

**Accounting
'A' level****Introduction**

Welcome to your 'A' level Accounting course. This Introduction should provide you with all the information you need to make a successful start to your studies.

The Specification (or Syllabus)

This course has been designed to give you a full and thorough preparation for the AS level or A-level Accounting 2120 specification, set by the Assessment and Qualifications Alliance (AQA).

The **Subject Code** for entry to the AS only award is **1121**.

The **Subject Code** for entry to the A2 (A level) award is **2121**.

There is no coursework for either the AS or A2 Accounting examination.

Private Candidates

The AQA specification is open to private candidates. Private candidates should contact AQA for a copy of '*Information for Private Candidates*'.



Oxford Open Learning

Arrangement of Lessons

| Part One: AS level Course | | |
|---|--|---|
| Module 1: Introduction to Financial Accounting | | |
| Lesson | Title | Textbook |
| 1 | Introduction and Overview | <i>Business Accounting I</i> , chs. 1, 11-12 |
| 2 | Accounting Records | <i>Business Accounting I</i> , chs. 2-4 |
| 3 | Balancing Accounts | <i>Business Accounting I</i> , chs. 5, 13-18 |
| TMA A | | |
| 4 | Verification of Accounting Records | <i>Business Accounting I</i> , chs. 6, 30-33 |
| 5 | Income Statements and Statements of Financial Position | <i>Business Accounting I</i> , chs. 7-8 |
| 6 | The Trial Balance | <i>Business Accounting I</i> , chs. 6, 17, 32 |
| 7 | Preparing Company Accounts | <i>Business Accounting I</i> , ch. 45 |
| TMA B | | |
| Exam Paper 1 (TMA C) | | |
| Module 2: Financial and Management Accounting | | |
| Lesson | Title | Textbook |
| 8 | Types of Business Organisation | <i>Frank Wood's A-level Accounting</i> , ch. 5 |
| 9 | Accounting Principles, Concepts and Conventions | <i>Business Accounting I</i> , ch. 10 |
| 10 | Final Accounts and Statements of Financial Position | <i>Business Accounting I</i> , chs. 7-9, 24-28 |
| TMA D | | |
| 11 | Limitations of Published Accounts | <i>Frank Wood's A-level Accounting</i> , ch. 11 |
| 12 | Limited Liability | <i>Business Accounting I</i> , ch. 45 |
| 13 | Internal Final Accounts | (<i>Business Accounting I</i> , ch. 45) |
| TMA E | | |
| 14 | Ratio Analysis | <i>Business Accounting I</i> , ch. 47 |
| 15 | Budgeting and Budgetary Control | |
| 16 | Cash Flow Statements | <i>Frank Wood's A-level Accounting</i> , ch. 9 |
| TMA F | | |
| 17 | The Use of Computers and Social Accounting | <i>Business Accounting I</i> , chs. 22-23 |
| Exam Paper 2 (TMA G) | | |

Part Two: A2 Course

Module 3: Further Aspects of Financial Accounting

| Lesson | Title | Textbook |
|--------|---|---|
| 18 | Published Company Accounts | <i>(Business Accounting I, ch. 45)</i> |
| 19 | Corporate Report Requirements TMA H | <i>Business Accounting I, ch. 47</i> |
| 20 | Incomplete Records | <i>Frank Wood's A-level Accounting, ch. 1</i> |
| 21 | Partnership Accounts TMA I | <i>Frank Wood's A-level Accounting, ch. 3</i> |
| 22 | Stock Valuation | <i>Business Accounting I, ch. 29</i> |
| 23 | Valuation of Assets TMA J | <i>Frank Wood's A-level Accounting, ch. 4</i> |
| 24 | Sources of Finance TMA K | <i>(Frank Wood's A-level Accounting, ch. 5)</i> |
| 25 | Published Accounts and User Groups | <i>Frank Wood's A-level Accounting, ch. 6</i> |
| 26 | Rights Issues and Bonus Issues | <i>Frank Wood's A-level Accounting, ch. 7</i> |
| 27 | Published Accounts and Ratio Analysis TMA L | <i>Frank Wood's A-level Accounting, ch. 8</i> |
| 28 | Accounting Standards Exam Paper 3 (TMA M) | <i>Frank Wood's A-level Accounting, ch. 10</i> |

Module 4: Further Aspects of Management Accounting

| Lesson | Title | Textbook |
|--------|--|---|
| 29 | Manufacturing Accounts | <i>Business Accounting I, ch. 37</i> |
| 30 | Types of Costs | <i>Business Accounting I, Glossary</i> |
| 31 | Break-even Analysis TMA N | <i>(Frank Wood's A-level Accounting, ch. 22)</i> |
| 32 | Absorption and Marginal Costing | <i>Frank Wood's A-level Accounting, ch. 12</i> |
| 33 | Standard Costing and Variance Analysis | <i>Frank Wood's A-level Accounting, ch. 13</i> |
| 34 | Capital Investment Appraisal; Other Factors | <i>Frank Wood's A-level Accounting, chs. 14, 15</i> |
| 35 | Budgeting: Further Considerations TMA O Exam Paper 4 (TMA P) | <i>Frank Wood's A-level Accounting, chs. 19-21</i> |

Textbooks

The following textbooks are recommended for use with this course:

Frank Wood & Alan Sangster: *Business Accounting*, Vol. IFT
Prentice Hall 12th edn (ISBN: 978-0-582-47740-9).

Alan Sangster: *Frank Wood's A-level Accounting GCE Year 2.....FT*
Prentice Hall, 4th edn (ISBN: 978-0273685326).

Both texts are required for AS level and both for A2 level. It would be preferable for all the AS level topics to be contained in one text but such a text is not yet available and this is the best solution at present.

'A' level *Accounting* is the primary accompaniment to the A2 course. It contains several chapters designed to prepare candidates for the more modern specifications requiring an outline knowledge of interpretation, discounting techniques, budgetary control and costing. Wood's style is simple and clear. The two volumes of *Business Accounting* cover the specification requirements of a wide range of examinations: the 'A' Level as well as most professional examinations at the Intermediate level.

Supplementary Reading

No single textbook is really sufficient in itself. You should cultivate the habit of using your local library and consulting other textbooks. This does not mean that other textbooks are to be read as a whole. Rather they are to be consulted as supplementary reading in special topics.

Authors have different methods of explaining rules and procedures. Often, a variation in presentation clears up what had been previously ambiguous. Occasionally, a particular topic is dealt with too cursorily for certain examination requirements, and additional reading becomes essential. At this stage of study, you may find the following reading list useful.

General Accounting Principles

| | |
|---|----------------|
| Phil Stone: <i>Understanding Financial Accounts</i> | How to Books. |
| Colin Barrow & J.A. Tracy: <i>Understanding Business Accounting for Dummies</i> | John Wiley. |
| Peter Atrill & E.J. McLaney: <i>Accounting and Finance for Non-Specialists</i> | Prentice-Hall. |

Interpretation

Alan Sugden et al: *Interpreting Company Reports and Accounts* Prentice-Hall.

Costing

Colin Drury: *Management and Cost Accounting* Thomson Learning.

Financial Accounting

Barry J. Elliott: *Financial Accounting and Reporting* Prentice-Hall

Using the Course Materials

The course must be viewed as a complete entity of which the various activities, Self-assessment Tests and Tutor-marked Assignments (TMAs) form an integral part.

At the end of each lesson you will find a self-assessed Practice Test (Test 1, 2, 3, etc.). As far as possible you should attempt these tests without referring to the lesson notes or textbooks, but when you find a question very difficult then make use of the lesson notes, books etc., before referring to the suggested answers. A vital aspect of your studies is understanding the material. Never leave a lesson part understood — Accountancy is a developing subject and lack of understanding will handicap your progress. Your answers to the Practice Tests should *not* be sent to your tutor for assessment.

At specified stages in the course you will be required to tackle Tutor-marked Assignments. As the name suggests, your answers to them should be sent to your tutor. If possible, you should treat the tests as “Mock Examinations” and attempt them without reference to lesson notes, book, etc. Each module concludes with an assignment which covers the module as a whole and reflects the style and content of the exam you will face. The aim of the tests is to give you practice at working under examination conditions and to allow your tutor to make his or her own assessment of your progress. Suggested answers will be sent to you with your marked work.

If you should encounter particular problems when studying a lesson then contact your tutor. Include your workings in any enquiry you send to your tutor, as he or she will then be able to see the nature of your difficulty.

The 'AS' Level and 'A' Level System

'A' levels allow considerable flexibility in the taking of exams. The two most popular options are:

- AS is completed at the end of one year and A2 at the end of the second year;
- AS and A2 are completed at the end of the same year.

Both of these options are open to students following this course as it is divided into two halves and follows the same modular sequence as the specification. Modules at each level may also be taken and re-taken at different times.

Grading and Shelf-Life

The AS qualification will be graded on a five-point scale: A, B, C, D and E. The full A Level qualification will be graded on a six-point scale: A*, A, B, C, D and E.

To be awarded an A*, candidates will need to achieve a grade A on the full 'A' Level qualification and an A* on the aggregate of the A2 units. For both qualifications, candidates who fail to reach the minimum standard for grade E will be recorded as U (unclassified) and will not receive a qualification certificate. Individual assessment unit results will be certificated.

Unit results remain available to count towards certification, whether or not they have already been used, as long as the specification is still valid.

Candidates may re-sit a unit any number of times within the shelf-life of the specification. The best result for each unit will count towards the final qualification. Candidates who wish to repeat a qualification may do so by re-taking one or more units.

The Examination Structure

This information is correct at the time of publication but may be subject to change. Prior to the examination, students should contact the exam board for the latest information.

This course is designed to match the requirements of the AQA 1120 (AS) and 2120 ('A' level A2) specifications. The exam consists of four written papers (called units), two at each level. Each unit is 1 hour 30 minutes long at AS level and 2 hours at A2.

Here are the assessment units, or exam papers:

M1 Introduction to Financial Accounting (Unit Code: ACCN1)

25% of the total A-level marks; 80 raw marks 90 mins
Four compulsory questions – each carrying a variable number of marks, each with a variable number of sub-questions.

These are the main topic headings:

- Purposes of accounting
- Accounting records: subsidiary books and ledger accounts
- Verification of accounting records
- Trading and profit and loss accounts and balance sheets including simple adjustments

M2 Financial and Management Accounting (Unit Code: ACCN2)

25% of the total A-level marks; 80 raw marks 90 mins
Four compulsory questions - each carrying a variable number of marks, each with a variable number of sub-questions.

These are the main topic headings:

- Types of business organisation
- Accounting concepts
- Further aspects of the preparation of the final accounts and balance sheets of sole traders
- Internal final accounts of limited companies
- Ratio analysis and the assessment of business performance
- Introduction to budgeting and budgetary control
- The impact of ICT in accounting

A2: M3 Further Aspects of Financial Accounting (Unit Code: ACCN3)

25% of the total A-level marks; 90 raw marks 120 mins
Four compulsory questions - each carrying a variable number of marks, each with a variable number of sub-questions. Synoptic. Candidates will **not** be required to prepare or comment on financial statements for not-for-profit organisations.

These are the main topic headings:

- Sources of finance
- Incomplete records
- Partnership account
- Published accounts of limited companies
- Accounting standards
- Stock valuation

M4 Further Aspects of Management Accounting (Unit Code: ACCN4)

25% of the total A-level marks; 90 raw marks 120 mins
Yet again, four compulsory questions - each carrying a variable number of marks, each with a variable number of sub-questions.
Synoptic.

These are the main topic headings:

- Manufacturing accounts
- Marginal, absorption and activity based costing
- Standard costing and variance analysis
- Capital investment appraisal
- Budgeting: further considerations
- Other factors affecting decision-making: social accounting

All the A2 units address the whole specification and are not normally examined until the end of the course.

Differences between the Old Specification and the New Specification

The new A-levels normally have a 4-unit structure, i.e. there are four written papers. Previously A-levels were divided into six shorter units, three at AS level and three at A2 level. In general terms, if you have prepared for the old examination, almost all the work you have done is relevant to the new examination.

AQA say the new A-level specification offers a “large degree of continuity with the previous specification”. It discontinues Module 2 from the previous specification which had been available as an alternative to Module 1, but retains its content within other units. It also reduces the overall content to ensure “manageability”. VAT and Club accounts are the main topics omitted from the old specification.

Use of Calculators in the Examination Room

These are permitted by the AQA. For any other examinations, you should check with the appropriate specification.

AQA Aims

The aims of this course are the same as the aims listed in the AQA specification. Please refer to the AQA website for full details. The stated aims for this subject are for the student to develop:

- an understanding of the importance of effective accounting information systems and an awareness of their limitations through a critical consideration of current financial issues and modern business practices

- an understanding of the purposes, principles, concepts and techniques of accounting
- the transferable skills of numeracy, communication, ICT, application, presentation, interpretation, analysis and evaluation in an accounting context
- an appreciation of the effects of economic, legal, ethical, social, environmental and technological influences on accounting decisions
- a capacity for methodical and critical thought which would serve as an end in itself, as well as a basis for further study of accounting and other subjects.

Further Guidance

Currency figures in this course are all quoted in U.K. currency. If you are studying outside the United Kingdom you should remember that although your local currency may well be different the accounting principles involved are identical. It is also possible that some other figures, e.g. cost of living figures, may bear no relation to the cost of living that you experience. Thus the course may quote the price of cars as being £3,000-£5,000. It is possible that cars where you live cost more or less than these figures. However, the important point is the underlying principle of the entry rather than the actual values.

One other point to remember if you are studying outside the United Kingdom is that the course is based on English Company Law. When you come to the lessons dealing with Published Accounts you will need to bear in mind that the legal requirements of your country may be different. English Law now conforms closely to European Law on disclosure, and most countries are calling for similar information. For most students a general knowledge of disclosure requirements under English Law is all that is required.

International Accounting Standards (IAS) Terminology

Students need to be aware of new International Accounting Standards (IAS) terminology. The AQA Specification includes the new IAS terms followed by the old UK terms in brackets (i.e. it adopts dual terminology).

The question papers and mark schemes will incorporate dual terminology in the following style; New term (Old term). Both new IAS terms and old UK terms will be accepted by examiners when marking the candidate responses and both are used in this course. These are the main terms affected:

| Old term | New term |
|-------------------------|-----------------------------------|
| Profit and Loss Account | Statement of Comprehensive Income |
| Balance Sheet | Statement of Financial Position |
| Sales | Revenue |
| Fixed Assets | Non-Current Assets |
| Stocks | Inventories |
| Debtors | Trade Receivables |
| Cash and Bank | Cash and Cash Equivalents |
| Creditors | Trade Payables |
| Long Term Liabilities | Non-Current Liabilities |

Studying the Syllabus

You should be sure to acquire your own copy of the syllabus, either via the AQA Publications Dept or from the website www.aqa.org.uk.

The syllabus (specification) can be purchased from

AQA Publications
Unit 2, Wheel Forge Way,
Trafford Park
Manchester M17 1EH (tel: 0870-410-1036)

or downloaded from

<http://www.aqa.org.uk/qual/gce/pdf/AQA-2120-W-SP-10.PDF>

We advise that you obtain a copy of the syllabus so that you can assess which topics you have covered in the most detail and which ones you will feel happiest about in the exam. AQA can also provide advice booklets on your course, including 'Supplementary Guidance for Private Candidates'. As you approach the examination, it will also be helpful to purchase and tackle past papers from AQA.

Using the Internet

All students would benefit from access to the Internet. You will find a wealth of information on all the topics in your course. As well as the AQA website (www.aqa.org.uk), you should get into the habit of checking the Oxford Open Learning site (www.ool.co.uk) where you may find news, additional resources and interactive features as time goes by. If you have not already done so, you may register for your free copy of *How to Study at Home*, our 200-page guide to home learning, or enrol on further courses. Put it on your Favourites list now!

You should also aim to become familiar with the companion website for Wood's textbooks at www.booksites.net/wood.

Good luck!

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