

E200 ACCOUNTING (YEAR 12) – 2008 - 2009

Rationale

Accounting is the process of identifying, measuring and communicating financial information to permit informed judgements and decisions by users of the information.

The study of this subject will provide students with an understanding of the financial operations of different forms of business organisations and non-trading enterprises, and develop skills and knowledge that will enable them to process financial data, produce reports and make decisions based on the information contained in the reports.

A systems approach is used to teach the concepts and procedures which govern accounting. The emphasis of the subject is on the procedures used to process transactions and produce reports for the sole proprietor, partnership, company (proprietary and public), and non-trading enterprise.

Accounting is based on the double-entry system of record keeping and uses the accounting terminology relevant to each of the topics. Cash and accrual accounting methods are used and students are required to interpret and analyse basic accounting data. In view of the nature of the subject, an elementary knowledge of accounting is necessary to enable students to cope with the syllabus.

The topics which make up the subject are structured to ensure a proper balance between theory and practice. The emphasis is on practice with understanding.

Students will become aware of the need for reliability, responsibility and integrity in the recording and reporting of financial information. The skills of logical reasoning, careful enquiry and considered judgements are part of the problem-solving and decision-making phases of accounting.

A knowledge of accounting and the ability to use accounting procedures will be useful to students in their everyday lives as well as assist them in their transition to tertiary studies or employment and/or the investment of capital into business.

General Aims

The main aims of this subject are to:

- introduce students to the nature and purpose of accounting and its function in business and in non-trading enterprises
- provide students with knowledge and understanding of the sole proprietor, partnership and company forms of business organisation and non-trading enterprises
- introduce students to the procedures used by these forms of business organisation and enterprises to process financial data, produce reports and make decisions
- develop skills in problem-solving, analysis and interpretation and financial management which will be of value to the students in business and in personal financial management
- develop general and business literacy and computational skills

- develop an awareness of the systematic and logical nature of processing data
- develop an appreciation of the need to process and report financial data responsibly, reliably and with integrity.

Educational Objectives

At the end of this subject the students should be able to:

- explain prescribed concepts, principles and accounting procedures related to the sole proprietor, partnership and company forms of business organisation and non-trading enterprises
- recall the principles and procedures used to process financial data manually
- explain the role of accounting in planning and control and financial decision-making
- use the manual method to process financial data for the sole proprietor, partnership and company forms of business organisation and non-trading enterprises
- analyse and interpret financial data and given ratios
- calculate financial data and given ratios
- record and report financial information using the forms and formats which comprise the manual method.

Teaching – Learning Program

This subject is divided into eight sections:

Concepts, Principles and Practices Integral to the Subject
Depreciation and Disposal of Depreciable Assets
Cash Flow Statements
Analysis and Interpretation
Partnerships
Companies
Budgets
Clubs and Societies.

All sections are compulsory.

The purpose of accounting as part of the total business system is to gather and process business data to suit the needs of decision makers. Therefore, the various sections of this syllabus should be presented as a system and not as a series of independent techniques. Theoretical and practical aspects should be combined so that the concepts underlying each topic are understood as an integral part of the decision-making process.

Content

This subject covers further applications of the concepts and procedures covered in Year 11 Accounting, knowledge of which will be assumed:

- entries in journals, including columnar journals, and ledger accounts (excluding subsidiary ledgers and control accounts)
- trial balance
- profit determination for the accounting period, including balance day adjustments
- accounting reports – classified income statements and classified balance sheets.

Concepts, Principles and Practices Integral to the Subject

The aspects listed below may be dealt with throughout the whole syllabus as appropriate, and not necessarily regarded as topics to be treated separately.

Role of government, user groups, business entities and professional accounting associations in the establishment of accounting standards.

Accounting assumptions:

- accounting entity
- monetary
- accounting period
- going concern
- accrual basis.

Accounting principles:

- asset recognition
- liability recognition
- income recognition
- expense recognition.

Qualitative characteristics as per the Framework for the Preparation and Presentation of Financial Statements (hereafter referred to as the Framework):

- relevance
- reliability
- comparability
- understandability.

Application and concept of accounting equation.

Principle of double-entry accounting.

Understanding and interpreting the definitions of: asset, liability, income, expense and equity as stated in the Framework.

Sources of finance available to a sole proprietor, partnership and limited liability company.

Principles of internal control and internal check over cash, inventory and non-current assets.

Principles of inventory control:

- periodic method of recording inventory:
 - advantages/disadvantages of periodic inventory system
 - accounting entries for the periodic inventory system
- perpetual method of recording inventory
 - advantages/disadvantages of perpetual inventory system.

Note: Accounting entries for the perpetual inventory system are NOT required.

Depreciation and Disposal of Depreciable Assets

Nature of depreciation as an allocation of cost.

Nature of a depreciable non-current asset.

Determination of the cost of a depreciable non-current asset.

Distinction between an asset and an expense.

Purpose of accounting procedures for depreciation.

Calculation of depreciation expense by the following methods:

- straight line
- reducing/diminishing balance.

Identification of the more appropriate method of depreciation to apply to given examples.

General journal and general ledger entries for depreciation and accumulated depreciation.

Calculation of the gain or loss on disposal of a depreciable asset, identification of over or under depreciation and calculation of the gross income and expense.

Journal entries and general ledger entries for the disposal (sale or trade-in) of depreciable assets (Gross Calculation Method).

Interpretation of information in an asset register as a subsidiary record for depreciable assets.

Preparation of relevant general ledger accounts from information given in asset register entries.

Cash Flow Statements

Purpose of preparing a cash flow statement.

Concept of cash and cash equivalents (as per AASB107).

Classification of cash flow activities:

- operating activities
- investing activities
- financing activities.

Preparation of a cash flow statement for a sole trader from comparative balance sheets, income statement and any additional information using the direct method including only:

cash flows from operating activities:

- cash receipts from customers
- cash paid to suppliers and employees
- interest paid

cash flows from investing activities:

- purchase and sale of non-current assets
- interest received

cash flows from financing activities:

- drawings by proprietor
- additional capital
- long term loans.

Interpretation of the movements in cash flow items.

Note: Account reconstructions may be necessary for the above.

Analysis and Interpretation

Distinction between liquidity and profitability and the importance of cash flow to the success of the business.

Concept of working capital.

Concept of gearing.

Interpretation of the information, including trends, as revealed by ratio analysis.

Problems in assessing performance and financial position when working from limited data.

Calculation of the following ratios from accounting reports and given information:

$$\text{gross profit ratio} = \frac{\text{gross profit}}{\text{net sales}}$$

$$\text{profit ratio} = \frac{\text{profit}}{\text{net sales}}$$

$$\text{operating expense ratio} = \frac{\text{operating expenses}}{\text{net sales}}$$

$$\text{debt to equity ratio} = \frac{\text{total liabilities}}{\text{equity (end)}}$$

$$\text{working capital/current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

$$\text{liquidity/quick ratio} = \frac{\text{current assets, excluding inventory and prepayments}}{\text{current liabilities, excluding bank overdraft}}$$

(Note: Current assets should include any investments realisable within twelve months).

$$\text{inventory/ stock turnover} = \frac{\text{cost of sales}}{\text{cost of average inventory}}$$

$$\text{debtors' collection period} = \frac{\text{average debtors}}{\text{net credit sales}} \times \frac{365}{1}$$

$$\text{rate of return on assets} = \frac{\text{profit}}{\text{average assets}}$$

$$\text{rate of return on owner's investment} = \frac{\text{profit}}{\text{average equity}}$$

(Note: Ratio formulas are to be given to students.)

Partnerships

Definition of a partnership.

Characteristics of partnerships:

- limited life
- unlimited liability
- mutual agency
- not a separate legal entity.

Provisions of the *Partnership Act* in regard to the sharing of profits or losses, salaries, interest on capital, interest on advances and interest on drawings.

Purpose of the partnership agreement.

Advantages and disadvantages of the partnership form of business organisation.

General journal entries for the following transactions for a partnership:

- transfer of profit/loss
- interest on capital (to be treated as an appropriation of profit)
- interest on advances (to be treated as an expense and a current liability)
- interest on drawings (to be treated as an appropriation of profit)
- partners' salary entitlements (salary to be treated as appropriation of profit)

- sharing of residual profit/loss
- transfer to current account of salary paid or unpaid to partner
- transfer to current account of drawings made by partner.

Preparation of the following partnership ledger accounts from given information:

- appropriation
- capital
- current.

Preparation of the following reports (including balance day adjustments) from given information:

- classified income statement
- appropriation
- classified balance sheet.

Companies

Theory Aspects of Company Accounting

Definition of a company.

Characteristics of companies:

- separate legal entity
- limited liability
- continuity of existence
- separation of ownership and control
- share issue.

Importance of corporate legislation in the regulation of companies.

Regulation of Accounting Practice

Role of Australian Securities and Investments Commission.

Role of Australian Stock Exchange Ltd in relation to the preparation and presentation of accounting reports.

Role of Australian Accounting Standards Board in the development of accounting standards and their application to companies.

Brief description of the purpose and nature of the Accounting Standards.

Types of Companies

Companies limited by shares.

Distinction between public and proprietary companies.

Distinction between small proprietary companies and large proprietary companies.

Shares and Debentures

Distinction between ordinary shares and preference shares.

Types of preference shares:

- Cumulative preference shares
- Non-cumulative preference shares
- Redeemable preference shares
- Participating preference shares.

Distinction between ordinary shares and debentures.

Principal differences between ordinary shareholders and debenture holders.

Principal rights of ordinary shareholders and debenture holders.

Function of the Stock Exchange in determining share prices.

Reserves

Identification and explanation of the following reserves and description of their sources and possible uses:

- revaluation reserve
- retained earnings
- general reserve.

Comparison of Business Ownerships

Advantages and disadvantages of limited companies compared with sole traders and partnerships.

Principal differences between a sole trader, a partnership and a limited company (public and proprietary) under the following headings:

- number of owners
- liability of owners
- ability to raise capital or borrow funds
- distribution of profits
- transfer of ownership
- separate accounting or legal entity
- continuity of existence.

Company Formation and Operation

Purpose and content of the following documents associated with company formation or operation:

- replaceable rules
- constitution
- certificate of registration
- prospectus.

Steps involved in forming a proprietary limited company.

Journal and Ledger Entries to Establish Ordinary Share Capital

Preparation of the general journal, cash receipts journal, cash payments journal and ledger entries relating to preliminary/formation expenses and the issue of ordinary shares fully paid on application.

Preparation of Retained Earnings Ledger Account

Retained earnings (journal entries and ledger accounts) for a company, including the following items:

- profit
- dividends
- transfers to and from reserve accounts
- debit or credit opening and closing balance.

Financial Statements

Preparation from given data of the following accounting reports:

- statement of changes in equity.
- company balance sheet and accompanying notes.

Note 1:

For the purpose of calculating income tax expense, profit before tax will be deemed to equal taxable income.

Note 2:

For the purpose of preparation of notes accompanying the balance sheet, the 'Equity' section includes:

- issue of ordinary shares payable in full on application
- issue of fully paid ordinary bonus shares from reserves
- issue of preference shares payable in full on application
- general reserve
- revaluation reserve
- retained earnings.

The 'Liabilities' section of a company balance sheet may include, but is not limited to, the following elements:

- payables
- debentures
- current tax liability.

Note 3:

Final dividends recommended by directors.

Budgets

Purpose of budgets and performance reports as a means of planning, co-ordinating, and controlling all activities within a business organisation.

Function of each of the following types of budgets:

- sales
- production
- purchases
- expense
- capital expenditure
- cash
- income statement
- balance sheet.

Interpretation of cash budgets, budgeted income statements and performance reports.

Difference between income and cash received, and between expenses and cash paid.

Schedule of cash receipts from debtors and schedule of cash payments to creditors over a budget period.

Preparation under an accrual system of accounting and from given information of the following accounting reports:

- cash budget
- budgeted income statement for a stated period.

Preparation of cash, income and performance reports, from given information.

Note: Account reconstructions are not required.

Clubs and Societies

Characteristics of clubs and societies, their administration and types of records kept.

Importance of incorporation with regard to legal liability of office bearers and members for debts, losses and injuries.

Preparation of the subscriptions schedule of a club or society, including subscriptions in advance and in arrears.

Preparation from given information of the following accounting reports (including balance day adjustments):

- receipts and payments
- income and expenditure
- trading statements.

Comparison of a receipts and payments report and an income and expenditure report.

Comparison of the income and expenditure report of a club or society with the income statement of a business.

Time Allocation

The subject has been designed to be completed through a structured education program of approximately 110 hours in any suitable contexts and series of learning experiences. Typically the subject will be studied over the period of one school year. For administrative reasons schools wishing to vary this delivery pattern (e.g. over a shorter period or over a longer period up to two school years) are required to notify the Chief Executive Officer of the Curriculum Council.

Subject Completion

Students must complete the school's structured educational and assessment program for a subject in order to be eligible to receive a grade unless there are exceptional and justifiable circumstances. In situations where the school considers that insufficient information has been gathered to justify the award of a grade for the subject, a result of U (for unfinished) should be allocated. The Curriculum Council offers the flexibility for the U to be converted to a grade after the final grades have been submitted. Further details on assessment and grading are provided in Volume I of the Syllabus Manuals.

Resources

Note 1: The resources in this list were available at the time of printing, but please be aware that their subsequent availability cannot be guaranteed.

Note 2: '(OP)' identifies resources that are out of print but still valuable if teachers can locate them in their department or library.

Note 3: Select the latest edition for all publications.

Texts

The following is a list of suggested references from which teachers may select a basic text for student purchase and texts for both teacher and student reference.

Chinnery, A., *Financial Accounting for Today*, Book 2 (2nd ed.), Text and Workbook, Wooldridges A & M, WA, 2005.

Doyle, A., *Financial Accounting 3*, Venture Publishing, Como, WA, 2005.

Doyle, A., *Financial Accounting 4*, Venture Publishing, Como, WA, 2005.

Duffy, L., Munro, I. and Durrant, C., *Introductory Accounting: Principles*, Book 2, (WA ed.), Pearson Education Australia, South Melbourne, Vic., 1996.

Revised exercises 1998 – cdurrant@ggs.wa.edu.au

Note: Select the latest edition for all the above.

Student/Teacher References

Academic Teacher Resources, [Academic Assessment Items worksheet packages (Accounting)], Academic Teacher Resources, Willetton, WA.

[\[http://www.academicai.com.au/index.html\]](http://www.academicai.com.au/index.html)

Academic Teacher Resources, [Academic Interactive Learning assessment program (Accounting)], Academic Teacher Resources, Willetton, WA.

[\[http://www.academicai.com.au/index.html\]](http://www.academicai.com.au/index.html)

Academic Teacher Resources, [Academic PowerPoint teaching resource (Accounting)], Academic Teacher Resources, Willetton, WA.

[\[http://www.academicai.com.au/index.html\]](http://www.academicai.com.au/index.html)

Ainsworth, P., and Deines, D., *Introduction to Accounting: An Integrated Approach with Net Tutor and PowerWeb Package*, McGraw-Hill, Sydney, 2004.

Bazley, M., Hancock, P., Berry, A., and Jarvis, R., *Contemporary Accounting* (5th ed.), Thomson Learning Australia, Southbank, Vic., 2003.

Chinnery, A., *Financial Accounting for Today Book 2 Solutions*, Wooldridges A&M, WA, 2005.

EdWest Education Australia [EdWest trial examination papers (Accounting)], EdWest Education Australia, Perth, WA.

[\[http://www.edwest.com.au/html/wa_home.html\]](http://www.edwest.com.au/html/wa_home.html)

Godfrey, J.M., and Robb, A.J., *The Australian Dictionary of Accounting and Finance Terms* (3rd ed.), Longman, Melbourne, 2003.

Henderson, S., and Peirson, G., *Issues in Financial Accounting* (11th ed.), Pearson Education Australia, Melbourne, Vic., 2004.

Hoggett, J., Edwards, L., and Medlin, J. *Financial Accounting in Australia*, (5th ed.), John Wiley and Sons, Milton, Qld, 2002.

Hutton, P., and Wigg, R., and Champion, P., *Accounting Essentials*, (3rd ed), (Victorian Syllabus), Macmillan, Melbourne, 2003.

Hutton, P., and Wigg, R., and Champion, P., *Accounting Essentials: Teacher CD-ROM* (3rd ed), (Victorian Syllabus), Macmillan, Melbourne, 2003.

Lipton, P., and Herzberg, A., *Understanding Company Law* (12th ed.), Lawbook Co., Melbourne, 2004.

Meredith, G., *Accounting and Financial Management for Business Decisions*, McGraw-Hill, Sydney, 1993.

Newman, R.L., *Accounting Concepts for Managers*, (2nd ed.), Longman Cheshire, Melbourne, 1994. **(OP)**

Trenerry, A., *Issues in Accounting*, Pearson Education Australia, South Melbourne, Vic., 1996.

West Australian Test Papers [WATP end of course assessment examinations (Accounting)], West Australian Test Papers, Perth, WA. Telephone & Facsimile (08) 9367 5848. [\[http://www.watp.com.au\]](http://www.watp.com.au)

Wheeler, R.B., *Accounting for Profit Determination – a concept approach*, Macmillan, Melbourne, 1992. **(OP)**

Yates, D., *Accounting Revision Workbook*, Academic Task Force, WA, 2006.

Note: Select the latest edition for all of the above.

Journals

Accounting Forum, School of Accounting & Information Systems, University of South Australia. [http://business.unisa.edu.au/commerce/accounting_forum.asp].

Business Review Weekly, Fairfax Business Media, Sydney.

Intheblack, CPA Australia, Melbourne. [<http://www.cpaaustralia.com.au/cps/rde/xchg/SID-3F57FEDF-31184D94/cpa/hs.xsl/index.html>].

Charter, Institute of Chartered Accountants in Australia, Sydney. [<http://www.icaa.org.au/index.cfm>].

Support Material

Support material for this subject can be ordered through the Curriculum Council Publications Catalogue available on the Curriculum Council website: www.curriculum.wa.edu.au

Examination Details

The examination will consist of one written paper of three hours duration. The paper will consist of:

- Theory questions (including one essay)
- Practical questions
- Combined theory/practical questions.

The balance of theory/practical will be:

- Theory (30 - 35%)
- Practical (65 - 70%)

Resources:

Calculators satisfying the conditions set by the Curriculum Council for this subject, which are listed on the Curriculum Council website: www.curriculum.wa.edu.au/pages/student/calculators.htm

Assessment Structure

Assessment structures are an integral part of all Accredited Subjects.

The structure specifies:

1. the components and learning outcomes to be included in assessment
2. weightings to be applied to these components
3. the types of assessment considered appropriate for the subject.

Table 1

Syllabus Content	Weighting percentage
Concepts, principles and practices integral to the subject	5–10
Depreciation and disposal of depreciable assets	10–15
Cash flow statements	10–15
Analysis and interpretation	5–10
Partnerships	10–15
Companies	20–25
Budgets	10–15
Clubs and societies	10–15

Table 2

Learning Outcomes	Weighting percentage
Knowledge	20–25
Process	65–75
Sensori–motor	5–10

Table 3

Types of Assessment	Weighting percentage
Semester/term examinations	50
Continuous assessment: eg assignments, research, homework, reports, class work, case studies, discussion etc.	10–15
Topic tests	35–40

The assessment program must provide students with the opportunity to demonstrate achievement of the requirements of the subject.

AND

Students must complete the requirements of the subject.

Notes on Table 1

The aspects included in concepts, principles and practices are integral to the subject syllabus.

The weightings given do not imply that topics need to be isolated one from another, but may be combined for assessment purposes.

The weighting ranges are designed to allow schools to rate one topic more highly than another.

Note on Table 2

The domain weightings are over the whole subject and are not necessarily required to be met in each content area.

Grade-Related Descriptors

Grade-Related Descriptors describe the student performance standards that are used to award grades in this subject. Schools delivering this subject have been provided with a copy of the document. Additional copies may be purchased from the Curriculum Council.

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Australian Society of CPAs, ASA Members' Handbook, Editorial Office, 170 Queens Street, Melbourne, Vic 3000. ¶
(Perth Office: Level 4, 1 Mill Street, Perth, WA. 6000). ¶
Institute of Chartered Accountants in Australia, Charter, 37 York Street, Sydney, NSW 2000. ¶
(Perth Office: 28 The Esplanade, Perth, WA 6000) ¶
School of Accounting, SA Institute of Technology, Accounting Forum, North Terrace, Adelaide, SA 5000. ¶

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