

AM SYLLABUS (2008-2013)

ACCOUNTING

AM 01

SYLLABUS

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

The syllabus builds on the topics set for the SEC Examination in accounting and seeks to develop the students' literacy, presentation and evaluative skills in the broad areas of Financial and Management Accounting.

Candidates will be expected to demonstrate a sound knowledge of basic accounting, appropriate for an understanding of the areas covered by the subject contents.

Questions may be set to reflect the local environment and candidates are expected to base their answers on the local regulatory framework of accounting.

Two papers of three hours' duration are set.

Paper I examines Financial Accounting topics and Paper 2 deals with Management Accounting topics. Each paper carries 50% of the global mark.

Each paper shall consist of two sections: Section A and Section B.

In Section A two questions are set, of which candidates are required to answer one question. This question carries approximately 30% of the marks of each paper.

In Section B four questions are set, out of which candidates are required to answer three questions. This section carries approximately 70% of the marks of each paper.

Approximately 25% of the mark in any question will be allotted to essay-type questions. Questions of an entirely essay-type nature will not be set.

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

(A) FINANCIAL ACCOUNTING (syllabus)	Notes for Guidance
<ul style="list-style-type: none"> • Depreciation and Disposal of Fixed Assets 	Accounting treatment. The straight-line, revaluation and reducing balance methods of depreciation. The choice of method, change in method and their effect on profit.
<ul style="list-style-type: none"> • Sole Trader 	Final Accounts. Conversion of sole traders into limited liability companies and take-over of sole traders by limited liability companies are not examinable.
<ul style="list-style-type: none"> • Departmental Accounts 	Final accounts with inter-departmental transfers at cost and inter-departmental apportionments of expenses.
<ul style="list-style-type: none"> • Manufacturing Accounts 	Final accounts. Manufacturing Profit and Provision for Unrealised Profit on stock of finished goods.
<ul style="list-style-type: none"> • Types of errors and their correction 	Candidates are expected to recognize the different types of errors. The suspense account. The effect of errors on profit should be clearly understood. Candidates are expected to be able to correct the profit figure.
<ul style="list-style-type: none"> • Control Accounts 	The purpose and preparation of control accounts. Reconciliation between schedules of debtors/creditors and Control Accounts balances.

FINANCIAL ACCOUNTING (syllabus)	Notes for Guidance
<ul style="list-style-type: none"> Incomplete Records 	<p>The preparation of final accounts from incomplete records. Statement of affairs. Mark-up and margin. Calculation of stock lost in fire or by theft for insurance claims. Managerial commission.</p>
<ul style="list-style-type: none"> Clubs and Societies 	<p>The preparation of final accounts. The treatment of Life Membership and Joining Fees and other special funds. Surplus/Deficit arising from trading and other activities. Donations and Government grants.</p>
<ul style="list-style-type: none"> Partnership Accounts 	<p>Preparation of final accounts. The partnership deed. Capital and Current accounts. Fluctuating capital accounts. Change in the Profit Sharing Ratio. Revaluation of assets. Calculation of goodwill and its treatment. Dissolution of partnerships, according to the Companies Act 1995, excluding piecemeal realization. Amalgamation of partnerships, conversion of partnerships into limited liability companies and take-over of partnerships by limited liability companies are not examinable.</p>
<ul style="list-style-type: none"> Company Accounting 	<p>A basic theoretical knowledge of Memorandum of Association and Articles of Association. Authorised and Issued Share Capital. Debentures. The accounting treatment for the issue of shares and debentures excluding issue by instalment and forfeiture of shares. Purchase/Redemption of shares. Redemption of debentures is not examinable. Bonus and Rights Issues. Distinction between Revenue and Capital reserves, their creation and uses. Final accounts for internal use. The treatment (but not the computation) of tax on profits. Published accounts as per requirements of the Companies Act 1995 (Format 1) and relevant accounting standards. Treatment of changes in accounting estimates and errors. Distinction between provisions and contingent liabilities. Definition of intangible assets. Distinction between Research and Development and basic differences in accounting treatment. Amortisation of intangible fixed assets. Recognition of Goodwill and write-off of specific amounts.</p> <p>Where alternative accounting treatments are possible, methods prescribed in International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) should be adopted. Knowledge of specific IASs and IFRSs is not required.</p> <p>Basic accompanying notes:</p> <ol style="list-style-type: none"> Statement of changes in equity Disclosure of accounting policies Directors' emoluments Audit Fees. Authorised and Issued Share Capital. Fixed Assets Schedule. Contingencies.

FINANCIAL ACCOUNTING (syllabus)	Notes for Guidance
<ul style="list-style-type: none"> Interpretation of Accounts and Preparation of Reports 	Interpretation by means of ratio analysis to help the appraisal of short term solvency, long-term solvency, profitability and efficiency, actual and potential growth – Current ratio, Quick Assets ratio, Rate of Stock Turnover, Debtors' Collection Period, Creditors' Payment Period, Gearing ratio, Dividend Cover, Fixed Interest Cover, Return on Capital Employed, Net Profit as a Percentage of Sales, Sales to Capital Employed, Sales to Fixed Assets, Gross Profit Margin, Expenses to Sales, Earnings per Share, Price – Earnings Ratio, Earnings Yield, Dividend Yield.
<ul style="list-style-type: none"> Cash Flow Statement 	Indirect Method Only
<ul style="list-style-type: none"> The Impact of Computers on Accounting 	Theoretical knowledge, advantages and disadvantages of the use of computers in the accounting profession.
<ul style="list-style-type: none"> VAT 	Basic Treatment

(B) COST AND MANAGEMENT ACCOUNTING

The Cost Accounting function and its relationship to Financial and Management Accounting.

COST AND MANAGEMENT ACCOUNTING (syllabus)	Notes for Guidance
<ul style="list-style-type: none"> The elements of cost: 	
(i) Material	Stock control: straightforward calculation and the significance of Economic Order Quantities, Minimum and Maximum Stock levels, Reorder levels. Methods of valuing stocks using FIFO, LIFO and AVCO (perpetual inventory method) and its effect on profit.
(ii) Labour	Labour cost and its control. Methods of Remuneration: Time Rate, Piece Rate and individual/group bonus systems (knowledge of specific bonus systems not required).
(iii) Overheads	Overheads: Allocation, Apportionment and Absorption. Calculation of overhead recovery rates: Direct Labour Hour Rate; Machine Hour Rate; Direct Labour Cost Percentage Rate; Cost Unit rate; the Blanket Rate. Over and under absorption of overheads. Reciprocal Services (Elimination using a specific order and repeated allocation methods).
<ul style="list-style-type: none"> Job costing 	Characteristics. Estimating job cost. Batch production.
<ul style="list-style-type: none"> Process costing 	Characteristics. Process cost accounts. Accounting for normal losses, abnormal losses/abnormal gains. Closing work-in-progress and the concept of equivalent production. Theoretical knowledge of joint and by-products.

COST AND MANAGEMENT ACCOUNTING (syllabus)	Notes for Guidance
<ul style="list-style-type: none"> • Marginal Costing and Break-Even Analysis 	Cost behaviour. The meaning and treatment of Contribution, Break-even point, Margin of Safety, Contribution/Sales ratio. Break-even and profit graphs and their limitations. Special Orders. Comparison of Marginal Costing with Absorption Costing (excluding over and under absorption of overheads).
<ul style="list-style-type: none"> • Decision-Making 	Make or buy decisions, dropping a product, limiting factor and accepting special orders.
<ul style="list-style-type: none"> • Budgeting 	Functional budgets for stocks, sales, purchases, debtors, creditors, production and cash. Master Budget (Budgeted Trading and Profit and Loss account and Balance Sheet). Flexible Budgeting. Budgetary Control.
<ul style="list-style-type: none"> • Standard Costing and Variance Analysis 	Variances: <ol style="list-style-type: none"> 1. Material – price and usage 2. Labour – rate and efficiency 3. Variable overheads – expenditure and efficiency 4. Fixed Overheads – expenditure and volume 5. Sales – price and volume Reconciliation of Budgeted Profit with Actual Profit.
<ul style="list-style-type: none"> • Capital Investment Appraisal 	Calculation of Cash Flows. Methods of appraisal – Payback Period, Net Present Value Method, Internal Rate of Return, and the Accounting Rate of Return. Comparison of methods and recommendations. (Extract from Present Value Tables will be provided during the examination).
<ul style="list-style-type: none"> • Social Accounting 	Conflict between profit and social considerations: social audit, health and safety, pollution, charitable activities, employees.