

LEAVING CERTIFICATE

ACCOUNTING SYLLABUS

Ordinary and Higher Levels

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Higher and Ordinary Levels

1. Introduction

- 1.1 Accounting is a business studies option within the Leaving Certificate programme. It covers aspects of business and social life which are not dealt with in any other subject in that programme. It is concerned with the preparation, recording, extraction, presentation and analysis of financial information for the purpose of making economic decisions.
- 1.2 The subject has a dual role in education in that it has both a practical and theoretical aspect which are totally inter-linked throughout the syllabus. It is a form of communication with specific language and techniques which equips students for many areas of everyday financial, business and social life.
- 1.3 Accounting has become an important part of young people's education, not just for socio-economic reasons but also because of the ever-increasing involvement of citizens in various roles in the running of clubs, societies and businesses of all types.
- 1.4 As a subject, Accounting promotes the personal development of the individual as outlined in the Rationale section of this document. In particular, personal initiative and enterprise are developed by the problem-solving focus of the programme.
- 1.5 While the course has been designed to follow on from the Junior Certificate Business Studies, provision has been made within it for

well-motivated and mature students to study the subject on entering the Leaving Certificate programme, without the benefit of that background.

- 1.6 The course is designed to cater for the present while being flexible as regards future developments. It is of particular importance that the accounting education offered in this course to students is appropriate to their abilities, needs and interests and that it reflects the broad nature of the subject and its potential for enhancing student development.

2. Rationale for Leaving Certificate Accounting

- 2.1 Accounting has a very positive role to play in the general education of senior students. It fosters a unique combination of values, attitudes and skills within the senior cycle. Within the business studies family Accounting has a niche of its own. The study of Accounting is invaluable and has a direct relevance to the present and future life of every young person, in that:

- It develops problem-solving and computational skills and an awareness and recognition of the consequences of error
- It develops skills in the use of figures in business communications, in analysis and in decision-making
- It provides a subject choice for those students who have an aptitude for numerical skills
- It cultivates mental discipline, develops the powers of concentration and fosters critical thinking, logical organisation and orderly presentation
- It facilitates the acquisition of a language which is universally used in communications within the business world and within society at large.
- It links the accounting process with Information Technology
- It fosters the concept of accountability.

- 2.2 Consequently Accounting is of personal use and benefit to students whether they enter the work force immediately or proceed to third-level education and should they become involved in voluntary organisations.

3. Principles of Course Design

3.1 The following principles influenced the design of the Accounting syllabus:

- a common syllabus at two levels to fulfil the aims and objectives of the course
- a course structured to provide continuation from, and development of, the Ordinary and Higher levels offered in Business Studies at Junior Certificate
- a flexibility of design which caters for present needs and yet is capable of adaptation to future developments
- the capability of being taught by the present cohort of teachers within the envisaged c. 180 hours tuition and the resources available
- a recognition of the level and age of post-Junior Certificate students in order to proceed to a suitable depth and challenge appropriate to both levels
- the preparation of students for further education as well as for the world of work and adult life.

4. Personal and Attitudinal Development

4.1 The Accounting syllabus is designed to develop in students:

- a sense of accuracy and attention to detail.
- A cultivation of such character traits as neatness, concentration and perseverance

- An appreciation of accounts as a form of communication and a confidence in reading them
 - A positive attitude towards:
 - (a) ethical behaviour
 - (b) profit motive
 - (c) entrepreneurship
 - (d) innovation and technological development
 - an ability to look at issues in their entirety, to acquire appropriate problem solving skills and to make sound judgements
 - A confidence in communicating with financial institutions.
- 4.2 Overall the Accounting syllabus fosters in the student good work habits, efficiency, responsibility, a sense of achievement in work well done and an increase in self confidence.

5. Aims

- 5.1 To contribute to a balanced and appropriate general education, leading to the personal and social development of each student, together with a fostering of the concept of accountability.
- 5.2 To create an awareness of the business environment dimension in our lives and to provide each student with knowledge, understanding and skills leading to personal competence and responsible participation in this changing and challenging environment.
- 5.3 To provide an area of study that will encourage initiative and develop in each student self-reliance, mental organisation, clear and logical thinking, mental

agility, critical skills, planning habits, methods of investigation and processes whereby accuracy can be ensured.

- 5.4 To offer a subject on the curriculum that is mainly of a practical application and which develops in each student numeracy and a knowledge and understanding of business and enterprise through the use of figures, computations and statistics.
- 5.5 To expose students to aspects of business and enterprise with a view to career and working life, additional studies in accounting or as a basis for further education.

6. Objectives

- 6.1 To enable students to develop an ability to:
- prepare, understand, interpret and analyse financial statements with confidence
 - appreciate and use financial statements as a means of business communication
 - use analytical techniques to arrive at conclusions from financial information for the purpose of decision-making
 - prepare relevant reports using financial information.
- 6.2 To develop in students the following skills and processes acquired particularly through accounting:
- informed personal and business decision-making
 - accounting processes and knowledge for personal use
 - computational, problem-solving, presentational and literacy skills
 - summarising and interpreting skills.
- 6.3 To develop in students an ability to link accounting with relevant computer applications.

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- 6.4 To familiarise students with Accounting as a means of recording, analysing and evaluating economic activity and consequently to equip the students with an appreciation of the importance of detail, dates and accuracy as they relate to accounting transactions and computations.
- 6.5 To provide students with an appreciation of the ethical and regulatory framework which influences and governs the preparation of financial statements.
- 6.6 To develop in students
- an appreciation of the nature and purpose of accounting
 - an understanding of the objectives, concepts and conventions of financial accounting
 - a mastery of basic accounting processes, their rules and norms
 - an understanding of accounting principles and techniques and their application to a range of different forms and types of enterprise
 - a knowledge of management accounting principles and practice, including the techniques of budgeting and budgetary control
 - an appreciation of the basis upon which accounting reports are prepared and the limitations of such information
 - an appreciation of the relationship between accounting and other areas of business
 - attitudes of enthusiasm, confidence and self-reliance as a result of competence in accounting practice.

7. **Assessment**

7.1 The syllabus will be assessed in terms of the syllabus objectives.

7.2 Candidates will be assessed on their ability to:

- recall and demonstrate a knowledge of syllabus content
- show an understanding of terminology central to the syllabus
- apply accounting conventions, principles and concepts to the solution of accounting problems
- prepare and present financial statements
- interpret, analyse and evaluate given data
- link the accounting process with relevant computer applications.

7.3 **Assessment Modes**

Accounting will be assessed at two levels, Ordinary and Higher. At both levels, syllabus objectives will be assessed through a written, terminal examination. (The feasibility of introducing an assignment in computer applications for assessment purposes, will be evaluated following a pilot scheme),

7.4 **Differentiation of Levels**

There are two main differences between Higher Level and Ordinary Level:

- Structure of the syllabus: within the syllabus some material is designated higher level only (**HL**)
- Depth of treatment: at higher level there is a deeper treatment of the subject. Higher Level students will be required to demonstrate a greater depth of knowledge and understanding of the concepts and issues as well as a greater proficiency in skills, applications and analysis.

8. Syllabus Content

8.1 The Conceptual Framework of Accounting

The student is introduced to

- The nature and purpose of the conceptual framework in accounting
 - the objectives of financial reporting
 - the users of financial accounting information
 - the desirable qualitative characteristics of accounting information, such as relevance, reliability, understandability and comparability.
- Accounting concepts, bases and policies
- The fundamental accounting concepts in SSAP 2
 - the going concern concept
 - the accruals concept
 - the consistency concept
 - the prudence concept.
- Other important concepts, conventions and principles, such as:
 - the entity concept
 - the money measurement concept
 - the materiality concept
 - the realisation principle
 - double-entry bookkeeping principles
 - the period of account convention.

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On completion the student should

- show an understanding of the need for a conceptual framework of accounting
- be able to describe the main elements which should be found in a conceptual framework of accounting
- know and be able to demonstrate an understanding of the main concepts, conventions and principles which are applied in the preparation of financial statements
- be able to explain the distinction between accounting concepts, bases and policies (**HL**).

8.2 The Regulatory Framework of Accounting (**H.L.**)

The student is introduced to

- The nature and objectives of the regulation of financial reporting
- The predominant regulatory bodies
 - the Government
 - the European Union
 - the accountancy profession
 - the Stock Exchange
- The regulatory mechanism used by the Government, the European Union, the accountancy profession and the Stock Exchange
- The importance of the true and fair view
- The role of the auditor
- The procedures for monitoring the regulation of financial reporting.

On completion the student should

- Show an understanding of the nature and objectives of the regulation of financial reporting
- Be aware of the main regulatory bodies and how they regulate financial reporting
- Be able to describe the accounting standard-setting mechanism in Ireland
- Understand the significance of the true and fair view
- Appreciate the role of the auditor in the regulation of financial reporting
- Be able to describe the procedures used to monitor compliance with financial reporting regulations.

8.3 Accounting Records

8.3.1 Double-Entry Bookkeeping

The student is introduced to

- Purpose of accounting records
- Steps in accounting
- Source documents and day books (including journal)
- Double-entry bookkeeping and the trial balance
- Distinction between capital and revenue
- Value-added tax and statutory deductions
- Accruals, prepayments and provisions
- Depreciation and appreciation.

On completion the student should

- be aware of the need for accounting records
- know when source documents are sent and received
- understand the function of each day book

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- be able to show an understanding of double-entry bookkeeping and the purpose and limitations of the trial balance
- understand and be able to make the distinction between capital and revenue items
- understand the effect of errors in recording capital and revenue items on calculation of profit and consequently the balance sheet
- understand VAT and the basic principles of the appropriate standard
- understand what accruals, prepayments and provisions are
- understand what bad debts are, how they arise and the need to make provision for them
- understand depreciation and the basic principles of the appropriate standard
- understand wear and tear and obsolescence
- understand two methods of depreciation: straight line and diminishing value
- be able to enter accruals, prepayments, bad debts, provisions, value-added tax, PAYE and PRSI in ledger accounts
- be able to use accounts to calculate the correct charge to the profit and loss account and to check profit and loss figures mathematically
- know how to treat accruals, prepayments, provisions, VAT, PAYE and PRSI in the balance sheet
- know how to deal with bad debt recovered and increase or decrease in bad debt provision
- realise that some assets can be re-valued upwards
- be able to deal with disposal of and additions to assets, making appropriate entries in accounts to record each
- be able to interpret ledger entries and balances
- be able to calculate depreciation.

8.3.2 Bank Reconciliation Statement

The student is introduced to

- what is it and why is it prepared?
- comparison of bank statement and bank account to identify discrepancies
- The bringing of the bank account up to date
- The preparation of the of the bank reconciliation statement.

On completion the student should

- Understand how differences in bank information and business information arise and hence the need for bank reconciliation statements
- Be able to compare bank statement and bank account
- Be able to enter missing information into each
- Be able to deal with errors made by bank and by business
- Be able to prepare a bank reconciliation statement
- Show an understanding of the information revealed by this process
(HL).

8.3.3. Control Accounts

The student is introduced to

- the functions of control accounts.

On completion the student should

- understand the need for control and the importance of information relating to debtors and creditors being available quickly and easily, particularly as a business expands
- be clear about where information for control accounts comes from
- be able to make entries in debtors, and creditors, control accounts from given information

- be able to find credit sales and credit purchases through control accounts
- understand how debtor and creditor control accounts may have both opening and closing debit and credit balances and how these arise
- understand contra entries - how they arise and how to enter relevant information into the accounts
- be able to reconcile total debtors or creditors with control account balances (**HL**).

8.3.4 Suspense Accounts

The student is introduced to

- uses and limitations of trial balance
- errors which are revealed and not revealed by the trial balance
- use of suspense account
- correction of all errors
- effects of errors on net profit and balance sheet.

On completion the student should

- understand the need for suspense accounts so that final accounts can be proceeded with
- be able to differentiate between errors which affect and do not affect the trial balance
- be able to correct all errors through the journal and post to the ledger
- be able to see the effects of errors on ledger accounts
- be able to open suspense account, enter opening balance (if given) and make appropriate entries to correct errors, thereby closing the suspense account
- understand which errors affect the net profit and which affect the balance sheet

- be able to calculate correct net profit, taking errors into account
- be able to prepare a statement of corrected net profit and a corrected balance sheet, taking errors into account (**HL**).

8.4 Sole Traders

The student is introduced to

- the nature and extent of the sole trader form of business
- the preparation and presentation of trading, profit and loss account and balance sheet.

On completion the student should:

- understand the nature and extent of the sole trader form of business
- be able to prepare from given data the trading, profit and Loss account and balance sheet
- understand gross profit, net profit and net worth.

8.5 Company Accounting

8.5.1 Share Capital, Reserves and Loan Capital

The student is introduced to

- types of companies
- classes of shares and rights of shareholders
- authorised, issued, called-up and paid-up share capital
- nature and purpose of reserves
- distinction between reserves and provisions
- types of loan capital (including debentures).

On completion the student should

- show an understanding of the various sources of capital
- be able to present and classify the various types of capital in the balance sheet.

8.5.2 Financial Statements of Limited Companies

The student is introduced to

- the accounting procedure for the revaluation of assets
- the accounting procedure for the treatment of dividends and taxation
- the preparation of company (internal) financial statements. The layout of the accounts, with special reference to the grouping of items in the financial statements.

On completion the student should:

- be aware of the legal requirements to produce company accounts
- be able, at appropriate levels of ability, to prepare trading, profit and loss accounts for limited companies and present them in an acceptable format
- be able, at appropriate levels of ability, to prepare balance sheets for limited companies and present them in vertical format for internal purposes
- be able to see and understand the relationship between the various headings in financial statements.

8.5.3 Appreciation of Annual Reports of Public Limited Companies (HL)

The student is introduced to

- basic knowledge of the rights and duties of directors
- directors' report
- basic knowledge of the functions of the auditor

- auditor's report
- a basic knowledge of the impact of the relevant statutory requirements on published financial statements
- an analysis of published company reports.

On completion the student should

- be aware of the legal requirements to produce company accounts
- have an appreciation of the functions and duties of the directors and auditors of a company
- understand the difference between accounts prepared for internal use and for publication
- be able to understand published company reports and accounts
- have an ability to discuss and comment on the published annual reports of a limited company.

8.6 Specialised Accounts

8.6.1 Manufacturing Accounts

The student is introduced to

- purposes of the manufacturing account
- classification of costs
- work in progress
- transfer at current market value

On completion the student should be able to:

- construct a manufacturing account from trial balance data
- arrive at a unit cost of production
- make management decisions based on the above.

8.6.2 Stock

The student is introduced to

- valuation of stock and the basic principles of the appropriate standard
- effects of valuation of stock on profit
- mark-up and margin
- stock turnover

On completion the student should

- know how stock should be valued
- understand the effect of stock valuation on profit
- be able to calculate mark-up and margin
- be able to calculate sales and cost of sales using mark-up and margin
- be able to adjust closing stock for purchases sales or returns (after the trial balance date)
- understand the importance of stock turnover
- appreciate the link between mark-up or margin and stockturn.

8.6.3 Club Accounts and Accounts of Service Firms

The student is introduced to

- role of club treasurer
- purpose of record-keeping in a club or non-trading organisation
- receipts and payments account
- income and expenditure account
- balance sheet

On completion the student should

- be able to set up a simple system of record-keeping

- understand thoroughly the sources of given data
- be able to prepare an analysed receipts and payments account from given data
- have a thorough understanding of the various expenses and gains
- be able to prepare an accumulated fund or statement of capital
- be able to prepare an income and expenditure account (incorporating adjustments) of Clubs, Associations and Service Firms
- be able to prepare a balance sheet
- be able to advise the annual general meeting on short and long-term sources of income and other financial matters (**HL**).

8.6.4 Departmental Accounts

The student is introduced to

- the use of departmental day-books and accounts
- the allocation of expenses and gains
- departmental trading, profit and loss account
- inter-departmental transfers.
- On completion the student should be able to
- allocate expenses and gains in an acceptable manner
- complete departmental trading and profit and loss accounts
- treat inter-departmental transfers
- advise the management of the organisation on the performance of
- departments (**HL**).

8.6.5 Farm Accounts

The student is introduced to

- purpose of farm accounts
- types of farm enterprise
- stock valuation
- analysed receipts and payments account
- enterprise analysis account.

On completion the student should be able to:

- draw up an analysed receipts and payments account
- complete a trading and profit and loss account and balance sheet
- draw up an enterprise analysis account
- make management decisions based on the above (**HL**)

8.7 **Incomplete Records**

The student is introduced to

- why incomplete records arise
- the preparation and presentation of final accounts of firms whose records are incomplete, using control accounts
- the preparation and presentation of profit statements from incomplete records, using net worth method
- the effects of drawings and introduction of capital on net worth
- the preparation and presentation of profit statements from incomplete records, using mark-up and margin method (**HL**).

On completion the student should:

- understand the uses of this system
- understand its drawbacks
- be able to prepare final accounts after calculating purchases and sales figures and taking into account changes in capital, expenses and gains.
- be able to compute net worth at beginning and end of trading period and use these figures to compile statements of profit or loss
- be able to identify and account for accruals and prepayments, to distinguish between and account for private and business expenditure and identify capital introductions

- be able to use ratios, percentages and given data to compute necessary figures for the preparation in detail of final accounts and balance sheet (**HL**),

8.8 **Cash Flow Statements**

- The student is introduced to
- the importance of cash flow statements
- the distinction between profit and cash
- the distinction between items that do and do not involve the movement of cash
- the different sources of cash inflows and outflows
- the impact of the movement in working capital on cash flows
- the preparation of simple cash flow statements.

On completion the student should

- understand the importance of cash flow statements/data
- be able to explain the difference between profit and cash
- be able to identify and treat items not involving the movement of cash
- be able to identify and classify the sources of cash inflows and cash outflows
- be able to prepare a simple cash flow statement
- be able to advise the management on the organisation's financial position using cash flow statements (**HL**)

8.9 Analysis and Interpretation of Financial Statements

The student is introduced to

- objective of analysis and interpretation of financial statements
- definition, calculation and role of accounting ratios
- users and their interest in accounting ratios
- limitations of ratio analysis
- classification of ratios
 - profitability and efficiency ratios
 - working capital ratios
 - liquidity/solvency ratios
 - gearing ratios
 - investment ratios
- interpreting the findings of ratio analysis
- presentation of reports **(HL)**.

On completion students should:

- understand the role and limitations of ratio analysis
- be able to calculate ratios and percentages
- be able, at appropriate levels of ability, to comment on ratios
- be able to write reports commenting on the financial strengths and weaknesses of a company's trading operations and financial management of working capital and long term funds **(HL)**.

8.10 Management Accounting

The student is introduced to

- the nature and scope of management accounting
- the relationship of management accounting to financial accounting
- the role of management accounting in an organisation
- cost classifications

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- Manufacturing and non-manufacturing costs
- Direct and indirect costs
- Product costs and period costs
- Fixed and variable costs
- Mixed, step-fixed and step-variable costs (**HL**)
- Controllable and uncontrollable costs (**HL**)
- Product costing
- Cost - Volume - Profit Analysis: concept of contribution, break- even point, margin of safety, break-even charts, limitations
- Sensitivity analysis (HL)

Budgetary Planning and Control

- Nature, objectives and advantages of budgeting
- Role of line management in budget formulation and the identification of the principal budget factor
- Preparation of the master budget and supporting subsidiary budgets, including sales, production, raw materials, purchases, direct labour, factory overhead, non-factory expense and closing stock budgets. Cash budgeting. Budgeted profit and loss account and balance sheet
- Comparison of actual with budget
- Flexible budgeting (HL).

On completion the student should

- be able to define management accounting and outline its relationship to financial accounting
- be able to discuss the different types of cost behaviour patterns that can arise in an organisation

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- be able to compute break-even points, contribution margin and margin of safety, and to draw a break-even chart
- be able to compute the cost of a product
- be able to prepare a master budget together with subsidiary budgets
- be able to outline the importance of budgetary control in an organisation (**HL**)

8.11 *Information Technology and Computer Applications in Accounting*

The student is introduced to

- the importance of information technology in the accounting environment. Particular emphasis will be placed on spreadsheet application in dealing with specific areas of the accounting syllabus.

On completion the student should

- have an adequate knowledge of the role of computers and information technology in a modern business
- be able to use computers to deal with specific areas of the syllabus.