

**IM SYLLABUS (2008-2013)**

**ACCOUNTING**

**IM 01**

**SYLLABUS**

**Accounting IM 01  
Syllabus**(Available in September)  
1 Paper (3 hrs)Introduction

One 3 hour paper is set. Candidates will be expected to demonstrate a sound knowledge of basic accounting, appropriate for an understanding of the areas covered by the subject contents.

The paper examines Financial Accounting topics and Cost and Management Accounting topics. The paper shall consist of 3 sections: Section A, Section B, and Section C.

Section A consists of one question on Financial Accounting. This question carries 30% of the marks and is compulsory.

In Section B three questions on Financial Accounting topics are set, out of which candidates are required to answer any two questions. This section carries 40% of the marks.

In Section C three questions on Cost and Management Accounting topics are set, out of which candidates are required to answer any two questions. This section carries 30% of the marks.

Approximately 25% of the marks of 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.

<b>(A) FINANCIAL ACCOUNTING (syllabus)</b>	<b>Notes for Guidance</b>
<ul style="list-style-type: none"> <li>• <b>The Principles of Accounting</b></li> </ul>	Recording of double-entry book-keeping. Understanding the significance and limitations of accounts prepared and of generally accepted accounting concepts and conventions. Books of original entry. The ledger.
<ul style="list-style-type: none"> <li>• <b>Trial Balance</b></li> </ul>	The extraction of a Trial Balance.
<ul style="list-style-type: none"> <li>• <b>Sole Trader</b></li> </ul>	The preparation of final accounts.
<ul style="list-style-type: none"> <li>• <b>Adjustments to final accounts</b></li> </ul>	Accruals and Prepayments; Bad Debts and Provision for Bad Debts.
<ul style="list-style-type: none"> <li>• <b>Accounting for depreciation and disposal of assets</b></li> </ul>	Methods of depreciation - Straight-line, reducing balance and revaluation methods.
<ul style="list-style-type: none"> <li>• <b>Types of errors and their correction</b></li> </ul>	Types of errors not detected by the trial balance. The use of the suspense account. Relevant journal entries. Adjustment to profit.
<ul style="list-style-type: none"> <li>• <b>Control Accounts</b></li> </ul>	Sales Ledger and Purchases Ledger Control Accounts including credit balances in the Sales Ledger Control and Debit balances in the Purchases Ledger Control. Reconciliation of Schedules and Control Accounts Balances is excluded.
<ul style="list-style-type: none"> <li>• <b>Incomplete Records</b></li> </ul>	Statement of affairs. The Trading and Profit and Loss Accounts and the Balance Sheet. The identification and calculation of the value of missing items, including Mark-up, Margin, and Stock Turnover.

<b>FINANCIAL ACCOUNTING (syllabus)</b>	<b>Notes for Guidance</b>
<ul style="list-style-type: none"> <li>• <b>Clubs and Societies</b></li> </ul>	The Receipts and Payments account. The Income and Expenditure Account. The Balance Sheet. Accumulated Fund. Bar Trading Account. Life membership funds are not examinable.
<ul style="list-style-type: none"> <li>• <b>Manufacturing Accounts</b></li> </ul>	Final Accounts excluding transfer pricing.
<ul style="list-style-type: none"> <li>• <b>Departmental Accounts</b></li> </ul>	Final Accounts excluding inter-departmental transfers.
<ul style="list-style-type: none"> <li>• <b>Partnership Accounting</b></li> </ul>	Final Accounts, Capital and Current accounts. Fluctuating capital accounts. A theoretical knowledge of goodwill, how it arises and its calculation excluding all relevant accounting treatment.
<ul style="list-style-type: none"> <li>• <b>Company Accounting</b></li> </ul>	The final accounts of a limited liability company for internal use only. A theoretical knowledge of types of shares namely: Ordinary, Cumulative, Non Cumulative, Participating and Redeemable Preference Shares and Debentures. The advantages and disadvantages of limited liability companies over partnerships and sole traders. No questions will be set on issue, purchase/redemption of shares and debentures. Provisions and Capital and Revenue reserves excluding the Capital Redemption Reserve.
<ul style="list-style-type: none"> <li>• <b>Interpretation of Financial Statements</b></li> </ul>	Current ratio, Quick Asset ratio, Rate of Stock Turnover, Debtors' Collection Period, Creditors' Payment Period, Return on Capital Employed (fixed assets & working capital), Gross Profit Margin, Net Profit as a Percentage of Sales, Expenses as a Percentage of Sales. Basic interpretation of accounts namely Liquidity, Profitability and Asset Efficiency.

**(B) COST AND MANAGEMENT ACCOUNTING**

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

<b>COST AND MANAGEMENT ACCOUNTING (syllabus)</b>	<b>Notes for Guidance</b>
<ul style="list-style-type: none"> <li>• <b>Costing for material</b></li> </ul>	Methods of valuing stocks using FIFO, LIFO and AVCO (perpetual method only).
<ul style="list-style-type: none"> <li>• <b>Costing for labour</b></li> </ul>	Methods of remuneration: Time Rate and Piece Rate only.
<ul style="list-style-type: none"> <li>• <b>Costing for overheads</b></li> </ul>	Allocation, Apportionment and Absorption. Secondary Apportionment of service departments using specific order method and the repeated distribution method. Basis of apportionment. Calculation of overhead recovery rates. Direct labour hour rate, Machine hour rate, Direct labour cost percentage rate, Cost per unit rate. Blanket rate is not examinable. Calculation of over and under absorption of overheads.

<b>COST AND MANAGEMENT ACCOUNTING (syllabus)</b>	<b>Notes for Guidance</b>
<ul style="list-style-type: none"> <li>• <b>Job Costing</b></li> </ul>	<p>Characteristics. Estimating job costs. Job costing of batch production.</p>
<ul style="list-style-type: none"> <li>• <b>Marginal Costing and Break-even Analysis</b></li> </ul>	<p>The concept of contribution and marginal costing statements. Margin of Safety. Contribution/Sales Ratio. Break-even Point; Linear Break-even graph. Limitations of Break-even Graphs. Reconciliation between profits as per Absorption Costing and profits as per Marginal Costing is not examinable.</p>
<ul style="list-style-type: none"> <li>• <b>Budgeting</b></li> </ul>	<p>A Theoretical knowledge regarding the advantages of budgeting and the purpose of Cash budgets and Master budgets.</p>