

STUDY GUIDE - UPTO NOVEMBER 2011
CERTIFIED ACCOUNTING TECHNICIAN EXAMINATION

Paper 3 (INT)
Maintaining Financial Records

Introduction

This booklet contains the Study Guide for ACCA's Certified Accounting Technician Paper 3 (INT): Maintaining Financial Records.

The Study Guide is designed to help you plan your studies and to provide more detailed interpretation of the syllabus for ACCA's Certified Accounting Technician examinations. It contains both the Syllabus and the Study Sessions for the paper, which you can follow when preparing for the examination.

The Syllabus outlines the content of the paper and how that content is examined. The Study Sessions take the syllabus and expand it into teaching or study sessions of similar length. These sessions indicate what the examiner expects of candidates for each part of the syllabus, and therefore gives you guidance in the skills you are expected to demonstrate in the examinations. The time to complete each session will vary according to your individual capabilities and the time you have available to study. Tuition providers offering face-to-face tuition are recommended to design courses with a minimum of two hours tuition per study session. However, repeated coverage of the material is vital to ensure your understanding and recall of the subject. Be sure to practice past examination questions to consolidate your knowledge and read your *student accountant* magazine regularly.

If you have any queries concerning the study guide, please direct them to:

Qualifications Department
ACCA 29 Lincoln's Inn Fields London WC2A 3EE United Kingdom
tel: +44 (0)20 7059 5833 fax: +44 (0)20 7059 5968
e-mail: info@accaglobal.com

Additional information can be accessed on the ACCA website at:
www.accaglobal.com

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ABOUT ACCA

ACCA is the largest and fastest-growing international accountancy body with 362,000 students and 131,500 members in 170 countries. We aim to offer first choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. ACCA works to achieve and promote the highest professional, ethical and governance standards and advance the public interest.

AIMS

To develop knowledge and understanding of the techniques used to maintain accounting records and prepare final accounts of unincorporated entities.

OBJECTIVES

On completion of this paper candidates should be able to:

- understand, describe and apply relevant accounting concepts, policies and standards
- maintain records relating to capital acquisition and disposal
- prepare reconciliations for the preparation of final accounts
- identify, calculate and record appropriate adjustments
- prepare and complete the extended trial balance
- prepare final accounts for a sole trader
- prepare final accounts for a partnership.

POSITION OF THE PAPER IN THE OVERALL SYLLABUS

Before commencing this paper, a thorough knowledge of Paper 1, *Recording Financial Transactions*, is required. Paper 3 builds on the knowledge acquired in Paper 1, enabling students to prepare final accounts for a sole trader and for partnerships. This knowledge is further developed in Paper 6, *Drafting Financial Statements* which will enable students to prepare final accounts for limited liability companies.

SYLLABUS CONTENT

1 Basic bookkeeping

(a) The nature and confidentiality of business transactions
(b) Double entry bookkeeping
(c) Capital and revenue expenditure
(d) Assets, liabilities, revenue and expenses
(e) Initial trial balance
(f) Format of simple final accounts
  (i) income statement
  (ii) statement of financial position
(g) The organisation's policies, regulations and timescales in the preparation of final accounts

2 Accounting standards, principles and policies

(a) Accounting standards (IASs and IFRSs)
(b) Accounting principles
  (i) going concern
  (ii) accruals
  (iii) consistency
  (iv) prudence
(c) Accounting policies
  (i) relevance
  (ii) reliability
  (iii) comparability
  (iv) understandability

3 Non-current assets and depreciation

(a) Non-current assets
  (i) acquisition
  (ii) asset register
  (iii) accounting treatment
  (iv) disposal
  (v) part exchange
  (vi) authorisation
  (vii) maintenance of capital records
(b) Depreciation
  (i) straight line
  (ii) reducing balance

4 Control accounts, reconciliations and errors

(a) Reconciliations
  (i) payables ledger reconciliation
  (ii) receivables ledger reconciliation
  (iii) bank reconciliation
(b) Identification of errors
  (i) incorrect double entry
  (ii) missing entries
  (iii) numerical errors
  (iv) insufficient information
(c) Correction of errors
  (i) suspense account
  (ii) journal entries

5 Adjustments to the trial balance

(a) Accruals and prepayments
(b) Depreciation
(c) Irrecoverable debts and allowances for receivables
(d) Closing inventory (and inventory valuation)
(e) Extended trial balance
(f) Provisions

6 Final accounts

(a) Incomplete records
(b) Sole trader accounts
  (i) income statement
  (ii) statement of financial position
(c) Partnership accounts
  (i) income statement
  (ii) appropriation of profit/loss
  (iii) statement of financial position
  (iv) partners' capital and current accounts

EXCLUDED TOPICS

The following topics are specifically excluded from Paper 3:

- club accounts
- manufacturing accounts
- detailed knowledge of sales tax
- tax computations
- foreign currency transactions
- goodwill arising on admission of a new partner
- cash flow statements.

KEY AREAS OF THE SYLLABUS

The key topic areas are as follows:

- accounting principles, policies and standards
- non-current assets and depreciation
- control accounts and bank reconciliations
- correction of errors
- post trial balance adjustments
- incomplete records
- final accounts for sole traders and partnerships.

APPROACH TO EXAMINING THE SYLLABUS

The examination is a two-hour paper. It can be taken as a written paper or as a computer based exam. The questions in the computer based exam are objective test questions – multiple choice, number entry and multiple response.

The written exam consists of two sections structured as follows:

	No. of marks
Section A – 20 compulsory multiple choice questions of two marks each	40
Section B – four compulsory questions of 15 marks each (Question 1 of Section B will comprise a number of short form questions of between two and five marks each)	60
Total	100

ADDITIONAL INFORMATION

For the financial accounting, audit and assurance, law and tax papers except where indicated otherwise, ACCA will publish *examinable documents* once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions..

For paper based examinations regulation ***issued*** or legislation ***passed*** on or before 30th September annually, will be assessed from June 1st of the following year to May 31st of the year after. Please refer to the examinable documents for the paper for further information

Regulation issued or legislation passed in accordance with the above dates may be examinable even if the ***effective*** date is in the future. The term issued or passed relates to when regulation or legislation has been formally approved. The term effective relates to when regulation or legislation must be applied to an entity transactions and business practices.

LEARNING MATERIALS

ACCA's Approved Learning Partner - content (ALP-c) is the programme through which ACCA approves learning materials from high quality content providers designed to support study towards ACCA's qualifications.

ACCA has one Platinum Approved Learning Partner content which is BPP Learning Media. In addition, there are a number of Gold Approved Learning Partners - content.
For information about ACCA's Approved Learning Partners - content, please go ACCA's Content Provider Directory.

The Directory also lists materials by Subscribers, these materials have not been quality assured by ACCA but they may be useful reading. You will also find details here of Additional Reading which the Examiner has suggested may be useful supplementary reading for students.

ACCA's Content Provider Directory can be found here –http://www.accaglobal.com/learningproviders/alpc/content_provider_directory/search/.

Relevant articles will also be published in Student Accountant.

STUDY SESSIONS

1 Recording transactions

(a) Understand the nature of business transactions, including the need to maintain confidentiality
(b) Explain the basis of double entry bookkeeping
(c) Explain and illustrate the dual aspect convention
(d) Apply the accounting equation (and derivatives thereof)
(e) Distinguish between assets, liabilities, revenue and expenses
(f) Prepare journal entries to record transactions
(g) Prepare ledger accounts
(h) Understand how the structure of accounting records contributes to providing useful accounting information and complies with organisational policies and deadlines

2 The trial balance

(a) Initial trial balance
  (i) explain the purpose of the trial balance
  (ii) identify the limitations of the trial balance
  (iii) extract the ledger balances to form a trial balance

3 Introduction to final accounts

(a) Explain the format and purpose of the income statement
(b) Explain the format and purpose of the statement of financial position
(c) Explain the influence of organisational structure on accounting systems
(d) Identify the users of final accounts and their needs

4 Basic framework of accounting

(a) Principles of accounting
  (i) explain and apply the basic principles of accounting:
    – business entity
    – double entry
    – historical cost
    – materiality
    – going concern
    – accruals
    – prudence
    – consistency

(ii) discuss the overriding need for the fair presentation of financial information

(b) Accounting policies

(i) distinguish between accounting policies, accounting estimates and measurement bases

(ii) explain and discuss accounting policies and their objectives:

– relevance
– reliability
– comparability
– understandability

(c) Regulation

(i) explain the role of International Accounting Standards and International Financial Reporting Standards

5 Assets

(a) Capital and revenue expenditure

(i) distinguish between capital expenditure and revenue expenditure

(ii) calculate and explain the effect of incorrectly classifying capital expenditure as revenue expenditure, and vice versa, on the final accounts

(b) Current assets

(i) define current assets

(ii) report current assets in the final accounts

6 Non-current assets I

(a) Non-current assets

(i) define non-current assets

(ii) account for the acquisition of non-current assets

(iii) report non-current assets in the final accounts

(b) Non-current asset records

(i) explain the purpose and function of an asset register

(ii) record data in an asset register

(iii) explain the purpose of data recorded in an asset register

(iv) explain how to identify and resolve any discrepancy between the asset register and the physical presence of assets

(v) explain the need for authorisation of the acquisition, disposal and part exchange of non-current assets

7 Non-current assets II

(a) Depreciation

(i) define depreciation

(ii) explain the purpose of depreciation

(iii) calculate the charge for depreciation using the straight line and reducing balance methods

(iv) account for depreciation

(b) Changes in non-current assets

(i) account for the disposal or scrapping of a non-current asset

(ii) account for the part exchange of a non-current asset

(iii) calculate the profit or loss arising on the disposal, scrapping or part exchange of a non-current asset

8 Errors

(a) Identify different types of bookkeeping error

(b) Distinguish between errors which will be detected by extracting a trial balance and those which will not

(c) Identify and explain the action required to correct errors

(d) Prepare correcting journal entries

(e) Record correcting entries in the ledgers

(f) Demonstrate how the income statement and statement of financial position are affected by the correction of errors

9 Control and suspense accounts

(a) Explain the purpose of a suspense account

(b) Record entries in a suspense account

(c) Make entries to clear a suspense account

(d) Explain the nature and purpose of control accounts

(e) Explain how control accounts relate to the double entry system

10 Payables ledger reconciliation

(a) Explain the purpose of a payables ledger reconciliation

(b) Identify errors in the ledger accounts and list of balances

(c) Make correcting entries in the ledger accounts

(d) Prepare a reconciliation between the list of balances and the corrected ledger balance

(e) Identify the payables ledger balance to be reported in the final accounts
(f) Report the payables ledger balance in the final accounts
(g) Prepare a reconciliation between a supplier's statement and the supplier's account in the personal ledger

11 Receivables ledger reconciliation

(a) Explain the purpose of a receivables ledger reconciliation
(b) Identify errors in the ledger accounts and list of balances
(c) Make correcting entries in the ledger accounts
(d) Prepare a reconciliation between the list of balances and the corrected ledger balance
(e) Identify the receivables ledger balance to be reported in the final accounts
(f) Report the receivables ledger balance in the final accounts

12 Bank reconciliation

(a) Explain the purpose of a bank reconciliation
(b) Identify errors and omissions in the ledger account and bank statement
(c) Identify timing differences
(d) Make correcting entries in the ledger account
(e) Prepare a reconciliation between the statement balance and the corrected ledger balance
(f) Identify the bank balance to be reported in the final accounts
(g) Report the bank balance in the final accounts

13 Accruals and prepayments

(a) Describe the nature and purpose of accruals
(b) Describe the nature and purpose of prepayments
(c) Calculate accruals
(d) Calculate prepayments
(e) Account for accruals
(f) Account for prepayments
(g) Report accruals in the final accounts
(h) Report prepayments in the final accounts

14 Irrecoverable debts and allowances for receivables

(a) Calculate the allowance for receivables
(b) Account for the write off of irrecoverable debts
(c) Report the write off of debts in the final accounts
(d) Account for the allowance for receivables
(e) Account for the movement in the allowance for receivables
(f) Report the movement in the allowance for receivables in the final accounts
(g) Report the allowance for receivables in the final accounts

15 Closing inventory

(a) Explain the application of accounting concepts to the valuation of inventory
(b) Explain the methods of valuing inventory when items have been purchased at different prices (FIFO – first in first out; Periodic weighted average and Continuous weighted average)
(c) Explain the impact of inventory valuation methods on profit and assets
(d) Calculate the value of closing inventory
(e) Report closing inventory in the final accounts

16 Provisions and liabilities

(a) Explain the nature of provisions and liabilities
(b) Distinguish between a current liability, a non-current liability and a provision
(c) Distinguish between a provision and a liability
(d) Calculate provisions and liabilities
(e) Account for provisions and liabilities
(f) Account for movements in provisions and liabilities
(g) Report provisions, non-current liabilities and current liabilities in the final accounts

17 Extended trial balance (etb)

(a) Record the correction of errors on the etb
(b) Record post trial balance adjustments on the etb
  (i) accruals and prepayments
  (ii) depreciation
  (iii) provisions

(iv) closing inventory
(v) allowances for receivables
(vi) irrecoverable debts written off

(c) Extension and completion of the etb
(i) extend and complete the etb
(ii) calculate and record the net profit or loss for the period

18 Sole trader accounts

(a) Prepare the final accounts (income statement and statement of financial position for a sole trader
(b) Record the profit or loss for the period and drawings in the capital account
(c) Prepare the opening trial balance for the next accounting period

19 Partnerships

(a) Define a partnership
(b) Explain the purpose and the main content of a partnership agreement
(c) Explain, calculate and account for appropriations of profit
– salaries of partners
– interest on capital
– interest on drawings
– share of residual profit*
(d) Explain the difference between partners' capital accounts and partners' current accounts
(e) Prepare the final accounts (income statement, appropriation account and statement of financial position) for a partnership
(f) Prepare the partners' capital and current accounts
(g) Prepare the opening trial balance for the next accounting period

* *'residual profit' is the amount of profit available to be shared between partners in the profit and loss sharing ratio, after the other appropriations have been made.*

20 Incomplete records

(a) Describe the circumstances which lead to incomplete records
(b) Calculate the net assets and profit or loss for a sole trader who has incomplete records
(c) Prepare and complete ledger accounts to derive missing figures
(d) Calculate missing figures using margin or mark up percentages
(e) Construct final accounts for a sole trader who has incomplete records.