*The following document is designed to be used in conjunction with the subject outline. It provides descriptive detail for each of the key ideas through identified student learning for each. It can be used as a planning tool for teachers and it serves as a checklist which can be used as each topic is covered.*

**TOPIC 1 – THE ENVIRONMENT OF ACCOUNTING**

The production of accounting information is underpinned by key concepts and principles that are governed by internationally accepted standards and practices.

This topic enables students to gain an understanding of the role and process of accounting, and the local, national, and global factors that influence decision-making in accounting.

Students identify how the nature and purpose of an accounting entity determine the level and nature of accounting information required. Students recognise that accounting information is used by a range of internal and external users.

Students will need to understand how and why decision-making occurs. Students will also need to recognise that social and ethical issues affect decisions, and that decisions will have social and ethical implications.

Students will need to appreciate the use of technology throughout the accounting process.

The key ideas in Topic 1 and considerations for developing teaching and learning strategies are designed to be developed and integrated throughout each of the three topics.

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| **KEY IDEAS** | **INTENDED STUDENT LEARNING** | **DONE** |
| **The role of accounting** | Understand that accounting provides financial information for:   * Controlling resources * Decision-making * Discharging accountability |  |
| **The accounting process** | Know that the accounting process involves:   * Identifying * Collecting * Processing * Reporting * Analysing data * Interpreting data |  |
| **Accounting entities** | Identify accounting and legal entities for:   * Sole traders * Partnerships * Limited companies, private and public * Incorporated and unincorporated associations   Identify the main features and structure of:   * Sole traders * Partnerships * Limited companies, private and public * Incorporated and unincorporated associations |  |
| **Influences on production of accounting information** | Appreciate the origins of accounting concepts  Understand the influence of the Accounting Conceptual Framework.  Understanding that global issues impact on the Accounting Conceptual Framework  Understand the meaning, application and interrelationships of the following accounting concepts and principles.   * Accounting entity * Accounting period * Accrual accounting * Consistency * Duality * Going concern * Historical cost * Materiality * Monetary * Prudence * Realisation * Relevance * Reliability   Understand the influence of the needs of the accounting entity  Understand the influence of social and ethical issues  Identify influences of   * The Australian Securities and Investment Commission * The Australian Stock Exchange listing requirements * The Corporations Act 2001 (Commonwealth) |  |

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| **Internal / external users** | Identify the internal users of accounting information:   * Owners/partners * Managers * Board of directors   Identify the external users of accounting information (main types are):   * Current / potential   + Creditors   + Investors   + Shareholders   + Lenders   + Employees and trade unions   + Customers   + General public   + Stock exchange   + Taxation authorities |  |
| **Decision-making** | Understand the role of accounting in the decision-making process which involves:   * Identification of a problem or situation * Examination of alternatives * Quantitative and qualitative information * Financial and non-financial information * Implications of relevant ethical and social issues   + Personal and social values   + Environmental impact studies   + Ethical investments   + Technological developments * Developing a strategy for implementation * Evaluation and feedback |  |
| **Social and ethical considerations** | Understand that social and ethical issues may result from accounting decisions   * Changes in working conditions * Advantages or disadvantages to different groups in society * Non-disclosure or distortion of information to shareholders or creditors * Impact on the physical environment |  |
| **Technology** | Understand how technology helps throughout the accounting process   * The monitoring of assets * The timely recording of transactions and reporting of results * Improvements to the availability, communication and analysis of accounting information * The establishment of simulations |  |

**TOPIC 2: FINANCIAL ACCOUNTING**

In this topic students will be required to have a working knowledge of the dual effects that transactions have on the accounting equation. It will therefore be necessary for students to develop an understanding of debit and credit and the nature of accounts in order to record the changes that occur after each transaction. Students should be able to construct an account in order to record the effects of transactions. It is necessary for students to have conceptual knowledge of the whole double-entry recording process and to be able to record transactions in the general journal as well as to construct accounts. Students will not be required to construct specialised journals. Students should be able to work from a list of given accounting information (including journals and accounting balances) to make adjustments and prepare accounting reports.

Students are required to generate General Purpose Financial Reports (Balance Sheet, Income Statement and Statement of Cash Flows) for a sole trader from accounting information.

Students are required to analyse and interpret reports of other business entities and the use of Special Purpose Financial Reports.

Students should be able to recognise the influence of accounting concepts in the treatment of accounting information in the preparation of accounting reports.

Students should recognise that local, national and global issues impact on the requirements of accounting reports.

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| **KEY IDEA** | **INTENDED STUDENT LEARNING** | **DONE** |
| **The Balance Sheet** | | |
| **Purpose of** | Understand that it is a statement of financial position |  |
| **Information** | Know the balance sheet is a representation of the accounting equation.  Know the concept of duality showing the effects of transactions on the balance sheet  Know that the components are: assets – current and non-current; liabilities – current and non-current and owner’s equity |  |
| **Income Statement** | | |
| **Purpose of** | Understand that it is a statement which shows how the profit/loss was ascertained and performance of the entity |  |
| **Information** | Know the components are revenues and expenses – both cash and credit  Know the classification of the components for service entities  Know the classification of the components for trading entities – revenues, cost of goods sold, gross profit, other revenues, selling, administrative and financial expenses. |  |
| **Statement of Cash Flows** | | |
| **Purpose of** | Understand that it is a statement which shows the sources of cash inflows and outflows. |  |
| **Information** | Know the classification of operating, investing and financing inflows and outflows.  Recognise cash versus accrual (especially for operating inflows and outflows).  Recognise the distinction between net profit and a change in the cash position. |  |
| **Influences on the preparation of accounting reports** | Recognise the accounting concepts relevant to the preparation of the accounting reports.  Apply the accounting concepts in the preparation of the accounting reports.  Recognise the limitations of accounting concepts when analysing and interpreting the reports. |  |
| **Differences in accounting reports for different entities** | Demonstrate an understanding of the reporting needs of a range of accounting entities.  Identify the similarities and differences in the reports of sole traders, partnerships and public companies. |  |

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| **Reports for sole traders** | Prepare and generate classified accounting reports from accounting information for a sole trader.  Prepare general journal entries to record balance day adjustments for prepayments and accruals of expenses and revenues.  Prepare general journal entries for balance day adjustments to prepayments, to record revenue and expense.  Prepare classified final reports taking into account adjustments for prepayments and accruals of expenses and revenues. |  |
| **Analysis** | Describe how accounting reports are analysed by various users of accounting reports  Calculate ratios to measure return and risk – see ratio sheet. |  |
| **Interpretation for decision-making** | Understand the ratios and their meanings  Describe the relationship of items within financial statements using:   * Vertical analysis * Horizontal analysis * Trend analysis   Compare results with:   * Budgets * Competitors * Other economic indicators   Describe how accounting information is analysed and interpreted by various users of accounting reports.  Comment on results of findings, taking into consideration:   * Accountability * Social issues * Legal issues * Ethical issues   Analyse and interpret accounting information for different accounting entities. |  |
| **Limitations to consider when analysing and interpreting reports** | * Monetary unit * Historical cost * Consistency * Prudence * Accounting period. |  |

**TOPIC 3: MANAGEMENT ACCOUNTING**

Students must recognise that in order to control the assets of the business, records must be kept.

Students are required to understand the double entry process in which data from a variety of sources are used for the control of assets. It is necessary for students to record transactions in the general journal as well as to construct ledger accounts. Knowledge of specialised journals will be required, however, the construction of specialised journals will not be required.

Students should be able to recognise the influence of accounting concepts in the treatment of assets.

Planning is needed for establishing goals, monitoring and evaluating progress. Planning can include the calculation of break-even point, preparing cash budgets, comparing actual and planned performance.

Students will be required to analyse and interpret how managers plan and control a business in order to make decisions.

Students are required to understand that funds can be obtained from internal and external sources, the nature of those funds and the implications on the business for using different types of funding.

Students are required to understand how technology helps in the control of assets.

Students will need to understand how and why decision-making occurs. Students will also need to recognise that social and ethical issues affect decisions, and that decisions will have social and ethical implications.

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| **KEY IDEA** | **INTENDED STUDENT LEARNING** | **DONE** |
| ***Current Assets*** | | |
| ***Inventories*** |  |  |
| **Perpetual method of recording inventory** | Prepare perpetual inventory records using:   * Inventory cards using   + Identified cost method   + First-in-first-out method * Ledger accounts   + Inventory control account   + Cost of goods sold account |  |
| **Inventory adjustment** | Record stock adjustments (losses and gains)   * On the stock card * In the general journal * In the inventory control account * In the inventory adjustment account * In the cost of goods sold section of the income statement   Justify the use of this method of recording inventory. |  |
| **For both physical and perpetual methods** | Understand the role of the stocktake. |  |
| **Control procedures** | Understand inventory control procedures for:   * Monitoring * Storage * Security * Turnover |  |
| **Influences on the treatment of inventory** | Recognise and apply accounting concepts relevant to inventory.  Apply the ‘lower of cost or net realisable value rule’.  Recognise the limitations of accounting concepts when accounting for inventory. |  |
| **Analysis** | Calculate the inventory turnover. |  |
| **Interpretation for decision-making** | Comment on the inventory turnover calculation.  Evaluate the inventory turnover. |  |
| **Social and ethical considerations** | Understand that social and ethical issues may result from accounting decisions. |  |
| **Technology** | Understand how technology helps in the monitoring and control of inventory. |  |
| ***Debtors*** | | |
| **Debtors Control and Debtors’ subsidiary ledgers** | Prepare:   * General journal entries to record adjustments to debtors accounts and debtors control account * Debtors control account * Debtors subsidiary ledger accounts * Schedule of debtors. |  |
| **Bad and Doubtful debts** | Distinguish between bad and doubtful debts  Prepare general journal entries to:   * Write off bad debts * Create an allowance for doubtful debts * Adjust an existing allowance for doubtful debts – total bad debts are transferred to an existing allowance account.   Prepare classified final reports taking into account bad debts, doubtful debts and an allowance for doubtful debts. |  |

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| **Control procedures** | Understand credit control procedures for:   * Screening debtors * Determining credit limits * Providing incentives to pay * Applying penalties for late payment |  |
| **Influences on debtors** | Recognise and apply accounting concepts relevant to debtors.  Recognise the limitations of accounting concepts when accounting for debtors. |  |
| **Analysis** | * Calculate debtors turnover. * Recognise and understand ageing analysis reports |  |
| **Interpretation for decision-making** | Comment on debtors turnover.  Comment on ageing analysis.  Evaluate debtors turnover and ageing analysis. |  |
| **Social and ethical considerations** | Understand that social and ethical issues may result from accounting decisions. |  |
| ***Cash*** | | |
| **Recording Cash** | Recognise specialised cash journals – simple and columnar  Record cash receipts and cash payments in the ledger. |  |
| **Controlling Cash** | Understand the nature and importance of cash  Demonstrate an understanding of the control over cash.  Bank reconciliation statements   * Understand the need to prepare bank reconciliation statements * Reconcile the business’ cash records with the bank statement * Prepare Bank Reconciliation Statement   Cash Budgets   * Understand the need for cash budgets * Prepare cash budgets   Compare actual and planned performance.  Understand procedures used to improve and / or control the cash flow of a business. |  |
| **Break-even** | Calculate break-even point  Comment on implications of break-even |  |
| **Sources of Funds** | Recognise and evaluate External and Internal sources of funds   * Costs * Benefits * Risks * Short term * Long term   Recognise the implications for an entity of using borrowed funds. |  |
| **Social and ethical considerations** | Understand that social and ethical issues may result from accounting decisions. |  |

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| ***Non-current assets*** | | |
| **Asset register** | Understand the use of an asset register. |  |
| **Depreciation** | Recognise the need to account for depreciation.  Calculate depreciation using:   * Straight line * Diminishing balance * Units of use   Justify the use of each of the three methods for the depreciation of non-current assets.  Prepare:   * General journal entries to record depreciation. * Adjustments for depreciation in the income statement * Accumulated depreciation in the balance sheet. * Adjustments to the accumulated depreciation in the balance sheet. * Classified final reports taking into account depreciation and accumulated depreciation. |  |
| **Influences on treatment of non-current assets** | Recognise and apply accounting concepts relevant to non-current assets.  Recognise the limitations of accounting concepts when accounting for non-current assets. |  |
| **Technology** | Understand how technology helps in the monitoring and control of non-current assets. |  |