

IM SYLLABUS (2023)

ACCOUNTING

IM 01

SYLLABUS

Introduction

The syllabus seeks to develop sound financial literacy, and the presentation and evaluative skills required in financial and cost and management accounting.

Scheme of Assessment

One three (3) hour paper consisting of four sections shall be set. The examination paper will be set as follows:

- **Section A (20 marks):** Five compulsory theoretical questions, spread over a number of topics within the syllabus. Each question carries 4 marks.
- **Section B (30 marks):** One compulsory question assessing financial accounting. Candidates are requested to produce a set of financial statements from a given trial balance. This question may assess sole traders, companies and manufacturing concerns.
- **Section C (25 marks):** Two questions out of which candidates must answer one. This section assesses all financial accounting topics, excluding the topics referred to in Section B above.
- **Section D (25 marks):** Two questions out of which candidates must answer one. This section assesses all cost and management accounting topics.

Theoretical questions can be set within Section A and Section B. No theoretical questions will be set within Section C and Section D. Questions of an entirely essay-type nature shall **not** be set. The paper shall allocate 25% of the marks to theoretical questions

Noiseless and non-programmable calculators will be permitted. Candidates are advised to show their workings.

FINANCIAL ACCOUNTING	Notes for Guidance –Section A, Section B & Section C
Introduction	<ul style="list-style-type: none"> • The purpose of accounting; • The purpose of preparing the Statement of Profit or Loss and the Statement of Financial Position; • Users of accounting information and their information needs; • Accounting Concepts: Accruals, Going Concern, Materiality, Prudence, Consistency, Cost, Dual Aspect, and Business Entity Concepts.
Knowledge of the following:	<ul style="list-style-type: none"> • accruals and prepayments of expenses and revenues; • irrecoverable debts, allowance for trade receivables (both specific and general), bad debt recovery; • cash and trade discounts; • books of prime entry.
Sole Trader	<ul style="list-style-type: none"> • Year end financial statements which may include departmental financial statements limited to two departments. <i>Excluding inter departmental transfers</i>
Depreciation and disposal of assets	<ul style="list-style-type: none"> • Causes of depreciation, purpose of depreciation and underlying accounting concepts; • Methods of depreciation: the straight line, the reducing balancing and the revaluation methods; • Disposal of non-current assets including part-exchange.
Control Accounts	<ul style="list-style-type: none"> • Trade receivables control accounts; • Trade payables control accounts; • Benefits and purposes of Control Accounts <p><i>Reconciliation of payables and receivables schedules with control accounts balances are NOT examinable.</i></p>
Types of Errors and their Correction	<ul style="list-style-type: none"> • Recognition and correction of errors affecting and not affecting trial balance agreement, the use of the suspense account; • The preparation of a statement of adjusted profit; adjusted trial balance and adjusted statement of financial position.
Incomplete records	<p>The preparation of financial statements from incomplete records which may include:</p> <ul style="list-style-type: none"> • the calculation of capital; • calculation of purchases and sales; • Mark-up and Margin. <p><i>Insurance claim calculations and the calculation of inventory lost in fire or by theft are NOT examinable.</i></p>
Manufacturing Accounts	<p>Financial statements of manufacturing businesses excluding transfer pricing and questions of a departmental nature.</p>

<p>Company Accounting</p>	<ul style="list-style-type: none"> • A basic understanding of the Memorandum of Association and Articles of Association required for company formation; • The difference between limited and unlimited liability; • The difference between a public and a private company; • Understanding the different terminology pertaining to capital structure: <ul style="list-style-type: none"> • Equity; • Authorised and issued share capital; • Ordinary shares and debentures; • Capital and revenue reserves limited to retained earnings, general reserve and share premium. • The financial statements of a limited liability company for Internal use only including : <ul style="list-style-type: none"> The Statement of Profit or Loss The Statement of Changes in Equity The Statement of Financial Position <p><i>The following items are NOT examinable: preference shares and redeemable preference shares, the issue, purchase back/redemption of shares and debentures, the capital redemption reserve, the revaluation reserve and financial statements of companies for publication.</i></p>
<p>Interpretation of Financial Statements</p>	<p>Interpretation by means of ratio analysis assisting the appraisal of liquidity and profitability.</p> <p>(Refer to Appendix for the list of ratios.)</p>

COST AND MANAGEMENT ACCOUNTING	Notes for Guidance – Section A & Section D
Introduction	<ul style="list-style-type: none"> • The purpose of cost and management accounting; • The difference between financial and cost and management accounting.
Cost behaviour	<ul style="list-style-type: none"> • Types of costs: fixed costs, variable costs, direct costs and indirect costs; • Cost classification by function: production and non-production costs.
Inventory (stock) valuation	<ul style="list-style-type: none"> • Valuing inventory using the FIFO and AVCO perpetual and periodic methods of valuation; • An understanding of why different inventory valuation methods produce different calculations of profit; • Inventory control: calculation and significance of economic order quantity, minimum and maximum inventory levels and the reorder level. <p><i>The calculation of the LIFO method of valuing inventory is NOT examinable</i></p>
The cost of Labour	<p>Methods of remuneration: time rate and overtime, piece rate, guaranteed piecework (excluding differential piecework) and bonus on time saved, involving individual schemes ONLY.</p> <p><i>Labour turnover and labour recovery rates are NOT examinable.</i></p>
Overheads	<ul style="list-style-type: none"> • The characteristics and treatment of overhead expenses allocation, apportionment and absorption of overheads. • Secondary Apportionment of service departments. • Calculation of overhead recovery rates using the: direct labour hour rate and machine hour rate; • Questions may include estimating the cost of jobs. <p><i>The following items are NOT examinable: service departments rendering reciprocal services, the blanket rate, and the calculation of over and under-absorption of overheads.</i></p>
Marginal Costing	<ul style="list-style-type: none"> • The concept of contribution; • Calculation of: the margin of safety, the contribution/sales ratio, the break-even point; • The traditional break-even chart; • Limitations of break-even analysis. <p><i>Reconciliation between profits emerging from absorption costing and marginal costing methods are NOT examinable.</i></p>
Budgeting	<ul style="list-style-type: none"> • Definition and scope of a BUDGET; • Preparation of a simple cash budget ONLY for a maximum of four months <p><i>Functional budgets are not examinable</i></p>

Suggested Textbooks

Randall, H.

Accounting: A Level and AS Level ISBN: 978052153993; Cambridge University Press.

Wood, F.

A Level Accounting ISBN 0273 602608 (Pitman)

APPENDIX - Suggested Accounting Ratios

Gross Profit margin	=	$\frac{\text{Gross Profit}}{\text{Net Sales}}$	x	100
Mark up	=	$\frac{\text{Gross Profit}}{\text{Cost of Sales}}$	x	100
Net Profit margin	=	$\frac{\text{PBIT}}{\text{Net Sales}}$	x	100
Or	=	$\frac{\text{Net Profit}}{\text{Net Sales}}$	x	100
ROCE	=	$\frac{\text{PBIT}}{\text{Capital Employed}}$	x	100
Utilisation of capital employed	=	$\frac{\text{Net Sales}}{\text{Capital Employed}}$	x	100
Current ratio (Working Capital ratio)	=	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$		
Quick (Acid Test) ratio	=	$\frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$		
Inventory Turnover	=	$\frac{\text{Cost of Sales}}{\text{Average Inventory}}$		
Collection period of receivables	=	$\frac{\text{Trade Receivables}}{\text{Credit Sales}}$	x	365
Payment period of payables	=	$\frac{\text{Trade Payables}}{\text{Credit Purchases}^*}$	x	365

*If purchases are not given and cannot be calculated, Cost of Sales may be used.

N.B.

Capital Employed = Issued Ordinary Shares + Reserves + Non-Current Liabilities
Alternative acceptable methods of calculating the above ratios are acceptable.