

Scottish Certificate of Education

**Standard Grade Arrangements in
Accounting and Finance**

At Foundation, General and Credit Levels in and after 1992

1990

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Introduction

The Arrangements for Accounting and Finance on the Standard grade of the Scottish Certificate of Education are based on a Report of a Joint Working Party (JWP) of the Scottish Examination Board and the Scottish Consultative Council on the Curriculum (SCCC) which was issued to interested bodies for comment in June 1989.

In finalising the Arrangements, the JWP and the Business Studies and Economics Panel of the Board have taken account of the submissions received from interested bodies. Where appropriate, aspects of the proposals contained in the Report have been clarified and modified in the light of these responses.

The Standard Grade examination in Accounting and Finance at Foundation, General and Credit Levels will be offered in and after 1992 on the basis of the Arrangements detailed in this document.

1 Rationale

- 1 1 The need for young people to learn how to manage effectively their own finances, their involvement in clubs, societies, trade unions and small enterprises, and the increase in the numbers who have become self-employed, have underlined the desirability of including a study of accounting in the curriculum. If they are to play a full part in any of these fields, or at least to minimise their personal risks, they will require some knowledge and understanding of accounting and finance.
- 1 2 The Standard Grade course in Accounting and Finance differs significantly from the present Ordinary Grade Accounting course. It has been broadened in scope to include aspects of finance such as money as a corporate resource, the different sources and types of funds, and financial management. It reflects the movement of accounting from a traditional, procedural base, which encompasses record-keeping and such related work as the preparation of budgets and final accounts, towards the adoption of a role which emphasises its importance in the provision of information for decision making. The rapid increase in the 1980s in the development and use of microcomputers in accounting has been recognised by a reduced emphasis in memorised procedures and the routine book-keeping aspects of the subject. There is now a greater stress on computer applications, on the analysis of information, on the role of accounting in business, and on the organisation and operation of business enterprises.
- 1 3 A study of Accounting and Finance brings with it a range of benefits. Pupils will be encouraged to have a regard for accuracy and precision, and they will be given the opportunity to relate numeracy to real life while analysing and interpreting information in numerical terms. They will gain a perception of the sources and deployment of financial resources, while their skills in data handling and the presentation of accounting statements will be extended and consolidated.
- 1 4 Accounting draws upon knowledge and skills associated with other cognate areas (for example, economics) and quantitative techniques which have their origins in mathematics. Having its roots in human behaviour and a concern for the logic of numbers, Accounting and Finance seeks to identify, measure and communicate economic information to permit informed judgements and decisions by the users of the information.

The course will provide pupils with opportunities to engage in practical accounting applications using microcomputers. The use of spreadsheets (ie computerised analysis sheets), for example, has largely taken over the role of manually-prepared numerical analysis and should be regarded as an essential addition to the tools available when learning and teaching accounting. It is considered important to approach the theoretical aspects of the subject through a variety of practical applications which will help to fix the concepts firmly in the pupils' minds. Coursework and projects are regarded as key elements in developing the new process skills referred to in SED Circular 1107 - "... to deal with ways in which computers are put to specialist uses in industry and commerce".

- 1 5** The course is in accordance with the process-based approach of a number of Standard Grade courses. It will provide opportunities to apply aspects of technological activities incorporated in Technical and Vocational Education Initiative courses and in the Mathematical Studies and Applications, and the Technological Activities and Applications modes as suggested in "Curriculum Design for the Secondary Stages - Guidelines for Headteachers" (SCCC, 1989). It should also constitute a basis for continuing education.

2 Course Aims, Objectives and Assessable Elements

2.1 Course Aims

The course aims to develop:

a broad appreciation of the contribution of accounting and finance to industry and commerce;

knowledge and understanding of the role of accounting and finance in personal, social and business contexts;

a systematic approach to solving problems and making decisions;

an appreciation of the need for orderliness in the presentation of information;

those transferable skills and techniques relevant to accounting and finance which will equip young people for entry into adult life.

2.2 Course Objectives

The course objectives are to develop:

knowledge and understanding of the main types of not-for-profit and business organisation;

knowledge and understanding of sources of finance available to individuals and not-for-profit organisations and to businesses;

knowledge and understanding of the principles underlying accounting procedures and application of such principles in processing accounting information;

the skills required to prepare, present and analyse final accounts and other financial statements;

the skills required to use financial information in the context of decision making, planning and control;

a practical introduction to the use of microcomputers in handling financial information.

2.3 Assessable Elements

The knowledge, skills and processes, and practical applications contained within the course objectives can be conveniently classified under three headings: Knowledge and Understanding, Handling Information and Practical Abilities. These are the assessable elements of the course under which pupil performance will be assessed and reported.

Knowledge and Understanding

This element is concerned with the acquisition of knowledge and understanding of the main forms of not-for-profit and business organisations, sources of finance, and of the principles underlying accounting procedures.

Handling Information

This element is concerned with the development of those skills and techniques required to process, analyse, interpret and present financial information as a basis for making decisions.

Practical Abilities

This element is concerned with the application of knowledge and understanding and of skills and techniques to the flow of accounting information in simulated personal, social and business situations.

The simulation will take the form of a project. A nominated part of the project will require candidates to process accounting information on a microcomputer using a simple spreadsheet format (see Appendix II).

3 Course Content

3 1 Introduction

The syllabus is designed in terms of key areas and related specific objectives which must be covered to allow pupils to achieve the aims and course objectives. The key areas represent the broad areas of content within which knowledge and skills are developed and assessed. The specific objectives represent what the pupils should be able to achieve within each of the key areas and act as a focus for assessment.

3 2 Key Areas and Specific Objectives

The key areas are not listed in a prescriptive teaching order.

<i>KEY AREAS</i>	<i>SPECIFIC OBJECTIVES</i>
1 Personal finance.	Identify the main forms of income and saving. Identify the main sources of borrowing.
2 Characteristics of sole traders, partnerships, limited companies and not-for-profit organisations.	Identify features of: ownership and liability, management and control. Decide upon appropriate forms of ownership structure for given situations. Identify sources of finance. Select appropriate sources of finance for given situations.
3 Common business documents and ledger entries.	Classify documents and explain their use. Use appropriate sources of information to complete a blank document allowing for trade and cash discount, and VAT. Record transactions in ledger accounts.
4 Accuracy of ledger accounts and correction of errors; bank reconciliation statements.	Check the accuracy of ledger accounts by means of a trial balance. Make ledger entries necessary to correct errors. Prepare a bank reconciliation statement.

<i>KEY AREAS</i>	<i>SPECIFIC OBJECTIVES</i>
5 Revenue statements showing distribution of profit.	<p>Distinguish between capital and revenue expenditure.</p> <p>Prepare revenue accounts to show profit and its distribution (ie trading account, profit and loss account, and profit and loss appropriation account where required).</p>
6 Balance sheets.	<p>Prepare a balance sheet which distinguishes between fixed assets and net current assets, and shows how the business is financed.</p>
7 Financial statements of not-for-profit organisations.	<p>Prepare financial statements to show cash movements throughout the year.</p> <p>Prepare financial statements to show surpluses, deficits and accumulated funds (ie receipts and payments account, and income and expenditure account).</p>
8 Cash flow statements.	<p>Recognise the need for liquidity.</p> <p>Prepare cash flow statements.</p> <p>Make appropriate decisions based on cash flow statements.</p> <p>Recognise that profit is not necessarily measured in cash terms only.</p>
9 Accounting ratios.	<p>Calculate and interpret ratios.</p> <p>Compare ratios with those of previous years and other firms.</p> <p>Use ratios to forecast future performance and to compile estimated profit statements.</p>
10 Break-even analysis.	<p>Distinguish between fixed and variable costs.</p> <p>Ascertain a break-even point.</p> <p>Calculate profit/loss.</p> <p>Make appropriate decisions based upon break-even analysis.</p>

4 Course Design

4.1 General Considerations

The course should pursue the aims and objectives through appropriate learning experiences and activities related to each of the key areas.

When planning the course, teachers should take account of:

the performance levels required for the award of particular grades, ie the Extended Grade Related Criteria (EGRC) for each of the three elements;

those aspects of the course which will be assessed externally;

the nature of the course work on which internal assessment will be based.

4.2 Specific Considerations

The course is intended to be offered over a period of 160 hours spread over two school years.

A single course should be designed for all pupils, taking account of the need to cope with groups of pupils of different levels of ability.

Whatever kind of class organisation is selected by a department, teachers should differentiate in a variety of ways for the benefit of individuals and groups. This should involve:

reference to the Extended GRC to inform decisions regarding standards of work which pupils will be expected to undertake;

selection and provision of learning materials appropriate to the different levels of attainment;

decisions regarding which learning and teaching approaches should be adopted;

variation in the pace of teaching and in the level of support provided.

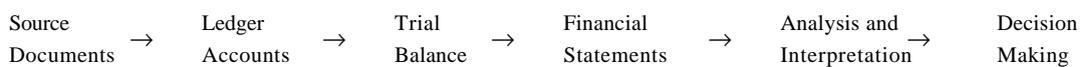
4.3 Accounting Concepts

The four fundamental accounting concepts identified in "Statements of Standard Accounting Practice 2" (issued by the Accounting Standards Steering Committee) of "going concern", "accrual", "consistency" and "prudence", are applicable to most of the key areas and permeate the course. Pupils will not be expected to define or explain the accounting concepts. Through the work undertaken in the course, they should be aware of the existence and the applicability of the concepts to the preparation of financial accounts.

4 4 Design of the Course

The course should be designed to allow for the development of the three elements - Knowledge and Understanding, Handling Information and Practical Abilities.

The course is developed from a syllabus made up of key areas and related specific objectives (see Section 3). The key areas, or parts of the key areas, and specific objectives should be arranged in a teaching order which emphasises the flow of information through an accounting system. Those specific objectives which relate directly to a stage in the flow will be covered on several occasions in a number of contexts. The other specific objectives may be treated as separate activities or may be linked to the flow as considered appropriate. The flow of accounting information may be summarised as follows:



Source Documents need not be the starting point for the course. Some teachers may prefer to begin with a later stage in the flow such as Ledger Accounts or Financial Statements. Whichever starting point is chosen, it is important that pupils are aware of the place and significance of what they are doing to the other stages in the processing of accounting information.

A possible approach would be to have as the starting point the sources of finance available to a local sole trader. Assets required to start up a business are listed in the form of a financial statement, which is subsequently amended to show the effect of simple business transactions.

This may be developed into the preparation of accounts with transactions being processed through these accounts and trading and profit and loss accounts being prepared. This flow of information through accounting records can be further developed to include the preparation of accounts from source documents, the recording of discounts and the preparation of a trial balance to provide a check on the recording of information. The same model can be used for partnerships, limited companies and not-for-profit organisations. This approach can also be incorporated within the overall context of setting up a business, running the business and analysing the information produced.

The key areas and specific objectives may be set out as a number of activities or related lessons, linked together to form units of work.

In planning each unit of work, consideration should be given to the following:

the context;

the time allocation;

the specific objectives to be undertaken;

the assessable element(s) involved;

the activities to be carried out by the pupils;

the learning and teaching approaches to be adopted;

the resources to be used and, especially, the opportunities to incorporate the use of microcomputers;

the assessment evidence to be collected;

the assessment techniques and procedures to be employed.

5 Assessment for Certification

5 1 Certification

Candidates will be assessed by a system common to all Levels.

The Certificate will record an overall award on a 7-point scale of grades, grade 1 being the highest. The Certificate will also record attainment in each assessable element. The overall award will be derived from the mean of the element grades, each element having equal weighting.

5 2 Pattern of Assessment

Awards in Knowledge and Understanding and in Handling Information will be based on external assessment, using written examination papers.

Awards in Practical Abilities will be based on internal assessment of a project. The internal assessments will be subject to external moderation by Moderators appointed by the Board.

5 3 External Assessment of Knowledge and Understanding and of Handling Information

5 3 1 The Examination

Three external papers designated as Foundation, General and Credit will be offered as follows:

<i>Paper</i>	<i>Grades Assessed</i>	<i>Time Allocation</i>
Foundation	6, 5	1¼ hours
General	4, 3	1½ hours
Credit	2, 1	1¾ hours

In all papers the elements Knowledge and Understanding and Handling Information will be assessed, with equal weighting being given to each element, although the totals of marks allocated to each element within a paper may differ slightly. The questions set will sample the key areas and specific objectives.

A mark will be allocated to each question, and a total mark obtained for each element. The two grades associated with each Level will be distinguished by setting two cut-off scores for each element. The lower score will reflect a satisfactory overall standard of performance within the Level, the upper score a high overall standard of performance.

Examination questions will adopt the running balance form of ledger account, and the vertical form of final accounts and balance sheet. Candidates' work will be accepted in other standard forms.

5 3 2 Presentation for External Papers

Candidates presented for the examination may attempt the written papers at two adjacent Levels, ie, Foundation and General or General and Credit, but may not attempt both the Foundation and Credit Level papers in any element(s). Candidates are not obliged to attempt papers at two Levels but in most cases are strongly advised to do so, since, other than as the result of an appeal, candidates can only be awarded one of the grades assessed by the paper(s) attempted, or grade 7 for the element(s) concerned. Candidates who attempt papers at two Levels will be awarded the better of the two grades achieved on these papers. Performance at one Level will not be taken into account in grading at the other Level.

The following table may be a helpful guide to papers which candidates are advised to attempt:

<i>Expected External Grade</i>	<i>Papers</i>	<i>Grades Assessed</i>
7, 6	Foundation	6, 5
5, 4	Foundation and General	6, 5, 4, 3
3, 2, 1	General and Credit	4, 3, 2, 1

This arrangement allows in each case for the award of a grade higher or lower than expected (except at grades 1 and 7 respectively). A candidate expected to achieve either grade 7 or grade 6 may attempt both the Foundation and General Level papers.

Irrespective of external papers attempted, the full range of grades is available for the internally assessed element Practical Abilities.

5 3 3 Estimates

Presenting centres must submit to the Board, by 31 March of the year of the examination, an estimate grade for each candidate for each of Knowledge and Understanding, and Handling Information. The teacher should determine the estimate grades on the basis of the candidate's actual work. Estimates may be used by the Board for its internal procedures, including such cases as absence from external examinations, adverse circumstances and appeal. Evidence in support of these estimates should be retained by centres for submission to the Board if required.

5 4 Internal Assessment of Practical Abilities

5 4 1 Introduction

Practical Abilities will be internally assessed by means of a project undertaken towards the end of the course. The work carried out in connection with the project must be done by the individual candidate concerned.

The project gives candidates the opportunity to apply their knowledge and skills to processing the flow of accounting information from source documents to final accounts and the analysis and interpretation of financial statements.

Three projects will be offered by the Board, one at each of the three Levels, Foundation, General and Credit. Each project will be designed to occupy approximately 15 hours of class time. The Board will issue the projects towards the beginning of the second year of the course, by which time teachers and candidates should be in a position to determine which Level of project is appropriate. It is expected that teachers will monitor the progress of candidates at various stages throughout the project so as to confirm that the appropriate Level of project is being undertaken.

Each project will be based on the stages in the flow of information given in 4.4. Within each project the stages in the flow of information will be grouped in the following areas:

- A: Source Documents to Trial Balance;
- B: Financial Statements;
- C: Analysis, Interpretation and Decision Making.

For each one of the above areas a weighting will be given which should be applied when marking the project. Teachers should allocate marks to each area in accordance to the weightings given. The marks allocated to an area may differ between centres but the overall weight given to each area should be as stated for the project. More emphasis will be placed on the analysis and interpretation of accounting information at each subsequent Level of the project, with greater weight being given to this area of the project at General Level than at Foundation Level, and at Credit Level than at General Level.

At all three Levels, candidates should be able to load, input, edit and print accounting information using a given spreadsheet format. Each project will contain one nominated stage which must be completed using a microcomputer. However, candidates may opt to use a microcomputer at other stages.

Practical Abilities will be assessed by marking the project, the final grade being arrived at by reference to given cut-off scores (see 5.4.3 below) and the amount of teacher assistance.

5.4.2 Clarification and Assistance

It is important that teachers should distinguish between clarification and assistance. Where a candidate is experiencing difficulties, clarification is perfectly acceptable and should not affect the award. A candidate may be "pointed in the right direction" or encouraged to refer to notes, to similar exercises covered in the class, or to sections of appropriate textbooks.

Where, however, attempts to clarify any particular situation fail and the candidate needs help in order to work through and complete a part or parts of the project, then this is clearly teacher assistance. Where the amount of such assistance is substantial, then both the candidate and the teacher must decide if the project being attempted is appropriate. Such a consideration is

particularly important in the early stages of a project so that movement from one project to another will not be costly in terms of time.

5 4 3 Determination of Grades

The teacher should assess the project and arrive at a total percentage mark. A provisional grade should then be awarded to each candidate's project. Where a candidate achieves 75% or more of the total marks allocated to the project, the upper of the two grades appropriate to the Level should be awarded, ie grade 1 at Credit Level, grade 3 at General Level and grade 5 at Foundation Level. Where a candidate achieves between 50% and 74% of the total marks allocated to the project, the lower of the two grades should be awarded, ie grade 2 at Credit Level, grade 4 at General Level and grade 6 at Foundation Level. For the Credit Level and General Level projects there is provision for the award of grade 3 at Credit Level and grade 5 at General Level where a candidate achieves between 40% and 49% of the total marks allocated to the project. At Foundation Level, where a candidate achieves less than 50% of the total marks allocated to the project, grade 7 should be awarded.

Where the grade has been attained without teacher assistance, that grade should be confirmed as the final grade to be awarded.

However, where the grade is achieved with teacher assistance, the teacher assistance, the teacher has to determine whether or not the assistance given has been sufficient to affect the grade awarded, ie if that assistance had not been given, would the candidate have achieved a lower grade? If the degree of assistance is such as to have affected the grade awarded, a grade lower than the provisional grade should be awarded as the final grade. For example, a candidate gaining, with teacher assistance, 62% of the available marks and therefore a provisional grade 4 on a General project should be awarded a final grade 4 or 5; grade 4 where the teacher considers that the assistance has not affected the grade awarded and grade 5 where the teacher considers that the assistance given has done so. A candidate gaining, with teacher assistance, a provisional grade 3 on a Credit project or 5 on a General project may be awarded a final grade 3 or 7 at Credit Level or a final grade of 5 or 7 at General Level, depending on the degree of assistance given.

Where a candidate achieves, with or without teacher assistance, less than 40% of the total marks allocated to the project, grade 7 should be awarded.

The following table shows the relationship between marks and grades.

Percentage of available marks	Foundation Level	General Level	Credit Level
75-100	5	3	1
50-74	6	4	2
40-49	7	5	3
0-39	7	7*	7*

*Grades 6 and 4 are not available at General and Credit Levels respectively.

5 4 4 Moderation of Internal Assessment

The prime purpose of moderation is to ensure that in carrying out internal assessments a national standard applies to all centres.

The projects of a sample of candidates at each centre, selected in accordance with guidelines provided by the Board, will require to be submitted to the Board so that checks on the grades awarded may be applied.

5 5 Grades 7 and No Overall Award

For any element, grade 7 will indicate that the candidate has, in the element concerned, completed the course but has not demonstrated achievement of any specified level of performance as defined by the Grade Related Criteria.

The Board will regard the submission of an estimate grade for an externally assessed element as evidence that the course has been completed in that element.

Candidates, who have not complied with the assessment requirements in any element (eg due to unauthorised absence from the external examination, failure to submit a project or to carry out the nominated stage on a microcomputer), will be deemed not to have completed the course in that element. Such a candidate **will not receive a grade** for that element and hence **will not receive an overall award** for the subject. In such cases, however, if a grade is gained for any other element, that grade will be recorded on the Certificate.

6 Grade Related Criteria

6.1 Definition

Grade Related Criteria (GRC) are positive descriptions of performance against which a candidate's achievement is measured. Direct comparisons are not made between the performance of one candidate and that of another.

6.2 Application of GRC

GRC are defined at three Levels of performance: Foundation, General and Credit.

Awards will be reported on six grades, two grades being distinguished at each Level. The upper of the two grades at a given Level will be awarded to candidates who meet the stated criteria demonstrating a high standard of performance, the lower grade to those who demonstrate a lower, but still satisfactory, standard of performance. Special arrangements apply to the projects (see 5.4.3).

(There will be a seventh grade for candidates who complete the course but fail to meet the criteria for any Level.)

6.3 Types of GRC

Summary GRC are broad descriptions of performance. They are published as an aid to the interpretation of the profile of attainment by candidates, parents, employers and other users of the Certificate.

Extended GRC are more detailed descriptions of performance. They are intended to assist teachers in making their assessments for each element and in identifying targets for course construction, and by examiners when conducting external assessment.

6.4 Knowledge and Understanding - Summary GRC

Foundation Level (grades 6, 5)

The candidate has demonstrated basic knowledge and understanding of the main forms of not-for-profit and business organisations, sources of finance, and the principles underlying accounting procedures.

General Level (grades 4, 3)

The candidate has demonstrated knowledge and understanding of the main forms of not-for-profit and business organisations, sources of finance, and the principles underlying accounting procedures.

Credit Level (grades 2, 1)

The candidate has demonstrated extensive knowledge and understanding of the main forms of not-for-profit and business organisations, sources of finance, and the principles underlying accounting procedures.

6 5 Handling Information - Summary GRC

Foundation Level (grades 6, 5)

The candidate has demonstrated ability to apply accounting principles in the presentation, analysis and interpretation of basic financial information, and to make decisions based on that analysis.

General Level (grades 4, 3)

The candidate has demonstrated ability to apply accounting principles in the presentation, analysis and interpretation of financial information, and to make decisions based on that analysis.

Credit Level (grades 2, 1)

The candidate has demonstrated ability to apply accounting principles in the presentation, analysis and interpretation of complex financial information, and to make decisions based on that analysis.

6 6 Practical Abilities - Summary GRC

Foundation Level (grades 6, 5)

By carrying out a project which requires the processing and analysis of straightforward information, the candidate has demonstrated ability to apply knowledge and understanding and skills in handling information.

General Level (grades 4, 3)

By carrying out a project which requires the processing and analysis of information, the candidate has demonstrated ability to apply knowledge and understanding and skills in handling information.

Credit Level (grades 2, 1)

By carrying out a project which requires the processing and analysis of complex information, the candidate has demonstrated the ability to apply knowledge and understanding and skills in handling information.

6 7 Descriptions of Grades

These describe performance within Levels. They apply to each element.

- | | |
|---------|--|
| Grade 6 | The candidate has met the criteria for Foundation Level, demonstrating a satisfactory overall standard of performance. |
| Grade 5 | The candidate has met the criteria for Foundation Level, demonstrating a high overall standard of performance. |
| Grade 4 | The candidate has met the criteria for General Level, demonstrating a satisfactory overall standard of performance. |
| Grade 3 | The candidate has met the criteria for General Level, demonstrating a high overall standard of performance. |
| Grade 2 | The candidate has met the criteria for Credit Level, demonstrating a satisfactory overall standard of performance. |
| Grade 1 | The candidate has met the criteria for Credit Level, demonstrating a high overall standard of performance. |

6 8 Knowledge and Understanding - Extended GRC

Foundation Level (grades 6, 5)	General Level (grades, 4, 3)	Credit Level (grades 2, 1)
In relation to the key areas, the candidate can:	In addition, the candidate can:	In addition, the candidate can:
a recognise the characteristics of sole traders, partnerships, public limited companies and not-for-profit organisations;	describe the characteristics of sole traders, partnerships, public limited companies and not-for-profit organisations;	suggest and justify different forms of organisations for given situations;
b suggest sources of finance for given straightforward situations;	suggest sources of finance for given situations;	justify sources of finance for given situations;
c recognise a business document ¹ and its uses;	suggest a business document ¹ appropriate to a transaction and describe its use;	suggest business documents ¹ appropriate to a sequence of transactions and describe their uses;
d demonstrate an understanding of the double entry system and state the purpose of checking devices;	give the reasons why a trial balance is limited as a checking device;	suggest appropriate action, including the use of a suspense account, if trial balance totals do not agree;
e recognise the main parts of periodic financial statements ² ;	describe the relationships between the main parts of periodic financial statements ² ;	suggest and justify appropriate courses of action based on information revealed in periodic financial statements ² ;
f demonstrate a basic understanding of accounting terminology.	demonstrate an understanding of accounting terminology.	demonstrate an extensive understanding of accounting terminology.

Descriptions of grades are given in 6 7.

Notes:

- 1 Business documents at all three Levels are: order form, invoice, credit note, statement, receipt, cheque, bank statement, petty cash voucher.
- 2 Financial statements at all three Levels are: trading account, profit and loss account, profit and loss appropriation account, receipts and payments account, income and expenditure account, balance sheet, break-even statement, cash flow statement.

Knowledge and Understanding - Performance Examples

Foundation Level (grades 6, 5)	General Level (grades 4, 3)	Credit Level (grades 2, 1)
a Given a list of features, select or identify those which apply to a partnership.	Describe the main features of ownership of a public limited company.	For a given context or situation, suggest and justify the most appropriate form of business organisation.
b Given a list of sources of finance, identify the most appropriate to start up a limited company.	Suggest an appropriate source of finance for a sole trader wishing to expand the business.	Suggest and justify appropriate sources of finance for a partnership wishing to expand.
c Identify a petty cash voucher.	Describe the use made of a copy invoice by a seller.	Suggest the documents appropriate to a credit purchase transaction involving returns and settlement of amount outstanding.
d Give a reason why a bank account balance and a bank statement balance may be different.	State how a trial balance is affected by the omission of a sales transaction from the books of account.	Suggest the circumstances under which the opening of a suspense account would be appropriate.
e From a list, identify the constituent parts of a cash flow statement.	State the effect upon capital of making a net loss.	Suggest appropriate courses of action that a trader may take to reverse a downward trend in gross profit.
f From a list of assets, identify those that are fixed.	Describe what is meant by a fixed asset.	Explain why some assets are classified as fixed and some as current.

6 9 Handling Information - Extended GRC

Foundation Level (grades 6, 5)	General Level (grades 4, 3)	Credit Level (grades 2, 1)
The candidate can apply accounting principles to:	In addition, the candidate can apply accounting principles to:	In addition, the candidate can apply accounting principles to:
a complete and/or classify business documents from basic accounting information. (When appropriate, cash and trade discounts, and VAT will be given.);	complete and/or classify business documents from accounting information. (When appropriate, cash and trade discounts will have to be calculated and VAT will be given.);	complete and/or classify business documents from accounting information. (When appropriate, cash and trade discounts, and VAT will have to be calculated.);
b record in ledger account form, cash and credit entries which relate to a short sequence of transactions, and, when appropriate, check by means of a trial balance and/or bank reconciliation statement;	record in ledger account form, cash, credit and adjustment entries which relate to a sequence of transactions, and, when appropriate, check by means of a trial balance and/or bank reconciliation statement;	record in ledger account form, cash, credit and adjustment entries which relate to an extended sequence of transactions, and, when appropriate, check by means of a trial balance and/or bank reconciliation statement;
c organise and present basic information in the form of financial statements ¹ . (Figures for closing stock, bad debts and depreciation will be given when appropriate.);	select, organise and present information in the form of financial statements ¹ . (The figure for closing stock will be given, and adjustments ² for bad debts and depreciation over one year will have to be calculated when appropriate.);	select, organise and present information in the form of financial statements ¹ . (The figure for closing stock will be given, and adjustments ² for bad debts provision and depreciation provision will have to be calculated when appropriate.);
d analyse and interpret basic accounting information and, using given ratios ³ when appropriate, make simple valid decisions.	analyse and interpret accounting information and, using ratios ³ when appropriate, make valid decisions.	analyse and interpret complex accounting information, and using ratios ³ when appropriate, make and justify valid decisions.

Descriptions of grades are given in 6 7.

Notes:

- Financial statements at all three Levels are: trading account, profit and loss account, profit and loss appropriation account, receipts and payments account, income and expenditure account, balance sheet, break-even statement, cash flow statement.
- At General Level, candidates will be expected to record adjustments for depreciation (straight-line method), bad debts, prepayments and accruals.

At Credit Level, candidates will be expected to record adjustments for depreciation provision (straight-line method), bad debts provision, prepayments and accruals.
- Ratios at all three Levels are: gross profit as a percentage of sales, rate of stock turnover, net profit as a percentage of sales, return on capital invested/employed, working capital.

Handling Information - Performance Examples

Foundation Level (grades 6, 5)	General Level (grades 4, 3)	Credit Level (grade 2, 1)
a Given the necessary information, complete a cheque.	Complete a credit note involving the calculation of trade discount.	Complete an invoice involving the calculation of trade discount, VAT and cash discount.
b From a small number of invoices and copy invoices, record the entries in ledger accounts.	Record all entries relating to a series of sales transactions, including entries for bad debts.	For a limited financial period, record transactions, including provision for depreciation, and extract a trial balance.
c Using a specimen layout, prepare a simple cash flow statement from given information.	From financial information, prepare a profit and loss account which includes adjustments for bad debts and depreciation.	From financial information, select the data required to construct a break-even chart.
d Ascertain the break-even point from a simple break-even chart.	Given a cash flow statement, identify causes of liquidity problems and suggest appropriate action.	Study a set of club accounts and suggest how the financial position could be improved, justifying the suggestions.

6 10 Practical Abilities - Extended GRC

Foundation Level
(grades 6, 5)

Given written instructions at each stage of the project,* which incorporates the use of a spread-sheet, the candidate can apply knowledge and understanding and skills in handling information to process and analyse straight-forward information over an accounting period.

General Level
(grades 4, 3)

Given written instructions at some stages of the project,* which incorporates the use of a spread-sheet, the candidate can apply knowledge and understanding and skills in handling information to process and analyse information over an accounting period.

Credit Level
(grades 2, 1)

Given an initial set of written instructions for the project,* which incorporates the use of a spreadsheet, the candidate can apply knowledge and understanding and skills in handling information to process and analyse complex information over an accounting period.

Descriptions of grades are given in 6 7.

*Practical Abilities will be assessed by marking the project, the final grade being arrived at by applying given cut-off scores and taking account of the amount of teacher assistance given (see 5 4 3).

Learning and Teaching Approaches

The aims and objectives have implications for the learning and teaching approaches adopted. The learning opportunities provided must allow for the development of knowledge and understanding and the acquisition and development of skills involved in processing accounting information.

Classes may contain a mix of pupils who differ in their stages of development and ability to cope with certain aspects of the work. Materials should be sufficiently differentiated to take account of all ability levels and the standards of performance as defined in the Extended GRC. The procedures involved in the processing of accounting information are by their nature sequential and it is important that where learning difficulties are encountered remediation is provided. Pupils of all abilities can encounter learning difficulties and such difficulties, if not overcome, can discourage pupils from making further progress.

Language is not only a means of teaching but the vehicle of learning, and plays a central role in motivation, relationships, understanding and achievement. Teachers should take a pupil-centred perspective in their use of language, working from the base of pupils' language towards the specialist language used in Accounting and Finance. Pupils should be encouraged to compile a dictionary of accounting and financial terms for reference, and be aware of appropriate terminology and its applications.

Pupils may be motivated by a variety of learning and teaching approaches including whole-class lessons, group work and individualised learning.

Whole-class teaching, often involving exposition punctuated by the use of questions and followed by reinforcement exercises, will continue to provide one context for learning to take place. Group discussions and decision making may offer pupils more direct and personal involvement in the area of study. Groups may be organised on the basis of similar or different levels of ability. However, the composition of each group should be varied over the duration of the course with the contribution of each pupil being monitored. There are occasions when learning activity should be tailored to the needs of each pupil. This approach allows individuals to progress at their own pace and to use differentiated materials.

Whichever learning and teaching approach is adopted, the emphasis throughout the course should be on an "activity" approach, with pupils participating in small-scale simulations and carrying out practical exercises to overtake the specific objectives.

The Use of Microcomputers

Microcomputers have an important role as a learning and teaching resource. They can be used to:

- enhance simulations;

- give pupils first-hand experience of computer applications in accounting;

- review and reinforce materials.

The way in which microcomputers are used will depend on classroom organisation. The micro-computer might be used as an "electronic blackboard" in whole-class teaching. When working in groups, a single microcomputer might be used to provide one activity around which the groups can rotate. Using a set of stand-alone microcomputers would allow individuals or groups to work on the same or different activities.

Spreadsheet Applications

Introduction

As indicated in the Rationale (see 1.4), the course will provide candidates with opportunities to engage in practical accounting applications using microcomputers. Candidates should be given experience in presenting relevant accounting information through the use of computerised analysis sheets or spreadsheets.

The requirement of candidates to present a nominated section of the Practical Abilities project in the form of a computerised printout implies the use of a spreadsheet. **However, candidates will not be expected to design or to set up spreadsheet formats** - this will be the responsibility of the teacher.

Spreadsheet Formatting

It is suggested that, as a minimum requirement, spreadsheet fields should include the following:

- Headings
- Date fields
- Description/detail fields
- Value fields.

Value fields should be formatted to allow the candidate to enter money values without difficulty.

Suggested Format Sequence

Number - Justification Right - Separator (commas between thousands and hundreds) - Decimal Places -negative Amounts (bracketed).

It is recognised that not all software at present in use will conform exactly to the above format.

Embedded Formulae

The application of spreadsheets in the presentation of accounting records and statements allows for the use of embedded formulae in carrying out calculations - particularly where many totals and sub-totals are required, eg in final accounts and balance sheets. Embedded formulae may also be used in the formatting of ledger accounts where computerised answers are required. The use of such formulae should enhance candidates' understanding and appreciation of the microcomputer as a valuable accounting tool, and should be encouraged wherever practicable in financial records and statements.