

AM SYLLABUS (2025)

ACCOUNTING

AM 01

SYLLABUS

Accounting AM 01 Syllabus	(Available in September) Paper I (3 hrs) + Paper II (3 hrs)
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Introduction

The syllabus seeks to develop the students' financial literacy, presentation and evaluative skills in the broad areas of Financial and Management Accounting.

Candidates are expected to demonstrate a sound knowledge of basic accounting appropriate for an understanding of the areas covered by the syllabus contents.

Candidates are expected to base their answers on local legislation and International Financial Reporting Standards.

Scheme of Assessment

The examination will consist of **two** papers of three (3) hours duration each are set.

Paper 1 will examine financial accounting and Paper 2 will examine cost and management accounting. Each paper carries 50% of the global mark.

Paper 1 (Financial Accounting) shall consist of three sections (total: 100 marks).

- **Section A (20 marks):** Five compulsory short-answer theoretical questions, which are spread over a number of topics. Each question will carry 4 marks. The questions can be split into sub-questions. Questions might include a simple analysis and evaluation of information from given data.
- **Section B (30 marks):** One compulsory question involving the preparation of financial statements (including Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity and Statement of Financial Position) from a given trial balance with adjustments of a sole owner **OR** limited liability company for Internal use or for Publication (excluding notes to the financial statements). Financial statements may refer to either a retailer or a manufacturer. This section will not include questions of a theoretical nature.
- **Section C (50 marks):** three practical questions of equal weighting from which candidates choose two (25 marks each). The questions in this section may include sub-questions of a theoretical nature.

Paper 2 (Cost and Management Accounting) shall consist of three sections (total: 100 marks).

- **Section A (20 marks):** Five compulsory short-answer theoretical questions, which are spread over a number of topics. Each question will carry 4 marks. The questions can be split into sub-questions. Questions might include a simple analysis and evaluation of information from given data.
- **Section B (30 marks):** One Compulsory question involving the preparation of a master budget: the preparation of a cash budget, a budget statement of profit or loss and a budget statement of financial position. Accounting questions shall be set for a maximum of four months only. This section will not include questions of a theoretical nature.
- **Section C (50 marks):** three practical questions of equal weighting from which candidates choose two (25 marks each). The questions in this section may include sub-questions of a theoretical nature.

Each paper shall allocate 30% of the marks to theoretical questions. Questions of an entirely essay type nature shall **not** be set.

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

FINANCIAL ACCOUNTING	<p>Notes for Guidance – PAPER 1 <i>QUESTIONS INVOLVING AMALGAMATIONS, TAKEOVERS OR CONVERSIONS OF ANY FORM OF BUSINESS UNIT ARE NOT EXAMINABLE.</i></p>
Introduction	<p>The role of the Accountant as a financial accountant, a cost and management accountant and an auditor.</p> <p>Conceptual Accounting framework limited to :</p> <ul style="list-style-type: none"> • a basic understanding of the purposes of the conceptual framework; • objectives of financial statements; • users of accounting and their information needs; • a basic understanding of the qualitative characteristics of financial statements including the fundamental characteristics of relevance and faithful presentation; the enhancing characteristics of comparability, verifiability, timeliness and understandability. <p>Candidates are required to demonstrate knowledge and understanding of the following accounting concepts: Accruals, Going Concern, Materiality, Prudence, Consistency, Realisation, Cost, Dual Concept, Money Measurement and Business Entity.</p>
Students must have knowledge of the following:	<ul style="list-style-type: none"> • accruals and prepayments of expenses and revenues; • irrecoverable debts; bad debts recovered; allowance for doubtful debts (both specific and general); • cash discounts and trade discounts; • the VAT account, comprising VAT on sales, purchases, expenses and non-current assets (VAT on vehicles is not refundable). An understanding of the business as a tax collector on behalf of the VAT Department; • the treatment of goods sold on a sale-or-return basis, excluding goods received on a purchase-or-return basis; • books of prime entry; • Control Accounts: Preparation of Trade Receivables Control Account and Trade Payables Control Account including benefits of control accounts. <p><i>Reconciliation of control accounts with payables and receivables lists are NOT examinable.</i></p>
Depreciation and Disposal of Non-Current Assets	<ul style="list-style-type: none"> • Accounting treatment: straight-line, reducing balance, units of production method, machine hour method and revaluation methods of depreciation ONLY; • The suitability of depreciation method and change in the useful life of non-current assets; • Causes of depreciation; • Purpose of providing for depreciation and the underlying concepts; • Impairment of property and other intangible assets (limited to goodwill and development costs). <p>Refer to appendix for notes referring to IAS 16 and IAS 36. <i>The Non-Current Asset Schedule is NOT examinable</i></p>

Sole Trader	Year-end financial statements which may include departmental financial statements limited to two departments. <i>Excluding inter-departmental transfers</i>
Manufacturing Accounts	Financial statements. The manufacturing profit and the allowance for unrealised profit on inventory of finished goods. The reason for maintaining an allowance for unrealised profit.
Types of errors and their correction	<ul style="list-style-type: none"> • Different types of errors; • Correction of errors through the journal; • The suspense account; • The statement of corrected net profit. • Corrected Financial Statements: Statement of Profit or Loss and Statement of Financial Position
Incomplete Records	<ul style="list-style-type: none"> • The preparation of financial statements from incomplete records; • calculation of capital at the beginning of the financial year; • the use of Mark-up and Margin; • the calculation of inventory lost in fire or by theft, for insurance claims; • the calculation of a commission on net profit after charging commission.
Non-Profit making organisations	<p>The preparation of financial statements, including treatment and understanding of :</p> <ul style="list-style-type: none"> • calculation of accumulated fund; • ordinary memberships; • life memberships; • subscriptions written off; • donations (questions should clearly identify the nature of a donation; whether it is of a capital or a revenue nature); • surplus/deficit arising from trading and other activities. <p>The difference between Receipts and Payments and Income and Expenditure. Reason for the difference in the treatment of ordinary subscriptions and life membership fees. <i>Joining fees and Government Grants are NOT examinable.</i></p>
Company Accounting	<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 terms concerning capital structure: <ul style="list-style-type: none"> ○ Equity; ○ Authorised and issued share capital; ○ Ordinary shares, redeemable preference shares and debentures/bonds; ○ Capital and revenue reserves; how the following reserves are created and utilised: retained earnings, general reserve, share premium; revaluation reserve and capital redemption reserve; ○ Nominal and market value of shares; ○ Provisions and reserves.

<p>The Capital Structure of COMPANIES</p>	<p>The procedure and accounting treatment of :</p> <ul style="list-style-type: none"> • a public issue; • a bonus issue; • a rights issue; • issue of debentures /redemption (same as loans) • redemption of redeemable preference shares. <p><i>The following are NOT examinable:</i> <i>Issue of shares by installments and forfeiture of shares;</i> <i>convertible loan stock;</i> <i>Purchase back of own shares</i></p>
<p>Preparation of Financial statements of COMPANIES</p>	<p>Preparation of Financial Statements for Internal use :</p> <ul style="list-style-type: none"> • Statement of Profit or Loss and other Comprehensive Income (including adjustments for revaluation ONLY); • Statement of Changes in Equity; • Statement of Financial Position. <p>Preparation of Published Financial Statements:</p> <ul style="list-style-type: none"> • Statement of Profit or Loss and other Comprehensive Income (including adjustments for revaluation ONLY); • Statement of Changes in Equity; • Statement of Financial Position. • Proposed/recommended dividends should be disclosed by way of note • Questions set should specifically indicate when the published format is required <p>(see Appendix I for suggested format) <i>Accompanying notes to the Financial statements, Director's Report and Audit Report are NOT examinable.</i></p> <p>(Refer to Appendix II for content of International Accounting Standards which students are to be familiar with.)</p>
<p>Interpretation of Accounts and Preparation of Reports</p>	<p>Interpretation by means of ratio analysis assisting the appraisal of short-term and long-term solvency, profitability and efficiency.</p> <p>(Refer to appendix III for the list of ratios.)</p> <p><i>Questions should exclude the calculation and interpretation of investment potential</i></p>
<p>Statement of Cash Flow</p>	<ul style="list-style-type: none"> • Preparation of the Statement of Cash Flow using the Indirect Method Only as per IAS 7. • Evaluating the difference between profitability and the cash position of a business. • Benefits of preparing The Statement of Cash Flow.

COST AND MANAGEMENT ACCOUNTING	Notes for Guidance – PAPER 2
Introduction	<ul style="list-style-type: none"> the purpose of management accounting; the role of the management accountant; the difference between financial and cost and management accounting.
Inventory (stock) valuation	<ul style="list-style-type: none"> Valuing inventory using the FIFO and AVCO perpetual and periodic methods; An understanding of why different inventory valuation methods produce different calculations of profit; Reference to IAS 2 vis-à-vis the costs comprising inventory; 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 inventory valuation is NOT examinable. Questions should specifically state whether the periodic or perpetual method is required.</i></p>
The cost of labour	<ul style="list-style-type: none"> Calculation of labour cost using the following methods of remuneration: time rate and overtime, piecework, and guaranteed piecework, (excluding differential piecework) and bonus on time saved Calculation and interpretation of labour turnover The calculation of labour recovery rates for service costing situations. <p><i>Group bonus schemes 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. Calculation of overhead departmental recovery rates: direct labour hour rate; machine hour rate; direct labour cost percentage rate; cost per unit rate. Calculation of a blanket recovery rate limited to the above recovery rates. Treatment of reciprocal services of service department using the elimination method ONLY. Calculation of over and under-absorption of overheads. <p><i>The repeated distribution method is NOT examinable.</i></p>
Job costing	<ul style="list-style-type: none"> Characteristics of job costing; Estimating the cost and selling price of a job.
Process costing	<ul style="list-style-type: none"> Characteristics of process costing; The preparation of process cost accounts; The preparation of accounts for normal losses, abnormal losses and abnormal gains. <p><i>The closing work in progress, the concept of equivalent production and joint products and by-products are NOT examinable.</i></p>

<p>Cost Behaviour and Break-Even analysis</p>	<ul style="list-style-type: none"> • Types of costs: fixed costs, variable costs, semi-variable costs, relevant costs, irrelevant costs, product costs, period costs, direct costs and indirect costs; • Cost classification by function: production and non-production costs; • The Hi-Low Method; • An understanding and calculation of contribution; • Calculation of the break-even point, margin of safety and the contribution/sales ratio in units and in sales value. • Break-Even analysis including the traditional BEP chart ONLY (<i>Graph paper should be provided if required</i>)
<p>Marginal and Absorption costing</p>	<ul style="list-style-type: none"> • Comparison of marginal costing and absorption costing, limited to FIFO periodic method; • Reconciliation of both profits. <i>Under and over absorption of overheads' calculations are NOT examinable however students must be made aware of their existence.</i>
<p>Decision making</p>	<ul style="list-style-type: none"> • Make or buy decisions; • Dropping a product; • One limiting factor; • Accepting special orders <p><i>Questions on this topic can involve ONLY ONE decision-making situation from the above.</i></p>
<p>Budgeting</p>	<ul style="list-style-type: none"> • Functional budgets for: inventories, sales, purchases, labour, trade receivables, trade payables, production and cash; • The Master Budget: The Budgeted Statement of Profit and Loss and the Budgeted Statement of Financial Position; • Flexible Budgeting; • Budgetary Control <p><i>Questions shall be set for a maximum of FOUR months only so as to highlight the understanding of the process of preparing budgets over repeated numerical calculations.</i></p>
<p>Standard Costing and Variance Analysis</p>	<ul style="list-style-type: none"> • The purpose of standard costing; • Calculation and understanding of variance analysis of the following: <ul style="list-style-type: none"> • Material - price and quantity variances; • Labour - rate and efficiency variances; • Variable overhead - expenditure and efficiency variances; • Fixed overhead - expenditure and volume variances; • Sales – price and volume variances; • Reconciliation of budgeted with actual profit. <p><i>Calculation of variances shall be based on the absorption costing method only. Variances utilising the marginal costing system are NOT examinable.</i></p>

Reading List

Financial Accounting

Izhar, R. & Hontoir J.

Accounting, costings and management. (Oxford University Press 2nd Ed.) ISBN 0-19-832823-0

Finch, C.

A Student's Guide to IFRS (2nd Ed.) (Kaplan) ISBN 978-1-84710-708-4

Wood, F.

A Level Accounting ISBN 0273 602608 (Pitman)

Cost and Management Accounting

Caruana, J. & Abela, M.

Cost and Management Accounting for A Level ISBN: 9789993286769

Lucey, T.

Costing (6th Ed.) ISBN 0-8264-5510-7

Pace, A. & Xuereb, J.

Cost and Management Accounting - Principles and Practice ISBN 978-99957-0-219-9

APPENDIX I - Suggested format for Published Accounts based on IAS 1

Statement of Profit or Loss and other Comprehensive Income for the year ended

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	€	€
Revenue		X
Cost of sales		(X)
Gross profit		X
Other income		X
		X
Distribution costs	X	
Administrative expenses	X	
Other expenses	X	
Finance costs	X	(X)
Profit before tax		X
Income tax expense		(X)
Profit for the year		X
Revaluation Gain/Loss		X
Total comprehensive income		X

A Statement of Changes in equity is also to be compiled.

Statement of Financial Position as at

	€	€	€
<u>Assets</u>			
<u>Non-current assets</u>			
Property			X
Plant and equipment			X
Motor Vehicles			X
Furniture and Fittings			X
Goodwill			X
Development costs			X
Investments			X
			X
<u>Current assets</u>			
Inventories		X	
Trade receivables (net)		X	
Other receivables		X	
Cash and Bank		X	
			X
Total assets			X
			X
<u>EQUITY AND LIABILITIES</u>			
Total equity			X
<u>Non-current liabilities</u>			
Debentures		X	
Loans		X	
Redeemable preference shares		X	
Total non-current liabilities		X	
<u>Current liabilities</u>			
Trade payables	X		
Other payables	X		
Total current liabilities		X	
Total liabilities			X
Total equity and liabilities			X

APPENDIX II - International Accounting Standards

IAS 1 – Presentation of Financial Statements

- Awareness of the fact that according to IAS 1, a complete set of financial statements comprises the following:
 - Statement of financial position;
 - Statement of Profit or Loss or other comprehensive income
 - Statement of changes in equity;
 - Statement of cash flows;
 - Explanatory notes (not examinable).
- The purpose of each statement.
- Refer to Published Accounts (Presentation of Financial Statements) topic in syllabus.

IAS 2 – Accounting for Inventories

- The measurement of inventory at the lower of cost and net realisable value including the ability to calculate NRV.
- The inventory methods accepted by IAS 2 i.e. FIFO and AVCO.

IAS 7 – Statement of Cash Flows

- Refer to Statements of Cash Flow topic in syllabus.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

- Treatment of:
 - changes in accounting estimates (i.e. change in useful life of a non-current asset, **change in depreciation method only**)
 - material errors.
- Accounting policies and any changes therein are only examinable theoretically (limited to change in depreciation policy and inventory valuation method, ie FIFO and AVCO). Students should make a distinction between changes in accounting estimates and changes in accounting policies.

IAS 16 – Property Plant and Equipment

- The accounting treatment of depreciation
 - Cost Model
 - Revaluation Model
- Refer to Depreciation topic in syllabus.
- Basic understanding and accounting treatment of impairment of **Property only**. (refer to IAS36 below)

IAS 36 Impairment

Accounting treatment of;

- Impairment of Property
- Impairment of Goodwill
- Impairment of Development costs
- Students are not required to calculate the recoverable amount

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

- Basic understanding of the difference between a provision and a contingent liability and their accounting treatment.

IAS 38– Intangible Assets

- Research and Development Costs:
 - Basic knowledge of the difference between Research Costs and Development Costs.
 - Accounting treatment of Development Costs (including impairment) and Research Costs.

IFRS3 Goodwill:

- Definition of Goodwill.
- Difference between Purchased and Non-Purchased Goodwill.
- Accounting treatment of Purchased Goodwill and its impairment.

APPENDIX III - 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
Gearing	=	$\frac{\text{Non-Current Liabilities}}{\text{Capital Employed}}$	x	100
Interest Cover	=	$\frac{\text{PBIT}}{\text{Fixed annual charges}}$		
EPS	=	$\frac{\text{Net Profit after tax}}{\text{No of ordinary shares}}$		

*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 allowable.