

# SYLLABUS

**Cambridge International AS and A Level  
Accounting**

**9706**

For examination in June and November 2016 to 2018.

Also available for examination in March 2016, March 2017 and March 2018 for India only.

## What has changed in Cambridge International AS and A Level Accounting 9706 for 2016?

### Availability

This syllabus is for examination in 2016, 2017 and 2018.

If your candidates studied the 2015 syllabus please be aware of the following:

- Assessments in the 2016 examination series are based on the revised syllabus.
- Candidates can carry forward the result of their Cambridge International AS Level assessments in 2015 to complete the Cambridge International A Level in 2016 (subject to the usual time limit rules for carry forwards). The Cambridge International A Level assessments in 2016 are based on the revised syllabus.
- Assessments for candidates retaking Cambridge International AS or A Level in 2016 are based on the revised syllabus.

### Assessment changes

- From 2016 there are three examinations papers (two AS Level papers and one A Level paper).
- Paper 1 Multiple Choice is unchanged.
- Paper 2 Structured Questions now has four questions covering the AS Level syllabus content on financial accounting and cost and management accounting.
- Paper 3 Structured Questions replaces 'Paper 3 Multiple Choice' and 'Paper 4 Problem Solving'. Paper 3 is a 3 hour written paper and tests the A Level syllabus content.
- The increase in the number of written questions for 2016 allows candidates to demonstrate performance across a wider range of the syllabus content.
- Evaluation has increased from approximately 7% in 2015 to 12% overall. The additional evaluative demand is included in Paper 3, which now provides clear progression from the AS Level.
- From 2016, there are four assessment objectives: AO1 Knowledge and understanding – 20%; AO2 Application – 43%; AO3 Analysis – 25%; AO4 Evaluation – 12%. Communication has been included in AO3 Analysis.  
The changes in the weightings of AO1 and AO2 provide a better reflection of the nature of the papers.
- The specimen materials have been revised to reflect the changes to the assessment and the syllabus content.

### Syllabus content changes

- The 'Core' and 'Extended' headings are replaced by 'AS Level content' and 'Additional A Level content'.
- The syllabus content has been completely revised to refresh the syllabus in response to feedback from teachers, and to improve the balance of content between the AS and A Level. A brief summary of the changes is given below.

#### Moved to the AS Level:

- All aspects of partnership accounting, including dissolution and revaluation (not sale to a limited company or merger with a sole trader/other partnership)
- Book-keeping entries for the issue of shares and debentures
- The application of accounting to business planning (**new**)

#### Removed from the qualification:

- Redemption of shares
- Capital reduction and reconstruction for a limited company
- Process costing

#### Moved to the A Level:

- Financial statements of not for profit organisations (from the AS Level)
- Financial statements of a manufacturing business (all aspects including profit on transfer) (from the AS Level)
- Consignment and Joint venture accounts (**new**)
- Auditing and stewardship of limited companies (**new**)
- Aspects of computerised accounting (**new**)
- Activity based costing (**new**)

**You are strongly advised to read the whole syllabus before planning your teaching programme.**

The Resource list for the syllabus and a list of international Accounting terminology can be found online at [www.cie.org.uk/alevelsupport](http://www.cie.org.uk/alevelsupport)

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## Welcome

Cambridge International AS and A Level Accounting encourages learners to explore their subject in depth. The syllabus has been designed, in consultation with teachers and universities, to help learners develop not only subject knowledge, but also a strong understanding of some of the key concepts that are critical to mastering the subject.

All our syllabuses are reviewed and updated regularly so that they reflect the latest thinking of international experts and practitioners, and take account of the different national contexts in which they are taught. Consultation is an important part of the way we develop our syllabuses.

### Consulting teachers

Teachers at Cambridge schools worldwide help us to shape our Cambridge International AS and A Level syllabuses. The feedback contributes to the development of syllabus content, assessments and support materials. Consulting teachers ensures that our materials are designed carefully around their needs and the needs of their learners.

### Consulting universities

Like teachers, universities help to shape our Cambridge International AS and A Level syllabuses. We consult with leading higher education institutions to make sure the syllabuses encourage learners to get a firm grasp of the subject's key concepts and develop the skills necessary for success at university.

### Key concepts

Key concepts are essential ideas, theories, principles or mental tools that help learners to develop a deep understanding of their subject and make links between the different topics. The key concepts that this syllabus is designed to develop are detailed on page 5. The teaching support package helps teachers integrate the key concepts into their teaching, showing how they fit into the overall syllabus and suggesting ways to teach them with each topic.

### Teacher support

Our comprehensive teacher support will help you deliver the syllabus confidently and effectively. The support includes resources for teaching and learning as well as exam preparation. Learn more on page 8.

“ Cambridge International AS and A Levels prepare students well for university because they've learnt to go into a subject in considerable depth. There's that ability to really understand the depth and richness and the detail of a subject. It's a wonderful preparation for what they are going to face at university. ”

Christoph Guttentag, Dean of Undergraduate Admissions, Duke University, USA

## Why Cambridge International Examinations?

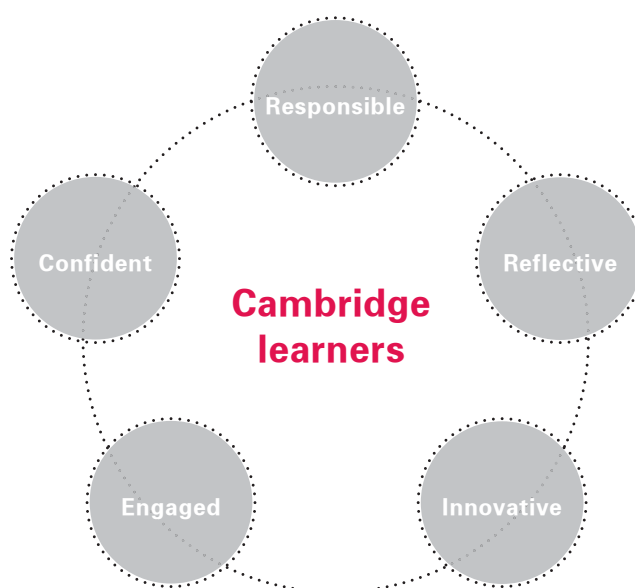
Cambridge International Examinations is the world's largest provider of international education programmes and qualifications for 5 to 19 year olds. We are a part of Cambridge Assessment, a department of the University of Cambridge, trusted for excellence in education, and a not-for-profit organisation. We invest constantly in research and development to improve our programmes and qualifications.

We understand education. More than 9000 schools in over 160 countries are part of our Cambridge learning community. We are committed to providing qualifications that are relevant, accurate, reliable, affordable and recognised by universities and employers worldwide. Learners are at the heart of what we do and we are committed to their development and future success.

### Cambridge learners

Cambridge programmes and qualifications develop not only content but also skills. We help learners to bridge the gap to the next stage of education and the world of work. We encourage Cambridge learners to be:

- **confident** in working with information and ideas – their own and those of others
- **responsible** for themselves, responsive to and respectful of others
- **reflective** as learners, developing their ability to learn
- **innovative** and equipped for new and future challenges
- **engaged** intellectually and socially ready to make a difference.



**Learn more** about the Cambridge learner attributes in Chapter 2 of our *Implementing the curriculum with Cambridge guide* at [www.cie.org.uk/curriculumguide](http://www.cie.org.uk/curriculumguide)

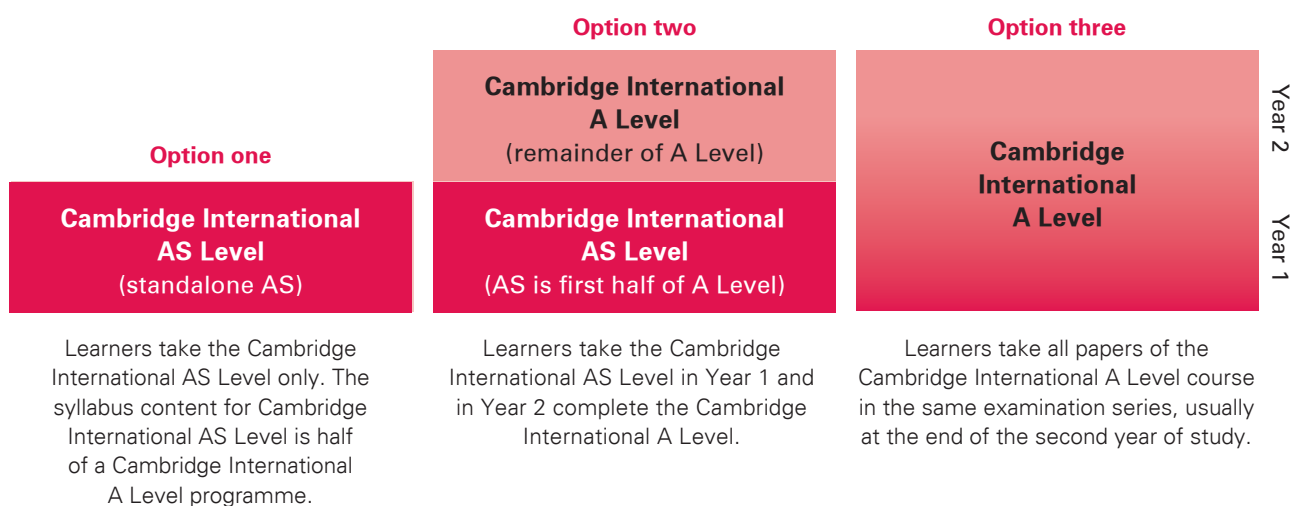
## Why Cambridge International AS and A Levels?

Cambridge International AS and A Levels are international in outlook, but retain a local relevance. The syllabuses provide opportunities for contextualised learning and the content has been created to suit a wide variety of schools, avoid cultural bias and develop essential lifelong skills, including creative thinking and problem-solving.

Our aim is to balance knowledge, understanding and skills in our qualifications to enable candidates to become effective learners and to provide a solid foundation for their continuing educational journey. Cambridge International AS and A Levels give learners building blocks for an individualised curriculum that develops their knowledge, understanding and skills.

Cambridge International AS and A Level curricula are flexible. It is possible to offer almost any combination from a wide range of subjects. Cambridge International A Level is typically a two-year course, and Cambridge International AS Level is typically one year. Some subjects can be started as a Cambridge International AS Level and extended to a Cambridge International A Level.

There are three possible assessment approaches for Cambridge International AS and A Level:



Every year thousands of learners with Cambridge International AS and A Levels gain places at leading universities worldwide. Cambridge International AS and A Levels are accepted and valued by top universities around the world including those in the UK, US (including Ivy League universities), European nations, Australia, Canada and New Zealand. Learners should check the university website for specific entry requirements before applying.

### Did you know?

Many universities accept Cambridge International AS Levels in their own right as qualifications counting towards entry to courses in the same or other related subjects. Many learners who take Cambridge International AS Levels also choose to progress to Cambridge International A Level.

## Why Cambridge International AS and A Level Accounting?

The study of Cambridge International AS and A Level Accounting allows learners to take the first step towards a career in accountancy and business. With a good understanding of the subject, students can progress to a degree in a related field, or go on to study for the professional qualifications of one of the major accounting bodies.

### About the syllabus

Cambridge learners will develop:

- an understanding of how to plan, budget and manage financial resources
- an ability to critically apply, analyse and evaluate accounting policies and practices
- an understanding how to use accounting information to make viable business decisions
- a solid foundation for further study.

### Key concepts

The key concepts on which this syllabus is built are set out below. These key concepts can help teachers think about how to approach each syllabus topic in order to encourage learners to make links between topics and develop a deep overall understanding of the subject. The teaching support package gives teachers guidance on integrating the key concepts into their teaching. See page 8 for more information on our teacher support.

- **A true and fair view**  
Financial statements are designed to give a true and fair view of the business to internal and external stakeholders.
- **Duality (double-entry)**  
Duality (double-entry) in accounting recognises that every financial transaction has a double (or dual) effect on the position of a business as recorded in the accounts.
- **Consistency**  
Consistency in the treatment of financial transactions enables the performance of a business to be compared meaningfully over different time periods.
- **Business entity**  
A business is a separate legal entity from the owner of a business. The accounting records must relate only to the business and not to the personal assets and spending of the owner.
- **Money measurement**  
Financial accounts only include transactions that can be expressed in terms of money. For example, the purchase of raw material is recorded in the accounts whereas staff creativity is not.

### Guided learning hours

Guided learning hours give an indication of the amount of contact time teachers need to have with learners to deliver a particular course. Our syllabuses are designed around 180 guided learning hours for Cambridge International AS Level, and around 360 guided learning hours for Cambridge International A Level.

These figures are for guidance only. The number of hours needed to gain the qualification may vary depending on local practice and the learners' previous experience of the subject.

### Prior learning

We recommend that learners who are beginning this course should have previously completed a Cambridge O Level or Cambridge IGCSE course in Accounting or equivalent.

## Progression

Cambridge International A Level Accounting provides a suitable foundation for the study of Accounting or related courses in higher education. Equally it is suitable for candidates intending to pursue careers or further study in Accounting, or as part of a course of general education.

Cambridge International AS Level Accounting constitutes the first half of the Cambridge International A Level course in Accounting and therefore provides a suitable foundation for the study of Accounting at Cambridge International A Level. Depending on local university entrance requirements, the AS Level may permit or assist progression directly to university courses in Accounting or some other subjects. It is also suitable for candidates intending to pursue careers or further study in accounting, or as part of a course of general education.

Teachers and learners should take into account that, in some countries, universities advise that some combinations of subjects with similar content should be avoided where possible, for example Economics, Business and Accounting. Learners are advised to contact universities in advance of making decisions about subject combinations that include two or more of these subjects.

For more information about the relationship between the Cambridge International AS Level and Cambridge International A Level see the 'Assessment' section of the syllabus overview.

### How can I find out more?

#### If you are already a Cambridge school

You can make entries for this qualification through your usual channels. If you have any questions, please contact us at [info@cie.org.uk](mailto:info@cie.org.uk)

#### If you are not yet a Cambridge school

Learn more about the benefits of becoming a Cambridge school from our website at [www.cie.org.uk/startcambridge](http://www.cie.org.uk/startcambridge)

Email us at [info@cie.org.uk](mailto:info@cie.org.uk) to find out how your organisation can register to become a Cambridge school.



## Cambridge AICE

Cambridge AICE Diploma is the group award of the Cambridge International AS and A Level. It gives schools the opportunity to benefit from offering a broad and balanced curriculum by recognising the achievements of candidates who pass examinations from different curriculum groups.

A Cambridge International A Level counts as a double-credit qualification and a Cambridge International AS Level counts as a single-credit qualification within the Cambridge AICE Diploma award framework.

### Learn more

For more details go to [www.cie.org.uk/aice](http://www.cie.org.uk/aice)

“ Our research has shown that students who came to the university with a Cambridge AICE background performed better than anyone else that came to the university. That really wasn't surprising considering the emphasis they have on critical research and analysis, and that's what we require at university. ”

John Barnhill, Assistant Vice President for Enrolment Management, Florida State University, USA

## Teacher support

We offer a wide range of practical and innovative support to help teachers plan and deliver our programmes and qualifications confidently.

The support package for our Cambridge International AS and A Levels will help teachers integrate key concepts into their teaching, showing how they fit into the overall syllabus and suggesting ways to teach them within each topic. It also gives teachers access to a worldwide teaching community enabling them to connect with other teachers, swap ideas and share best practice.

We offer a customised support package for each subject. Find out more about the specific support for this syllabus at [www.cie.org.uk/alevelsupport](http://www.cie.org.uk/alevelsupport)

### Teaching and learning resources

- Schemes of work provide teachers with a medium-term plan with ideas on how to deliver the course.
- Endorsed textbooks produced by leading publishers. We have quality checked these materials to make sure that they match the syllabus well.
- Resource lists to help support teaching, including textbooks and websites.

### Exam preparation resources

- Past question papers and mark schemes so teachers can give your learners the opportunity to practise answering different questions.
- Example candidate responses to help teachers to see the level of performance needed to achieve key grades and understand exactly what examiners are looking for.
- Principal examiner reports describing learners' overall performance on each part of the papers. The reports give insight into common misconceptions shown by learners, which teachers can address in lessons.

Cambridge  
International  
AS and A Level  
support for  
teachers

### Professional development

#### Face-to-face training

We hold workshops around the world to support teachers in delivering Cambridge syllabuses and developing their skills.

#### Online training

We offer self-study and tutor-led online training courses via our virtual learning environment. A wide range of syllabus-specific courses and skills courses is available. We also offer training via video conference and webinars.

#### Qualifications

We offer a wide range of practice-based qualifications at Certificate and Diploma level, providing a framework for continuing professional development.

### Learn more

Find out more about specific support for this syllabus at [www.cie.org.uk/alevelsupport](http://www.cie.org.uk/alevelsupport)

Visit our online resource bank and community forum at [teachers.cie.org.uk](http://teachers.cie.org.uk)

#### Useful links

Customer Services [www.cie.org.uk/help](http://www.cie.org.uk/help)

LinkedIn <http://linkd.in/cambridgeteacher>

Twitter [@cie\\_education](https://twitter.com/cie_education)

Facebook [www.facebook.com/cie.org.uk](http://www.facebook.com/cie.org.uk)

# 1. Syllabus overview

## 1.1 Content

This table gives an overview of the syllabus content for Cambridge International AS and A Level Accounting.

Topics	All candidates study these AS Level topics	A Level candidates also study these additional topics
1. Financial Accounting	<ul style="list-style-type: none"> <li>• The accounting cycle</li> <li>• Accounting for non-current assets</li> <li>• Reconciliation and verification</li> <li>• Preparation of financial statements:               <ul style="list-style-type: none"> <li>– adjustments</li> <li>– sole traders</li> <li>– partnerships</li> <li>– limited companies</li> </ul> </li> <li>• Analysis and communication of accounting information to stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation of financial statements:               <ul style="list-style-type: none"> <li>– manufacturing businesses</li> <li>– not for profit organisations</li> <li>– limited companies</li> <li>– International Accounting Standards</li> <li>– auditing and stewardship of limited companies</li> </ul> </li> <li>• Business purchase and merger</li> <li>• Consignment and Joint venture accounts</li> <li>• Computerised accounting systems</li> <li>• Analysis and communication of accounting information</li> </ul>
2. Cost and Management Accounting	<ul style="list-style-type: none"> <li>• Costing for materials and labour</li> <li>• Traditional costing methods:               <ul style="list-style-type: none"> <li>– absorption costing</li> <li>– marginal costing</li> <li>– cost–volume–profit analysis</li> </ul> </li> <li>• The application of accounting to business planning</li> </ul>	<ul style="list-style-type: none"> <li>• Activity based costing (ABC)</li> <li>• Budgeting and budgetary control</li> <li>• Standard costing</li> <li>• Investment appraisal</li> </ul>

## 1.2 Assessment

For Cambridge International AS and A Level Accounting, candidates:

- take Papers 1 and 2 only (for the Cambridge International AS Level qualification)

**or**

- follow a staged assessment route by taking Papers 1 and 2 (for the Cambridge International AS Level qualification) in one series, then Paper 3 (for the Cambridge International A Level qualification) in a later series

**or**

- take Papers 1, 2 and 3 in the same examination series, leading to the full Cambridge International A Level.

All components are externally assessed.

Component	Weighting	
	AS Level	A Level
<p><b>Paper 1 Multiple Choice</b> <span style="float: right;"><b>1 hour</b></span>            30 multiple choice questions based on the AS Level syllabus content            30 marks</p>	<b>30%</b>	<b>15%</b>
<p><b>Paper 2 Structured Questions</b> <span style="float: right;"><b>1 hour 30 minutes</b></span>            Four structured questions on the AS Level syllabus content            Question 1 on financial accounting (30 marks)            Questions 2 and 3 on financial accounting (2 × 15 marks)            Question 4 on cost and management accounting (30 marks)            Total 90 marks</p>	<b>70%</b>	<b>35%</b>
<p><b>Paper 3 Structured Questions</b> <span style="float: right;"><b>3 hours</b></span>            Paper 3 tests the additional content for the A Level, but also requires a knowledge and understanding of the AS Level content.            Section A: Four structured questions on financial accounting (4 × 25 marks)            Section B: Two structured questions on cost and management accounting (2 × 25 marks)            Total 150 marks</p>	–	<b>50%</b>

## Availability

This syllabus is examined in the June and November examination series. This syllabus is also available for examination in March for India only.

This syllabus is available to private candidates.

Detailed timetables are available from [www.cie.org.uk/examsOfficers](http://www.cie.org.uk/examsOfficers)

Centres in the UK that receive government funding are advised to consult the Cambridge website [www.cie.org.uk](http://www.cie.org.uk) for the latest information before beginning to teach this syllabus.

## Combining this with other syllabuses

Candidates can combine this syllabus in an examination series with any other Cambridge syllabus, except:

- syllabuses with the same title at the same level
- 9755 Cambridge International A Level Principles of Accounting (Singapore).

## 2. Syllabus aims and assessment objectives

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### 2.1 Syllabus aims

The syllabus aims to enable candidates to:

- develop an ability to apply accounting concepts, principles and practices
- understand the role of accounting as an information system for monitoring, problem-solving and decision making and the place of accounting in changing economic, social and technological environments
- develop a critical and analytical approach to examining and evaluating accounting policies and practices
- develop skills of communication, analysis, interpretation and presentation of both qualitative and quantitative accounting information.

### 2.2 Assessment objectives

#### **AO1 Knowledge and understanding**

Demonstrate knowledge and understanding of financial accounting and cost and management accounting.

#### **AO2 Application**

Apply knowledge and understanding of financial accounting and cost and management accounting to given accounting and business situations, and present the outcomes in the most appropriate form.

#### **AO3 Analysis**

Analyse financial accounting information and cost and management accounting information and communicate outcomes in the most appropriate form.

#### **AO4 Evaluation**

Evaluate financial accounting information and cost and management accounting information to facilitate effective decision making.

## 2.3 Relationship between assessment objectives and components

The approximate weightings allocated to each of the assessment objectives are summarised below.

The table shows the assessment objectives (AO) as a percentage of each component.

Component	AO1 %	AO2 %	AO3 %	AO4 %
<b>Paper 1</b>	50	32	18	0
<b>Paper 2</b>	24	40	22	14
<b>Paper 3</b>	10	48	30	12

## 2.4 Relationship between assessment objectives and qualifications

The approximate weightings allocated to each of the assessment objectives are summarised below.

The table shows the assessment objectives (AO) as a percentage of each qualification.

Assessment objective	Weighting in AS Level %	Weighting in A Level %
<b>AO1</b>	30	20
<b>AO2</b>	40	43
<b>AO3</b>	20	25
<b>AO4</b>	10	12

## 3. Syllabus content

Candidates for Cambridge International AS Level should study the AS Level content for Paper 1 and Paper 2. Candidates for Cambridge International A Level should study all the syllabus content.

The syllabus content is divided into two main topic areas:

1. Financial Accounting
2. Cost and Management Accounting.

### 3.1 AS Level content – Paper 1 and Paper 2

1 Financial Accounting (AS Level)	
1.1 The accounting cycle	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• explain and apply the principles of the double entry system to record business transactions</li> <li>• apply the accounting equation</li> <li>• describe the functions of the books of prime entry</li> <li>• describe the limitations of the books of prime entry</li> <li>• prepare ledger accounts and trial balance</li> <li>• apply the accounting concepts underpinning the preparation of accounts: business entity, historic cost, money measurement, going concern, consistency, prudence, realisation, duality, materiality, matching and substance over form.</li> </ul>
1.2 Accounting for non-current assets	<p>Candidates should understand the:</p> <ul style="list-style-type: none"> <li>• distinction between and treatment of capital and revenue incomes and expenditures</li> <li>• causes of depreciation</li> <li>• purpose of accounting for depreciation and the application of relevant accounting concepts in respect of non-current assets.</li> </ul> <p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• calculate depreciation using the reducing balance, straight-line and revaluation methods</li> <li>• evaluate the most appropriate method of calculating depreciation</li> <li>• prepare ledger accounts and journal entries for non-current assets, depreciation and disposal (including entries for part exchange)</li> <li>• calculate the profit or loss on disposal of a non-current asset</li> <li>• record the effect of providing for depreciation in the income statement and statement of financial position.</li> </ul>



1 Financial Accounting (AS Level) continued	
1.3 Reconciliation and verification	<p>Candidates should understand the need to reconcile and verify ledger accounts using documentation from internal and external sources.</p> <p>Candidates should be able to:</p> <ul style="list-style-type: none"><li>• prepare a bank reconciliation statement from relevant information</li><li>• prepare ledger accounts and journal entries to correct errors using a suspense account and record the effects of these in the financial statements</li><li>• prepare sales and purchase ledger control accounts</li><li>• reconcile control accounts and ledgers</li><li>• outline the uses and limitations of control accounts.</li></ul>

1 Financial Accounting (AS Level) continued	
1.4 Preparation of financial statements	Candidates should understand the need for and purpose of financial statements.
1.4.1 Adjustments to financial statements	<p>Candidates should be able to calculate the adjustments needed for:</p> <ul style="list-style-type: none"> <li>• accruals and prepayments</li> <li>• irrecoverable debts and doubtful debts</li> <li>• depreciation</li> <li>• inventory.</li> </ul>
1.4.2 Sole traders	Candidates should be able to prepare an income statement and statement of financial position for a sole trader from full or incomplete accounting records.
1.4.3 Partnerships	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• prepare an income statement, appropriation account and statement of financial position for a partnership from full or incomplete accounting records</li> <li>• prepare capital and current accounts to record changes required in respect of goodwill and revaluation of assets on the introduction of a new partner, retirement of an existing partner and the dissolution of a partnership.</li> </ul>
1.4.4 Limited companies	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• prepare an income statement, statement of financial position and simple cash flows for a limited company from full or incomplete accounting records</li> <li>• describe the distinction between capital and revenue reserves</li> <li>• explain the different types of shares a company may issue</li> <li>• prepare ledger accounts to record the issue of the different types of shares, including bonus and rights issues</li> <li>• prepare a statement of changes in equity.</li> </ul>

1 Financial Accounting (AS Level) continued	
1.5 Analysis and communication of accounting information to stakeholders	<p>Candidates should understand the need for the analysis of financial data to aid decision making by stakeholders.</p> <p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• identify and discuss the differing requirements for information of user groups including: management, employees, potential investors, creditors, government, public and environmental bodies; and communicate the information required by these different stakeholder groups</li> <li>• calculate key accounting ratios to measure profitability, liquidity and efficiency: <ul style="list-style-type: none"> <li>– Profitability ratios including: gross margin, mark up, profit margin, return on capital employed, expenses to revenue ratio (operating expenses to revenue ratio)</li> <li>– Liquidity ratios including: current ratio, liquid (acid test) ratio</li> <li>– Efficiency ratios including: non-current asset turnover, trade receivables turnover (days), trade payables turnover (days), inventory turnover (days), rate of inventory turnover (times)</li> </ul> </li> </ul> <p>(See the formulae in the 'Summary of commonly used ratios' section.)</p> <ul style="list-style-type: none"> <li>• use ratios to evaluate and comment on the profitability, liquidity and efficiency of an organisation</li> <li>• identify and discuss the limitations of accounting information.</li> </ul>

2 Cost and Management Accounting (AS Level)	
2.1 Costing for materials and labour	<p>Candidates should understand the need to account for material and labour costs.</p> <p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• identify and calculate fixed costs, variable costs, semi-variable costs and stepped costs</li> <li>• identify the elements of direct and indirect materials and labour</li> <li>• calculate the value of closing inventory using the FIFO and AVCO methods (perpetual and periodic)</li> <li>• calculate labour costs using different methods of remuneration including bonus schemes</li> <li>• understand the different characteristics, and the appropriateness, of using FIFO, AVCO and LIFO (Detailed calculations of the value of inventory using LIFO will <b>not</b> be set.)</li> <li>• demonstrate the effect of different methods of valuing inventory of material on profit.</li> </ul>
2.2 Traditional costing methods	<p>Candidates should understand the application of traditional costing methods.</p> <p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• allocate and apportion overhead expenditure between production and service departments</li> <li>• calculate overhead absorption rates</li> <li>• calculate and explain the causes of under absorption and over absorption of overheads</li> <li>• identify and explain the uses and limitations of absorption costing.</li> </ul>
2.2.1 Absorption costing	
2.2.2 Marginal costing	
	<p>Candidates should understand the application of marginal costing.</p> <p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• calculate the contribution of a product</li> <li>• prepare a break-even chart</li> <li>• calculate the break-even point, contribution to sales ratio and margin of safety</li> <li>• explain the use and limitations of break-even charts</li> <li>• prepare a statement reconciling the reported profit using marginal costing and absorption costing</li> <li>• identify the uses and limitations of marginal costing</li> <li>• calculate the effect of limiting factors on production.</li> </ul> <p style="text-align: right;"><i>cont.</i></p>

<b>2 Cost and Management Accounting (AS Level) continued</b>	
2.2.3 Cost–volume–profit analysis	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• identify and explain the advantages and limitations of cost–volume–profit analysis</li> <li>• evaluate and interpret cost–volume–profit data and its value as a support for management decision making</li> <li>• prepare costing statements using unit, job and batch costing principles</li> <li>• apply costing concepts to make business decisions and recommendations using supporting data.</li> </ul>
2.3 The application of accounting to business planning	<p>Candidates should understand the benefit to business planning by the use of accounting data.</p> <p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• explain the need for a business to plan for the future</li> <li>• explain why organisations prepare budgets and the benefits they bring to the planning process</li> <li>• explain the advantages and disadvantages of budgetary control, including both financial and non-financial factors.</li> </ul>

## 3.2 Additional A Level content – Paper 3

The content of the AS Level is assumed knowledge for the assessment of Paper 3. However, the AS Level content will not be the direct focus of questions in Paper 3.

1 Financial Accounting (A Level)		
1.1	Preparation of financial statements	Candidates should understand the need for and purpose of financial statements for specific types of trading and not-for-profit organisations.
1.1.1	Manufacturing businesses	Candidates should be able to: <ul style="list-style-type: none"> <li>• prepare a manufacturing account, including profit on transfer from factory to finished inventory</li> <li>• account for manufacturing profit and the elimination of unrealised profit from unsold inventory.</li> </ul>
1.1.2	Not for profit organisations	Candidates should be able to prepare financial statements for 'not for profit' organisations, including: <ul style="list-style-type: none"> <li>• a trading account</li> <li>• an income and expenditure account</li> <li>• a statement of financial position.</li> </ul>
1.1.3	Limited companies	Candidates should be able to: <ul style="list-style-type: none"> <li>• understand the nature and purpose of the financial statements of limited companies, and the regulatory framework in which they operate</li> <li>• prepare an income statement, statement of financial position and statement of cash flows for a limited company in line with the relevant international accounting standards.</li> </ul>
1.1.4	International Accounting Standards	Candidates should be able to: <ul style="list-style-type: none"> <li>• explain and apply the main provisions of each of the following International Accounting Standards (IAS): <p><b>IAS Topic</b></p> IAS 1 Presentation of financial statements  IAS 2 Inventories (not long-term contracts)  IAS 7 Statement of cash flows  IAS 8 Accounting policies  IAS 10 Events after the reporting period  IAS 16 Property, plant and equipment  IAS 36 Impairment of assets  IAS 37 Provisions, contingent liabilities and contingent assets  IAS 38 Intangible assets</li> <li>• explain the need for an ethical framework in accounting.</li> </ul>

1 Financial Accounting (A Level) continued	
1.1.5 Auditing and stewardship of limited companies	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• explain the role of the auditor</li> <li>• explain and discuss the role of directors and their responsibilities to shareholders (stewardship)</li> <li>• discuss the importance of a true and fair view in respect of financial statements.</li> </ul>
1.2 Business purchase and merger	<p>Candidates should understand the nature and purpose of the merger of different types of businesses to form a new enterprise.</p> <p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• make entries in the relevant ledger accounts to record the: <ul style="list-style-type: none"> <li>– merger of two or more sole traders' businesses to form a partnership</li> <li>– merger of a sole trader's business with an existing partnership to form an enlarged partnership</li> <li>– acquisition of a sole trader's business or partnership by a limited company</li> </ul> </li> <li>• prepare income statements and statements of financial position for the newly formed business following the merger, for example the limited company acquiring the partnership</li> <li>• evaluate and discuss the advantages and disadvantages of the proposed merger.</li> </ul>
1.3 Consignment and Joint venture accounts	<p>Candidates should be able to distinguish between consignments and joint ventures and the environment in which they operate.</p> <p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• prepare ledger accounts for consignment transactions, including the calculation of closing inventory valuation</li> <li>• prepare ledger accounts for joint ventures</li> <li>• calculate the profit for joint ventures.</li> </ul>
1.4 Computerised accounting systems	<p>Candidates should understand the need for and be able to discuss the process of computerising the accounts of a business.</p> <p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• discuss the advantages and disadvantages of introducing a computerised accounting system</li> <li>• discuss the process of computerising the business accounts</li> <li>• discuss ways in which the integrity of the accounting data can be ensured during the transfer to a computerised accounting system. (Candidates are <b>not</b> required to use ICT.)</li> </ul>

1 Financial Accounting (A Level) continued	
1.5	<p>Analysis and communication of accounting information</p> <p>Candidates should understand the need for the analysis of financial data to aid decision making by potential investors in a business.</p> <p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• calculate the following ratios:               <ul style="list-style-type: none"> <li>– working capital cycle (in days)</li> <li>– net working assets to revenue (sales)</li> <li>– income gearing</li> <li>– gearing</li> <li>– earnings per share</li> <li>– price earnings ratio</li> <li>– dividend yield</li> <li>– dividend cover</li> <li>– dividend per share</li> </ul>               (See the formulae in the 'Summary of commonly used ratios' section.)             </li> <li>• analyse and evaluate the results of the ratios and draw conclusions</li> <li>• make appropriate recommendations to potential investors on the basis of the analysis undertaken</li> <li>• evaluate the interrelationships between ratios.</li> </ul>
2 Cost and Management Accounting (A Level)	
2.1	<p>Activity based costing (ABC)</p> <p>Candidates should be able to understand and discuss the application of activity based costing and identify and explain its uses and limitations.</p> <p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• use ABC to:               <ul style="list-style-type: none"> <li>– apportion overheads</li> <li>– calculate the total cost of a unit</li> <li>– calculate the value of inventory</li> <li>– demonstrate the effect of different methods of overhead absorption on profit</li> </ul> </li> <li>• apply ABC costing techniques to make business decisions and recommendations using supporting data.</li> </ul>



2 Cost and Management Accounting (A Level) continued	
2.2 Budgeting and budgetary control	<p>Candidates should understand the need for and benefits of a budgetary control system to an organisation.</p> <p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• discuss the advantages and disadvantages of a budgetary control system to an organisation</li> <li>• prepare the following budgets: <ul style="list-style-type: none"> <li>– sales</li> <li>– production</li> <li>– purchases</li> <li>– labour</li> <li>– trade receivables</li> <li>– trade payables</li> <li>– cash</li> <li>– master budget</li> </ul> </li> <li>• recognise the effect of limiting factors on the preparation of budgets</li> <li>• prepare a flexed budget statement</li> <li>• identify and explain the causes of differences between actual and flexed budgeted data</li> <li>• make business decisions and recommendations using supporting data</li> <li>• discuss the behavioural aspects of budgeting.</li> </ul>
2.3 Standard costing	<p>Candidates should understand the application of a system of standard costing to an organisation.</p> <p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>• calculate the following variances: <ul style="list-style-type: none"> <li>– direct material price and usage</li> <li>– direct labour rate and efficiency</li> <li>– fixed overhead expenditure, capacity, efficiency and volume</li> <li>– sales price and volume</li> </ul> </li> <li>• reconcile standard cost to actual cost</li> <li>• reconcile standard profit to actual profit</li> <li>• explain the causes of the variances and their relationship to each other</li> <li>• discuss how standard costing can be used as aid to improve the performance of a business</li> <li>• discuss the advantages and disadvantages of a standard costing system.</li> </ul>

2 Cost and Management Accounting (A Level) continued	
2.4 Investment appraisal	<p>Candidates should understand the process of investment appraisal.</p> <p>Candidates should be able to:</p> <ul style="list-style-type: none"><li>• ascertain future net cash inflows and outflows arising from the project, including the treatment of working capital</li><li>• discuss the advantages and disadvantages of and apply the following capital investment appraisal techniques:<ul style="list-style-type: none"><li>– net present value (NPV)</li><li>– accounting rate of return (ARR)</li><li>– payback</li><li>– internal rate of return (IRR)</li></ul></li><li>• make investment decisions and recommendations using supporting data</li><li>• evaluate, apply and discuss sensitivity analysis techniques in respect of the data prepared.</li></ul>

## 4. Summary of commonly used ratios (AS and A Level)

### 4.1 Profitability ratios

Gross Margin	$\frac{\text{Gross Profit}}{\text{Revenue}} \times 100$
Mark up	$\frac{\text{Gross Profit}}{\text{Cost of Sales}} \times 100$
Profit Margin	$\frac{\text{Profit for the year}}{\text{Revenue}} \times 100$ can also be expressed as $\frac{\text{Profit for the year (after interest)}}{\text{Revenue}} \times 100$
Return on Capital Employed	$\frac{\text{NPBI}}{\text{Capital Employed}} \times 100$ <i>[Capital Employed = Issued Shares + Reserves + Non-Current Liabilities]</i>
Expenses to Revenue Ratio	$\frac{\text{Expenses}}{\text{Revenue}} \times 100$
Operating Expenses to Revenue Ratio	$\frac{\text{Operating Expenses}}{\text{Revenue}} \times 100$

### 4.2 Liquidity ratios

Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Liquid (acid test) Ratio (also known as 'Quick Ratio')	$\frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$

### 4.3 Efficiency ratios

Non-Current Asset Turnover	$\frac{\text{Net Revenue}}{\text{Total Net Book Value of Non-Current Assets}}$
Trade Receivables Turnover (also known as Average Collection Period)	$\frac{\text{Trade Receivables}}{\text{Credit Sales}} \times 365 \text{ days}$
Trade Payables Turnover (also known as Average Payment Period)	$\frac{\text{Trade Payables}}{\text{Credit Purchases}} \times 365 \text{ days}$
Inventory Turnover	$\frac{\text{Average Inventory}}{\text{Cost of Sales}} \times 365 \text{ days}$
Rate of Inventory Turnover	$\frac{\text{Cost of Sales}}{\text{Average Inventory}}$ (answer given in times)

### 4.4 Cambridge International A Level only

Working Capital Cycle (in days)	Trade Receivables Turnover (in days) + Inventory Turnover (in days) – Trade Payables Turnover (in days) <b>or</b> Average Collection Period + Inventory Turnover (in days) – Average Payment Period
Net Working Assets to Revenue (Sales)	Net Working Assets = Inventories + Trade Receivables – Trade Payables $\frac{\text{Net Working Assets}}{\text{Revenue (Sales)}} \times 100$
Income Gearing	$\frac{\text{Interest Expense}}{\text{Profit Before Interest and Tax (PBIT)}} \times 100$
Gearing Ratio	$\frac{\text{Fixed Cost Capital}}{\text{Total Capital}}$ which is: $\frac{\text{Non-Current Liabilities} + \text{Preference Share Capital}}{\text{Issued Ordinary Share Capital} + \text{All Reserves} + \text{Non-Current Liabilities} + \text{Preference Shares}}$

## 4.5 Investment ratios (stock exchange ratios) Cambridge International A Level only

Earnings per share	$\frac{\text{Net Profit} - \text{Preference Share Dividend}}{\text{Number of issued Ordinary Shares}}$
Price Earnings Ratio	$\frac{\text{Market Price per share}}{\text{Earnings per share}}$
Dividend yield	$\frac{\text{Dividend paid and proposed}}{\text{Market Price of share}}$
Dividend cover	$\frac{\text{Profit available to pay ordinary dividend}}{\text{Ordinary dividend paid}}$
Dividend per share	$\frac{\text{Ordinary dividend paid}}{\text{Number of issued Ordinary Shares}}$

**Calculate ratios using year-end balances where appropriate, unless the question specifies the use of average figures.**

**Calculate ratios to the number of decimal places required by the question.**

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## 5. Other information

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### Equality and inclusion

Cambridge International Examinations has taken great care in the preparation of this syllabus and assessment materials to avoid bias of any kind. To comply with the UK Equality Act (2010), Cambridge has designed this qualification with the aim of avoiding direct and indirect discrimination.

The standard assessment arrangements may present unnecessary barriers for candidates with disabilities or learning difficulties. Arrangements can be put in place for these candidates to enable them to access the assessments and receive recognition of their attainment. Access arrangements will not be agreed if they give candidates an unfair advantage over others or if they compromise the standards being assessed.

Candidates who are unable to access the assessment of any component may be eligible to receive an award based on the parts of the assessment they have taken.

Information on access arrangements is found in the *Cambridge Handbook* which can be downloaded from the website [www.cie.org.uk/examsOfficers](http://www.cie.org.uk/examsOfficers)

### Language

This syllabus and the associated assessment materials are available in English only.

### Grading and reporting

Cambridge International A Level results are shown by one of the grades A\*, A, B, C, D or E, indicating the standard achieved, A\* being the highest and E the lowest. 'Ungraded' indicates that the candidate's performance fell short of the standard required for grade E. 'Ungraded' will be reported on the statement of results but not on the certificate. The letters Q (result pending), X (no results) and Y (to be issued) may also appear on the statement of results but not on the certificate.

Cambridge International AS Level results are shown by one of the grades a, b, c, d or e, indicating the standard achieved, 'a' being the highest and 'e' the lowest. 'Ungraded' indicates that the candidate's performance fell short of the standard required for grade 'e'. 'Ungraded' will be reported on the statement of results but not on the certificate. The letters Q (result pending), X (no results) and Y (to be issued) may also appear on the statement of results but not on the certificate.

If a candidate takes a Cambridge International A Level and fails to achieve grade E or higher, a Cambridge International AS Level grade will be awarded if both of the following apply:

- the components taken for the Cambridge International A Level by the candidate in that series included all the components making up a Cambridge International AS Level
- the candidate's performance on these components was sufficient to merit the award of a Cambridge International AS Level grade.

For languages other than English, Cambridge also reports separate speaking endorsement grades (Distinction, Merit and Pass) for candidates who satisfy the conditions stated in the syllabus.

## Entry codes

To maintain the security of our examinations, we produce question papers for different areas of the world, known as 'administrative zones'. Where the component entry code has two digits, the first digit is the component number given in the syllabus. The second digit is the location code, specific to an administrative zone. Information about entry codes for your administrative zone can be found in the *Cambridge Guide to Making Entries*.

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