenses, administration expenses and selling and distribution expenses; d) The accounting treatment of closing stocks; e) The preparation of the final accounts including the Balance Sheet.
NON-PROFIT MAKING ORGANISATIONS		<ul style="list-style-type: none"> a) The main features of such organizations; b) The difference between an Income and Expenditure account and a Receipt and Payments account; c) The calculation of the accumulated fund; d) The effect of a surplus or deficit on the accumulated fund; e) The Income and Expenditure Account and Balance Sheet; f) The ordinary subscriptions account; g) Calculation of bar profit/loss and profit/losses from similar activities.

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<p>LIMITED LIABILITY COMPANIES</p>		<ul style="list-style-type: none"> a) The advantages of limited liability; b) An elementary understanding of how the capital of a company is constituted: ordinary Shares, preference Shares, debentures and other loans. c) The difference between: <ul style="list-style-type: none"> i. authorised and issued (fully paid) capital; ii. nominal and market value of shares d) Calculation and treatment of: <ul style="list-style-type: none"> i. dividends including interim dividends; ii. loan interest. e) Distinction between charges against the Profit and Loss account and the appropriation account; f) The treatment of: <ul style="list-style-type: none"> i. a general reserve; ii. retained earnings; iii. share premium in the final accounts. g) The preparation of the final accounts including Balance Sheet.
<p>ACCOUNTING RATIOS</p>		<p>Their purpose, calculation basic interpretation and main limitations:</p> <ul style="list-style-type: none"> i. The mark-up and margin; ii. Rate of stock turnover; iii. Gross profit to sales percentage; iv. Net profit to sales percentage; v. Current (working capital) ratio; vi. Acid test (quick assets) ratio; vii. Return on capital employed. (Capital employed is to be taken as being fixed assets plus working capital at year-end.)
<p>CORRECTION OF ERRORS</p>		<ul style="list-style-type: none"> a) Correcting errors affecting the Trial Balance agreement; b) Correcting errors not affecting Trial Balance agreement; c) The preparation of a suspense account; d) Redrafting a correct Trial Balance; e) The effects of errors on the calculation of profit. <p>Statements to correct Net Profit and the correction of Balance Sheets are not to be examined.</p>
<p>(NOTE) The sequence in which the topics have been presented does not imply any particular degree of importance or the order in which they ought to be taught.</p>		

Grade Descriptors

The following matrix gives a description of levels.

Grade 1	Grade 5	Grade 7
<p>Students awarded grade 1 should demonstrate an outstanding ability to:</p> <ul style="list-style-type: none"> record financial information utilising the double-entry principle organise the work presented in a logical, coherent and methodical manner extract relevant information from financial data analyse and evaluate financial data apply accounting information into making simple financial decisions demonstrate an understanding of accounting terminology perform necessary calculations express ideas in a clear and logical manner 	<p>Students awarded grade 1 should demonstrate a basic ability to:</p> <ul style="list-style-type: none"> record financial information utilising the double-entry principle organise the work presented in a logical, coherent and methodical manner extract relevant information from financial data analyse and evaluate financial data apply accounting information into making simple financial decisions demonstrate an understanding of accounting terminology perform necessary calculations express ideas in a clear and logical manner 	<p>Students awarded grade 1 should demonstrate elementary skills to:</p> <ul style="list-style-type: none"> record financial information utilising the double-entry principle organise the work presented in a logical, coherent and methodical manner extract relevant information from financial data simple financial decisions demonstrate an understanding of accounting terminology perform necessary calculations express ideas in a clear and logical manner

Suggested Textbooks

Title	Author	Publisher	ISBN No
Go for Accounting!	Eric Mitchell & Alfred J. Sant Fournier	Publisher Enterprises Group (PEG) Ltd Malta	9990903352
Business Accounting	Frank Wood & Alan Sangster	Financial Times, Pitman Publishing, Great Britain	0273619802
IGCSE Accounting	Catherine Coucom	Cambridge University Press, United Kingdom	13:9780521757123
Book Keeping and Accounts	Frank Wood & Sheila Robinson	Financial Times, Pitman Publishing, Great Britain	13:9780273685487
Dictionary of Accounting	P. H. Collin, David York, Adrian Joliffe	Peter Collin Publishing Great Britain	027368548
Frank Wood's Business Accounting Multiple Choice Question Book	Tommy Robinson	Financial Times, Pitman Publishing, Great Britain	13:9780273641933