

Revision checklist for O Level Principles of Accounts 7110

How to use this guide

This revision guide describes what you need to know about your O Level Principles of Accounts examination.

It will help you plan your revision programme and will explain what the examiners are looking for in the answers to the questions. It can also help you to revise by using the tick boxes in Section 3 “What you need to know” to check what you know and which topic areas of the syllabus you have covered.

The guide contains the following sections:

Section 1: How will you be tested?

This section will give you information about the examination papers that you will take.

Section 2: What will be tested?

This section describes the areas of knowledge, understanding and skills that the examiners will test you on.

Section 3: What you need to know

This shows the syllabus content in a simple way so that you can check:

- Which topics you need to know about
- Details about each topic in the syllabus
- How much of the syllabus you have covered

SECTION 1: HOW WILL YOU BE TESTED?

You will be assessed by taking two examination papers.

Both papers are compulsory.

On each paper all the questions are compulsory.

Questions from any section of the syllabus may appear on both the papers.

Paper 1

This lasts one hour and contains 30 multiple choice questions. These questions test your knowledge and understanding of the subject matter. They may also include some short numerical calculations.

This paper is worth 33.3% of the total marks for the examination.

Paper 2

This lasts two hours and contains between 4 and 6 questions. These questions include the preparation and understanding of accounting statements. They also include questions which involve answers in continuous prose or the completion of tables. One (usually the last question) involves the preparation of the financial statements of a manufacturing or trading business. This question is usually worth 1/3 of the marks for the paper

This paper is worth 66.7% of the total marks for the examination.

Past examination papers

Past examination papers on the main CIE website – www.cie.org.uk. The main schemes are also available on the same site. These show exactly how the marks are awarded for each part of every question.

Syllabus

It is important that you follow the syllabus for the year in which you intend to sit the examination. The syllabus is available on the main CIE website – www.cie.org.uk.

SECTION 2: WHAT WILL BE TESTED?

2.1 Command (Key) words

Examiners use different command or key words in the questions to indicate which skill areas are being tested to help you understand what they are looking for in your answer. It is important that you understand the meaning of these command words so that you can demonstrate the skill areas needed, otherwise you may not gain high marks.

2.2 Skills areas

The syllabus sets out the skills that will be tested in the examination papers.

There are three skill areas which will be assessed. You will develop these skill areas during your lessons and the examination will test the progress you have made. Your teacher will be able to give you more information about each skill area is tested in the different examination papers.

The following table shows you the range of skills you should develop.

Skill	Skill area	You need to be able to demonstrate this skill
A	Knowledge with understanding	To explain facts, terms, principles and techniques related to bookkeeping and accounting To apply knowledge and information to various accounting situations and problems Command words to test this skill area are: State, define, identify, record, calculate, explain
B	Analysis	To select, order and analyse information in written and numerical format. To present numerical information in standard accounting format Command words to test this skill area are: Select, prepare, draw up
C	Evaluation	To interpret and evaluation accounting information that may be provided to you, or produced by you in a previous answer. You may be asked to draw up conclusions, describe possible actions and make recommendations. Command words to test this skill area are: Explain, suggest, advise, discuss, comment on, compare

2.3 Number of marks

You need to pay attention to the number of marks available. This will provide you with a guide as to how much time you should spend on answering the question and how long a “written” answer should be.

For example, if a question asks “State two examples of” for 2 marks then you need to give only two examples and you do not need to explain anything.

However, if a question says “Explain what it meant by” for 3 marks then you need more than one simple statement.

If a question says “Advise the trader on how he could improve” for 6 marks then you need to write a longer paragraph outlining your recommendations.

The number of lines provided on the question paper may also give you a guide on the length of the answer expected (though remember that you will not necessarily require all the lines provided).

SECTION 3: WHAT YOU NEED TO KNOW

This section covers the 6 themes which are detailed in the syllabus. They are:

1. Basic principles
2. Accounting procedures
3. Financial statements
4. Preparation of financial statements
5. Payroll accounting
6. Advanced principles

Each theme covers a number of topics. There can be up to 9 topic areas within one theme.

The following pages are in the form of a table which lists the topics you may be tested on in the examination papers.

The table does not cover every topic area in detail, but is designed to make sure you revise the key areas and become aware of how a topic can be tested on either of the papers.

You can use the table throughout your course to check the topic areas you have covered. You can also use it as a revision aid. When you think you have a good knowledge of a topic you can tick the appropriate box in the checklist column. The main headings in the topic areas are usually followed by details of what you should know. You can test yourself –

- Cover up the details in the table with a sheet of paper
- Try to remember the details
- When you have remembered the details correctly, put a tick in the appropriate box on the table

If you use a pencil to tick the boxes, you can re-test yourself whenever you want by simply rubbing out the ticks. If you are using the table as a check-list of which topics you have covered, you can put a tick in the topic column next to the appropriate syllabus reference.

The column headed “Comments” can be used

- To add further information about the details for each syllabus section
- To provide examples
- To highlight areas of difficulty/things which you need to ask your teacher about

The references to the endorsed textbook and workbook refer to
IGCSE & O Level Accounting Catherine Coucom
IGCSE & O Level Accounting Workbook Catherine Coucom

Theme	Topic	You should be able to:	Check list	Comments
	1.3/ 1.4/ 1.7	<p>Documentary records and books of prime entry</p> <p>The main business documents are – Invoice, credit note, debit note, cheque, receipt and statement of account.</p> <p>These are source documents which are used to record information in the books of prime entry.</p> <p>You need to know which document is used to write up each book of prime entry.</p> <p>The books of prime entry are cash book, sales journal, purchases journal, sales returns journal, sales returns journal and general journal.</p> <p>You need to be able to explain the use of each of these books and to make entries in each of them.</p> <p>Trade discount is a deduction from the list price of goods to encourage bulk buying.</p> <p><i>Endorsed textbook Chapter 6-7</i></p> <p><i>Endorsed workbook Q25-35</i></p> <p><i>Examination questions J10 P11 Q5, J10 P11 Q7, N09 P1 Q4, N09 P1 Q5, June 10 P21 Q1, Specimen P2 Q1, Nov 09 P2 Q1</i></p>	<input data-bbox="1668 359 1691 375" type="checkbox"/> <input data-bbox="1668 614 1691 630" type="checkbox"/>	

Theme	Topic	You should be able to:	Check list	Comments
	<p data-bbox="488 323 542 352">1.5</p> <p data-bbox="488 986 542 1015">1.6</p>	<p data-bbox="609 323 837 352">The cash book</p> <p data-bbox="609 360 1594 946"> The cash book contains the cash account and the bank account. There may also be columns for discount allowed and received. Cash discount is a deduction from an invoice for paying by a set time. You need to know how to make entries in a cash book There are different types of bank account – current and deposit accounts. You need to understand the difference between a loan and an overdraft and how these are recorded in the accounting records At regular intervals the bank balance in the cash book should be reconciled with the balance shown on the bank statement. You need to know the causes of this difference and how to up-date the cash book and prepare a bank reconciliation statement <i>Endorsed textbook Chapter 4,14</i> <i>Endorsed workbook Q17-21,73-76</i> <i>Examination questions N09 P1, Q6, N09 P1 Q7, J09 P1 Q8</i> <i>J08 P2 Q1,J 10 P2 Q1, Specimen P2 Q2</i> </p> <p data-bbox="609 986 909 1015">The general journal</p> <p data-bbox="609 1023 1541 1241"> This is used to record entries which are not recorded in any or the other books of prime entry such as correction of errors, opening entries, purchase and sale of non-current assets A journal entry has three parts – the name of the account to be debited, the name of the account to be credited and a narrative. You need to be able to prepare journal entries. </p>	<p data-bbox="1666 323 1697 346"><input type="checkbox"/></p> <p data-bbox="1666 651 1697 673"><input type="checkbox"/></p> <p data-bbox="1666 978 1697 1000"><input type="checkbox"/></p>	

Theme	Topic	You should be able to:	Check list	Comments
	1.8	<p><i>Endorsed textbook Chapter 15</i> <i>Endorsed workbook Q77-78</i> <i>Examination questions J09 P1 Q11, N08 P1 Q6</i></p> <p>The trial balance A trial balance is a statement of ledger balances on a certain date. You need to be able to prepare a trial balance, and understand its uses and limitations. There are six errors which will not be shown by a trial balance – omission, commission, principle, compensating, original entry and reversal.</p> <p><i>Endorsed textbook Chapter 3</i> <i>Endorsed workbook Q13-16</i> <i>Examination questions J10 P11 Q10, N09 P1 Q9, N09 P1 Q10, J10 P22 Q1, N08 P2 Q1</i></p>	<input type="checkbox"/>	

Theme	Topic	You should be able to:	Check list	Comments
	1.9	<p>Other payables and receivables At the end of the financial year there may be expenses and incomes which are outstanding or paid in advance. You need to know how to adjust the ledger accounts for these items. <i>Endorsed textbook Chapter 11</i> <i>Endorsed workbook Q56-58</i> <i>Examination questions J10 P11 Q11, N09 P1 Q11, J09 P1 Q14</i> <i>N 06 P2 Q1</i></p> <p>Bad debts and provisions for doubtful debts A bad debt is an amount owing to a business which will not be paid by the debtor. You need to know how to record bad debts. A provision for doubtful debts is an estimate of the amount which a business will lose in a financial year because of bad debts. You need to be able to make entries creating and adjusting this provision <i>Endorsed textbook Chapter 13</i> <i>Endorsed workbook Q67-70</i> <i>Examination questions J10 P11 Q12, N09 P1 Q12, J09 P1 Q15</i> <i>J07 P2 Q2, N06 P2 Q1,</i></p>	<input data-bbox="1675 320 1697 344" type="checkbox"/> <input data-bbox="1675 687 1697 711" type="checkbox"/>	

Theme	Topic	You should be able to:	Check list	Comments
Accounting procedures	2.1	<p>Capital and revenue expenditure and receipts</p> <p>Capital expenditure is money spend on acquiring non-current assets and improving or extending existing non-current assets.</p> <p>Revenue expenditure is money spend on running a business on a day-to-day basis.</p> <p>A capital receipt occurs when a capital item such as a non-current asset is sold.</p> <p>A revenue receipt is income received from the sales of goods, rent received, commission received etc.</p> <p>You need to be able to distinguish between these items.</p> <p>You need to know how incorrect treatment of these items affects the profit and asset valuations.</p> <p><i>Endorsed textbook Chapter 10</i></p> <p><i>Endorsed workbook Q50-52</i></p> <p><i>Examination questions J10 P11 Q13, J10 P11 Q14, N09 P1 Q13 J10 P2 Q2, J08 P2 Q1, J06 P2 Q4</i></p>	<input type="checkbox"/>	
	2.2	<p>Accounting for depreciation</p> <p>Depreciation is an estimate of the loss in value of a non-current asset over its working life.</p> <p>The causes of depreciation are physical deterioration, economic reasons, passage of time and depletion.</p> <p>There are three main methods of depreciation – straight line, diminishing balance and revaluation.</p> <p>You need to know how to record depreciation (using these three methods) in the ledger and the journal.</p>	<input type="checkbox"/>	

Theme	Topic	You should be able to:	Check list	Comments
	2.3	<p>You need to know how to make ledger and journal entries for the disposal of a non-current asset. <i>Endorsed textbook Chapter 12</i> <i>Endorsed workbook Q61-64</i> <i>Examination questions J09 P1 Q17, N08 P1 Q13, N08 P1 Q14</i> <i>J10 P21 Q2, N09 P2 Q2, J08 P2 Q2</i></p> <p>Correction of errors Some errors will not affect the balancing of a trial balance (See 1.8) Other errors do affect the balancing of a trial balance. If a trial balance fails to balance the difference is recorded in a suspense account. When errors are discovered they are corrected by journal entries. When all the errors have been discovered the suspense account will close automatically. You need to be able to use a suspense account and to correct errors by means of a journal entry. Some errors may affect the calculation of the profit for the year and items within a balance sheet. You need to be able to prepare a statement of corrected profit and revised balance sheet extracts. <i>Endorsed textbook Chapter 15</i> <i>Endorsed workbook Q79-81</i> <i>Examination questions J10 P11 Q15, N09 P1 Q14, J09 P1 Q18, J09 P2 Q1</i></p>	<input type="checkbox"/>	

Theme	Topic	You should be able to:	Check list	Comments
Financial statements	2.4	Control accounts These accounts are used to check the accuracy of the purchases ledger and the sales ledger. They help to locate errors and detect fraud. They provide the total of the trade payables and the trade receivables. The information in the control accounts is obtained from the books of original entry: it is not obtained from the ledgers. You need to be able to prepare control accounts which are used for checking purposes. <i>Endorsed textbook Chapter 16</i> <i>Endorsed workbook Q82-85</i> <i>Examination questions J10 P11 Q16, N09 P1 Q15, N09 P1 Q16</i> <i>J10 P22 Q2, J07 P2 Q1</i>	<input type="checkbox"/>	
	3.1	Income statements The income statement is used to calculate the gross profit and the profit for the year. You need to be able to prepare an income statement and calculate the gross profit and the profit for the year If a business has more than one department a columnar income statement is prepared.	<input type="checkbox"/>	

Theme	Topic	You should be able to:	Check list	Comments
Preparation of financial statements	4.1	<p>Balance sheets The balance sheet is a statement of assets liabilities and capital on a certain date. You need to understand the different types of assets and liabilities, net current assets (working capital), capital employed and equity. You need to be able to explain the basis of valuation of non-current assets, inventory and trade receivables. <i>Endorsed textbook Chapter 8-9</i> <i>Endorsed workbook Q36-45</i> <i>Examination questions J10 P11 Q17, J10 P11 Q17, J10 P11 Q18, N09 P1 Q17, N 09 P1 Q18, J 09 P1 Q22, J10 P22 Q1</i></p>	<input type="checkbox"/>	
		<p>This is an important section of the syllabus. One question on Paper 2 carrying 1/3 of the marks for the paper is based on this section of the syllabus.</p> <p>Sole traders A trading business is one which buys and sells goods. A service business is one which does not buy and sell goods. You need to be able to prepare an income statement and a balance sheet for each type of business.</p>	<input type="checkbox"/>	

Theme	Topic	You should be able to:	Check list	Comments
	4.3	<p>At the end of the financial year a partnership needs to prepare an appropriation account to show how the profit is shared out. You need to be able to prepare an appropriation account to include interest on capital and drawings, partners' salaries and profit shares. Partners usually maintain a capital and a current account in the ledger for each partner. You need to be able to prepare partners' ledger accounts. You need to be able to show how these accounts will appear in the balance sheet of a partnership. Sometimes two sole traders amalgamate to form a partnership. You need to be able to record such an amalgamation. <i>Endorsed textbook Chapter 19-20</i> <i>Endorsed workbook Q98-106</i> <i>Examination questions J10 P11 Q20, J10 P11 Q21, N09 P1 Q21</i> <i>J10 P22 Q3, N 09 P2 Q5, J09 P2 Q4, N07 P2 Q5, J07 P2 Q4</i></p> <p>Clubs and societies A club is a non-trading organisation whose main aim is to provide some facilities and services for its members. The main source of income for a club is subscriptions from members. You need to be able to prepare a subscriptions account. You need to be able to prepare the year-end accounts for a club. These are a receipts and payments account (which is a summary of the cash book), an income and expenditure account (which is similar to an income statement) and a balance sheet. Sometimes the trading account section of an income statement is also required if there is any trading activity such as a club shop.</p>		

Theme	Topic	You should be able to:	Check list	Comments
	4.5	<p>Limited liability companies</p> <p>A limited liability company is a legal entity which has a separate identity from its shareholders, whose liability for the company's debts is limited.</p> <p>The capital structure of a limited company may consist of preference and ordinary shares: there may also be a general reserve and retained earnings.</p> <p>You need to be familiar with each of these terms.</p> <p>You also need to be able to distinguish between called-up and paid-up capital and loan capital (which may be in the form of debentures).</p> <p>At the end of the financial year a limited company needs to prepare an appropriation account to show what proportion of the profit is to be paid out as dividends to shareholders and what proportion is to be retained within the business.</p> <p>You need to be able to prepare an appropriation account of a limited company.</p> <p><i>Endorsed textbook Chapter 23</i> <i>Endorsed workbook Q116-120</i> <i>Examination questions J10 P11 Q26, J09 P1 Q27, J08 P1 Q25</i> <i>Specimen P2 Q5, N09 P2 Q3, N08 P2 Q4</i></p>	<input type="checkbox"/>	

Theme	Topic	You should be able to:	Check list	Comments
Payroll accounting	4.6	<p>Manufacturing accounts A manufacturing business prepares a manufacturing account at the end of the financial year to calculate how much it cost the business to manufacture the goods produced during the year. This is in addition to the income statement and balance sheet. You will need to be able to prepare a manufacturing account, an income statement and a balance sheet for a manufacturing business. You will need to be able to distinguish between direct and indirect costs. You will need to be familiar with the terms direct material, direct labour, prime cost and factory overheads. You will need to understand and be able to made adjustments for work in progress. <i>Endorsed textbook Chapter 21</i> <i>Endorsed workbook Q109-112</i> <i>Examination questions J10 P11 Q27, N09 P1 Q25, J09 P1 Q28, J10 P22 Q5, Specimen P2 Q6, N08 P2 Q5</i></p>	<input type="checkbox"/>	
	5.1	<p>Payroll records The main ways of calculating pay are time basis and piece-work basis. Sometimes employees are paid a higher rate for time worked outside normal hours. This is called overtime. The main ways of recording attendance are clock cards and time sheets. Calculations of pay are recorded on payslips and the payroll register. You need to be familiar with all these terms and be able to calculate gross pay.</p>	<input type="checkbox"/>	

Theme	Topic	You should be able to:	Check list	Comments
Advanced principles		<p>Statutory deductions from pay are deductions which are required by law such as income tax and social security (national insurance). Voluntary deductions from pay are deductions which an employee chooses to have deducted such as pension contribution, trade union subscriptions and donations to charity. You need to be familiar with these terms and be able to calculate net pay.</p> <p><i>Endorsed textbook Chapter 25</i> <i>Endorsed workbook Q127-129</i> <i>Examination questions N09 P1 Q26</i> <i>J10 P21 Q3, J10 P22 Q2, Specimen P2 Q3, N09 P2 Q2</i></p>		
	5.2	<p>Bookkeeping entries for payroll After the payroll register is completed, entries are made in the books of account. You need to be able to prepare journal and ledger entries to record the payment of wages, statutory and voluntary deductions.</p> <p><i>Endorsed textbook Chapter 25</i> <i>Endorsed workbook Q130-131</i> <i>Examination questions</i> <i>J10 P22 Q2, Specimen P2 Q3</i></p>	□	
	6.1	<p>Financial relationships After the preparation of the financial statements for a business it is necessary to analyse and interpret them to assess its performance and progress. This is done by means of ratio analysis.</p>	□	

Theme	Topic	You should be able to:	Check list	Comments
	6.2	<p>You will need to be able to compute and explain the following ratios</p> <ul style="list-style-type: none"> Rate of inventory turnover Gross profit/sales Net profit/sales Net profit/capital employed (ROCE) Working capital (current) ratio Quick ratio (acid test) ratio <p>You will also need to be able to explain the relationship between gross and net profits to the valuation of the stock, rate of inventory turnover, turnover, expenses and capital (equity).</p> <p>The importance of the valuation of inventory and the effect of an incorrect valuation on gross profit, net profit, equity and asset valuation must be recognised.</p> <p><i>Endorsed textbook Chapter 24</i> <i>Endorsed workbook Q121-126</i> <i>Examination questions J10 P11 Q28, N09 P1 Q27, N09 P1 Q28</i> <i>J10 P21 Q4, J10 P22 Q4, Specimen P2 Q4, N09 P2 Q4</i></p> <p>Accounting principles</p> <p>You need to be able to explain and recognise the principles applied in the preparation of financial statements.</p> <p>Knowledge is required of going concern, historical cost, accounting entity, money measurement, accounting year, matching/accruals, prudence, materiality, consistency and dual aspect.</p>	<input type="checkbox"/>	

Theme	Topic	You should be able to:	Check list	Comments
		<p>The importance of international accounting standards must be recognised and understood. The importance of ethics in accounting must be recognised and understood. <i>Endorsed textbook Chapter 10,26</i> <i>Endorsed workbook Q46-49, 134-135</i> <i>Examination questions J10 P11 Q29, J10 P11 Q30, N09 P1 Q29, N09 P1 Q30, J09 P1 Q29, Specimen P2 Q4,J08 P2 Q4</i></p>		