



MINISTRY OF EDUCATION

ACCOUNTING

For Senior High Schools

TEACHER MANUAL



ACCOUNTING

MINISTRY OF EDUCATION



REPUBLIC OF GHANA

Accounting

For Senior High Schools

Teacher Manual

Year Two



NATIONAL COUNCIL FOR
CURRICULUM & ASSESSMENT
OF MINISTRY OF EDUCATION

ACCOUNTING TEACHER MANUAL

Enquiries and comments on this manual should be addressed to:

The Director-General

National Council for Curriculum and Assessment (NaCCA)

Ministry of Education

P.O. Box CT PMB 77

Cantonments Accra

Telephone: 0302909071, 0302909862

Email: info@nacca.gov.gh

website: www.nacca.gov.gh



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INTRODUCTION

The National Council for Curriculum and Assessment (NaCCA) has developed a new Senior High School (SHS) curriculum which aims to ensure that all learners achieve their potential by equipping them with 21st Century skills, competencies, character qualities and shared Ghanaian values. This will prepare learners to live a responsible adult life, further their education and enter the world of work.

This is the first time that Ghana has developed an SHS Curriculum which focuses on national values, attempting to educate a generation of Ghanaian youth who are proud of our country and can contribute effectively to its development.

This Teacher Manual for Accounting is a single reference document which covers all aspects of the content, pedagogy, teaching and learning resources and assessment required to effectively teach Year Two of the new curriculum. It contains information for all 24 weeks of Year Two including the nine Key Assessments required for the Student Transcript Portal (STP).

Thank you for your continued efforts in teaching our children to become responsible citizens.

It is our belief that, if implemented effectively, this new curriculum will go a long way to transforming our Senior High Schools and developing Ghana so that we become a proud, prosperous and values-driven nation where our people are our greatest national asset.

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The writing team was made up of the following members:

National Council for Curriculum and Assessment	
Name of Staff	Designation
Eric Amoah	Deputy Director-General, Technical Services
Reginald Quartey	Ag. Director, Curriculum Development Directorate
Anita Cordei Collison	Ag. Director, Standards, Assessment and Quality Assurance Directorate
Rebecca Abu Gariba	Ag. Director, Corporate Affairs
Anthony Sarpong	Director, Standards, Assessment and Quality Assurance Directorate
Uriah Kofi Otoo	Senior Curriculum Development Officer (Art and Design Foundation & Studio)
Nii Boye Tagoe	Senior Curriculum Development Officer (History)
Juliet Owusu-Ansah	Senior Curriculum Development Officer (Social Studies)
Ayuuba Sullivan Akudago	Senior Curriculum Development Officer (Physical Education & Health)
Godfred Asiedu Mireku	Senior Curriculum Development Officer (Mathematics)
Samuel Owusu Ansah	Senior Curriculum Development Officer (Mathematics)
Thomas Kumah Osei	Senior Curriculum Development Officer (English)
Godwin Mawunyo Kofi Senanu	Assistant Curriculum Development Officer (Economics)
Joachim Kwame Honu	Principal Standards, Assessment and Quality Assurance Officer
Jephtar Adu Mensah	Senior Standards, Assessment and Quality Assurance Officer
Richard Teye	Senior Standards, Assessment and Quality Assurance Officer
Nancy Asieduwaa Gyapong	Assistant Standards, Assessment and Quality Assurance Officer
Francis Agbalenyo	Senior Research, Planning, Monitoring and Evaluation Officer
Abigail Birago Owusu	Senior Research, Planning, Monitoring and Evaluation Officer
Ebenezer Nkuah Ankamah	Senior Research, Planning, Monitoring and Evaluation Officer
Joseph Barwuah	Senior Instructional Resource Officer
Sharon Antwi-Baah	Assistant Instructional Resource Officer

Dennis Adjasi	Instructional Resource Officer
Samuel Amankwa Ogyampo	Corporate Affairs Officer
Seth Nii Narthey	Corporate Affairs Officer
Alice Abbew Donkor	National Service Person

Subject	Writer	Designation/Institution
Additional Mathematics	Dr. Nana Akosua Owusu-Ansah	University of Education Winneba
	Gershon Kwame Mantey	University of Education Winneba
	Innocent Duncan	KNUST Senior High School
Agricultural Science	David Esela Zigah	Achimota School
	Prof. J.V.K. Afun	Kwame Nkrumah University of Science and Technology
	Issah Abubakari	Half Assini Senior High School
	Mrs. Benedicta Carbilba Foli	Retired, Pope John SHS and Minor Seminary
Agriculture	Esther Fobi Donkor	University of Energy and Natural Resources, Sunyani
	Prof. Frederick Adzitey	University for Development Studies
	Eric Morgan Asante	St. Peter's Senior High School
Automotive and Metal Technology	Dr. Sherry Kwabla Amedorme	Akenten Appiah Menka University of Skills Training and Entrepreneurial Development (AAMUSTED)
	Kunkyuuri Philip	Kumasi Senior High Technical School
	Emmanuel Korletey	Benso Senior High Technical School
	Philip Turkson	G E S
Electrical and Electronics Technology	Walter Banuenumah	Akenten Appiah Menka University of Skills Training and Entrepreneurial Development (AAMUSTED)
	Akuffo Twumhene Frederick	Koforidua Senior High Technical School
	Gilbert Second Odjamgba	Ziavi Senior High Technical School
Building Construction and Woodwork Technology	Wisdom Dzidzienyo Adzraku	Akenten Appiah Menka University of Skills Training and Entrepreneurial Development (AAMUSTED)
	Michael Korblah Tsorgali	Akenten Appiah Menka University of Skills Training and Entrepreneurial Development (AAMUSTED)
	Dr. Prosper Mensah	CSIR-FORIG

Building Construction and Woodwork Technology	Isaac Buckman	Armed Forces Senior High Technical School
	Firmin Anewuoh	Presbyterian College of Education, Akropong-Akuapem
	Lavoe Daniel Kwaku	Sokode Senior High Technical School
Arabic	Dr. Mohammed Almu Mahaman	University for Development Studies
	Dr. Abas Umar Mohammed	University of Ghana
	Mahey Ibrahim Mohammed	Tijjaniya Senior High School
Art and Design Studio and Foundation	Dr. Ebenezer Acquah	University of Education Winneba
	Seyram Kojo Adipah	GES – Ga East Municipal Education Directorate
	Dr. Jectey Nyarko Mantey	Kwame Nkrumah University of Science and Technology
	Yaw Boateng Ampadu	Prempeh College
	Kwame Opoku Bonsu	Kwame Nkrumah University of Science and Technology
	Angela Owusu-Afriyie	Opoku Ware School
Aviation and Aerospace Engineering	Opoku Joel Mintah	Altair Unmanned Technologies
	David Kofi Oppong	Kwame Nkrumah University of Science and Technology
	Sam Ferdinand	Afua Kobi Ampem Girls' Senior High School
Biology	Paul Beeton Damoah	Prempeh College
	Jo Ann Naa Dei Neequaye	Nyakrom Senior High Technical School
	Abraham Kabu Otu	Prampram Senior High School
Biomedical Science	Dr. Dorothy Yakoba Agyapong	Kwame Nkrumah University of Science and Technology
	Davidson Addo	Bosomtwe Girls STEM SHS
	Jennifer Fafa Adzraku	
Business Management	Ansbert Baba Avoile	Bolgatanga Senior High School
	Dr. Emmanuel Caesar Ayamba	Bolgatanga Technical University
	Faustina Graham	Ghana Education Service, HQ
Accounting	Nimako Osei Victoria	SDA Senior High School, Akyem Sekyere
	Emmanuel Kodwo Arthur	ICAG
	Bernard Adobaw	West African Examination Council
Chemistry	Awumbire Patrick Nsobila	Bolgatanga Senior High School

Chemistry	Paul Michael Cudjoe	Prempeh College
	Bismark Kwame Tunu	Opoku Ware School
	Michael Amissah	St. Augustine's College
Computing and Information Communication Technology (ICT)	Raphael Dordoe Senyo	Ziavi Senior High Technical School
	Kwasi Abankwa Anokye	Ghana Education Service, SEU
	Osei Amankwa Gyampo	Wesley Girls High School, Kumasi
	Dr. Ephriam Kwaa-Aidoo	University of Education Winneba
	Dr. Gaddafi Abdul-Salaam	Kwame Nkrumah University of Science and Technology
Design and Communication Technology	Gabriel Bofo	Kwabeng Anglican Senior High Technical School
	Joseph Asomani	Akenten Appiah Menka University of Skills Training and Entrepreneurial Development (AAMUSTED)
	Phyllis Mensah	Akenten Appiah Menka University of Skills Training and Entrepreneurial Development (AAMUSTED)
Economics	Dr. Peter Anti Partey	University of Cape Coast
	Charlotte Kpogli	Ho Technical University
	Salitsi Freeman Etonam	Anlo Senior High School
Engineering	Daniel Kwesi Agbogbo	Kwabeng Anglican Senior High Technical School
	Prof. Abdul-Rahman Ahmed	Kwame Nkrumah University of Science and Technology
	Valentina Osei-Himah	Atebubu College of Education
English Language	Esther Okaitsoe Armah	Mangoase Senior High School
	Kukua Andoh Robertson	Achimota School
	Beatrice Antwiwaa Boateng	Oti Boateng Senior High School
	Perfect Quarshie	Mawuko Girls Senior High School
French	Osmanu Ibrahim	Mount Mary College of Education
	Maurice Adjetey	Retired, CREF
	Mawufemor Kwame Agorgli	Akim Asafo Senior High School
General Science	Dr. Comfort Korkor Sam	University for Development Studies
	Robert Arhin	SDA Senior High School, Akyem Sekyere
Geography	Raymond Nsiah-Asare	Methodist Girls' High School

Geography	Prof. Ebenezer Owusu–Sekyere	University for Development Studies
	Samuel Sakyi–Addo	Achimota School
Ghanaian Languages	David Sarpei Nunoo	University of Education Winneba
	Catherine Ekua Mensah	University of Cape Coast
	Ebenezer Agyemang	Opoku Ware School
Government	Josephine Akosua Gbagbo	Ngleshie Amanfro Senior High School
	Augustine Arko Blay	University of Education Winneba
	Samuel Kofi Asafua Adu	Fettehman Senior High School
History	Dr. Anitha Oforiwah Adu–Boahen	University of Education Winneba
	Prince Essiaw	Enchi College of Education
Management in Living	Grace Annagmeng Mwini	Tumu College of Education
	Dorcas Akosua Opoku	Winneba Secondary School
Clothing and Textiles	Jusinta Kwakyewaa (Rev. Sr.)	St. Francis Senior High Technical School
	Rahimatu Yakubu	Potsin T.I Ahmadiyya SHS
Food and Nutrition	Ama Achiaa – Afriyie	St. Louis SHS
	Lily–Versta Nyarko	Mancell Girls' Senior High Technical School
Literature–in–English	Blessington Dzah	Ziavi Senior High Technical School
	Juliana Akomea	Mangoase Senior High School
Manufacturing Engineering	Benjamin Atribawuni Asaaga	Kwame Nkrumah University of Science and Technology
	Dr. Samuel Boahene	Kwame Nkrumah University of Science and Technology
	Ali Morrow Fatormah	Mfantsipim School
Mathematics	Edward Dadson Mills	University of Education Winneba
	Zakaria Abubakari Sadiq	Tamale College of Education
	Collins Kofi Annan	Mando Senior High School
Music	Pros Cosmas W. K. Mereku	University of Education Winneba
	Prof. Emmanuel Obed Acquah	University of Education Winneba
	Joshua Amuah	University of Ghana
	Benjamin Ofori	CRIG Primary School, Akim Tafo
	Davies Obiri Danso	New Juaben Senior High School
Performing Arts	Dr. Latipher Amma Osei Appiah–Agyei	University of Education Winneba
	Prof. Emmanuel Obed Acquah	University of Education Winneba
	Chris Ampomah Mensah	Bolgatanga Senior High School

Core Physical Education and Health	Dr. Mary Aku Ogum	University of Cape Coast
	Paul Kofi Yesu Dadzie	Accra Academy
Elective Physical Education and Health	Sekor Gaveh	Kwabeng Anglican Senior High Technical School
	Anthonia Afosah Kwaaso	Jukwa Senior High School
Physics	Dr. Linus Kweku Labik	Kwame Nkrumah University of Science and Technology
	Henry Benyah	Wesley Girls' High School, Cape Coast
	Sylvester Affram	Kwabeng Anglican Senior High School
Christian & Islamic Religious Studies	Dr. Richardson Addai-Mununkum	University of Education Winneba
	Dr. Francis Opoku	Valley View University College
	Dr. Francis Normanyo	Mount Mary College
	Dr. Haruna Zagoon-Sayeed	University of Ghana
	Kabiru Soumana	GES
	Seth Tweneboa	University of Education Winneba
Religious and Moral Education	Anthony Mensah	Abetifi College of Education
	Joseph Bless Darkwa	Volo Community Senior High School
	Clement Nsorwineh Atigah	Tamale Senior High School
Robotics	Dr. Eliel Keelson	Kwame Nkrumah University of Science and Technology
	Isaac Nzoley	Wesley Girls' High School, Cape Coast
Social Studies	Mohammed Adam	University of Education Winneba
	Simon Tengan	Wa Senior High Technical School
	Dr. Adwoa Dufie Adjei	University Practice Senior High School
	Dr. Isaac Atta Kwenin	University of Cape Coast
Spanish	Setor Donne Novieto	University of Ghana
	Franklina Kabio-Danlebo	University of Ghana
	Mishael Annoh Acheampong	University of Media, Art and Communication
Technical Support	Benjamin Sundeme	St. Ambrose College of Education
	Dr. Isaac Amoako	Atebubu College of Education
	Eric Abban	Mt. Mary College of Education

SECTION 1: ACCOUNTING CONCEPT AND CONVENTIONS

STRAND: FINANCIAL ACCOUNTING

SUB-STRAND: CONCEPTUAL FRAMEWORK

Learning Outcome: *Discuss the uses of accounting concepts and conventions in the preparation of financial statements of business organisations*

Content Standard: *Demonstrate knowledge and understanding of the application of accounting concepts and conventions in the preparation of financial statements*

HINT



Assign Portfolio Assessment for the academic year by Week 2. The portfolio should be submitted by Week 22. See Appendix A of Section 1 and Teacher Assessment Manual and Toolkit pages 22–25 for more information on how to organise the portfolio assessment.

INTRODUCTION AND SECTION SUMMARY

This section explores the foundational concepts and conventions of financial accounting, which are crucial for the accurate preparation of financial statements. Learners will develop a thorough understanding of how these principles guide the process of recording, summarising and reporting of financial information in business organisations. Emphasis will be placed on the practical application of these concepts, ensuring learners can effectively use them to produce reliable and transparent financial statements.

By the end of this section, learners will be expected to understand and explain key accounting concepts and conventions and how these principles are applied in preparing financial statements. This comprehensive approach ensures that learners acquire a solid foundation in financial accounting principles, which they can apply when producing reliable financial statements. The content covered in this section is closely linked to other areas of accounting and finance, such as financial reporting, auditing and management accounting, underscoring its importance in a comprehensive business education.

The following weeks with their respective focal areas are considered in this section:

Week 1: Explain the types of accounting concepts and conventions.

Week 2: Discuss the advantages and limitations of accounting concepts.

SUMMARY OF PEDAGOGICAL EXEMPLARS

In this section, teachers are encouraged to employ diverse instructional strategies to cater to the varying learning needs and abilities of all learners. For example, initiate talk for learning by engaging learners in discussions about the real-world applications of accounting concepts. Use collaborative learning techniques, such as group projects and peer review sessions, to enhance understanding through teamwork. Incorporate case studies and practical exercises to help learners apply accounting principles in real-life scenarios. Utilise resource persons, such as guest speakers from the accounting industry, to provide insights and real-world perspectives.

Differentiation is crucial; provide additional support through guided practice and targeted interventions for those needing extra help. Particular attention should be paid to learners with special educational needs, making relevant accommodations to ensure their full participation in all activities. To support teachers in their approach to differentiation, this manual sometimes refers to learners as approaching proficiency (AP), proficient (P) or working as a high level of proficiency (HP). For gifted and talented learners, offer advanced content such as complex financial analysis tasks or leadership roles in group projects to challenge and deepen their understanding.

ASSESSMENT SUMMARY

Various forms of assessments should be carried out to ascertain learners' performance on the concepts that will be taught under this section. For Level 1, use quizzes and short tests to assess basic knowledge of accounting concepts and conventions. Level 2 can be assessed through case studies and practical exercises where learners apply these concepts to real-world scenarios.

Level 3 should be assessed using group projects and strategic decision-making tasks, where learners justify their approaches to complex accounting problems, assess and document their strategic reasoning and problem-solving skills. For Level 4, encourage advanced learners to undertake extended projects or research assignments that require in-depth analysis and innovative solutions, evaluating their critical thinking and reasoning skills. This comprehensive approach will effectively capture the breadth and depth of learners' competencies in financial accounting.

Teachers are entreated to administer these assessments and record them for onward submission into the Student Transcript Portal (STP). The following assessment would be conducted and recorded for each learner:

Week 1: The recommended mode of assessment is essay

Week 2: The recommended mode of assessment is portfolio assessment

WEEK 1

Learning Indicator: Explain the types of accounting concepts and conventions

Focal Area 1: Introduction to Accounting concepts and conventions

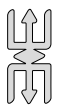
Meaning of accounting concept and conventions

Accounting concepts refer to fundamental principles or guidelines that support the practice of accounting and ensure consistency, reliability and transparency in financial reporting. Accounting conventions refer to established practices and procedures that are followed and serve as the foundation for accounting rules and standards.

Types of accounting concepts

These are some types of accounting concepts.

1. Going concern concept
2. Accrual concept
3. Business entity concept
4. Prudence (conservatism) concept
5. Consistency concept
6. Dual aspect concept
7. Money measurement concept
8. Full disclosure concept
9. Accounting period concept
10. Realisation concept



Note

As a minimum, teachers must cover the following five concepts across lessons on this learning indicator:

- going concern
- accrual
- business entity
- prudence
- consistency

Additional examples, or greater depth can be explored with learners at higher proficiency or where time allows.

1. **Going concern concept:** The going concern concept is a fundamental accounting principle that assumes a business will continue to operate indefinitely, or at least for the foreseeable future and has no intention or necessity to liquidate or significantly curtail its operations. This concept underpins the preparation of financial statements, influencing the valuation of assets, the treatment of liabilities and the overall financial reporting.

Examples of going concern concept

- a. A company purchases machinery for GH¢100,000 with an expected useful life of 10 years. Under the going concern assumption, the company spreads the cost of the machinery over its useful life, recording annual depreciation expenses. If the company were not a going concern, the machinery's cost would be expensed immediately.
- b. A company acquires a patent for GH¢50,000, which has a legal life of 20 years. The going concern concept allows the company to repay the patent over its 20-year lifespan, rather than expensing the entire cost in the year of acquisition.
- c. A business pays GH¢12,000 for an annual insurance policy. Under the going concern assumption, the business records this as a prepaid expense and allocates GH¢1,000 to insurance expense each month over the year. Without the going concern assumption, the entire GH¢12,000 would be recorded as an expense immediately.
- d. A software company receives GH¢120,000 in advance for a one-year subscription service. The company recognises this amount as deferred revenue and gradually recognises it as income over the year. The going concern concept supports this approach, assuming the company will continue to provide the service throughout the year.

2. **Accrual concept:** The accrual concept is a fundamental principle in accounting that dictates how and when revenues and expenses are recognised in the financial statements. According to this concept, revenues and expenses are recorded when they are earned or incurred, regardless of when the cash transactions actually occur. This provides a more accurate picture of a company's financial performance and position over a given period.

Examples of accrual concept

- a. **Interest Accrual:** A company has a loan and incurs interest expense each month. Even if the interest payment is due quarterly, the interest expense is recorded monthly as it accrues.
- b. **Prepaid Expenses:** A business pays for a one-year insurance policy in advance. The expense is recorded monthly, spreading the cost of the insurance policy over the entire year rather than recording it all at once when the payment is made.
- c. **Unearned Revenue:** A company receives advance payment from a customer for services to be performed over the next six months. This payment is recorded as unearned revenue (a liability) initially and is recognised as revenue in the income statement each month as the service is provided.
- d. **Depreciation:** A company purchases a piece of equipment for Gh¢2,000 with an expected useful life of 10 years. Instead of expensing the full amount in the year of purchase, the cost is spread over the 10 years, with Gh¢200 being expensed each year.

- e. **Accrued Expenses:** A company incurs utility expenses in December but receives the bill in January. The utility expense is recorded in December when it was incurred, not when the bill is paid.

3. **Business Entity Concept:** The business entity concept is a fundamental accounting principle that requires that a business should be treated as a separate entity distinct from its owner(s) and any other business. This separation ensures that the financial transactions and records of the business are not mixed with those of the owners or other entities.

Examples of Business Entity

a. Sole Proprietorship

Scenario: Jane runs a small bakery. She keeps a separate bank account for her bakery's transactions and records all the bakery's revenues and expenses separately from her personal finances.

Explanation: Jane's personal financial activities (like paying her mortgage or buying groceries) are not recorded in the bakery's financial records. The bakery's transactions are treated as belonging to a distinct entity, even though Jane owns it.

b. Partnership

Scenario: Tom and Jerry own a law firm together. They maintain separate accounting records for the law firm, documenting all the firm's earnings and expenditures separately from their personal finances.

Explanation: Even though Tom and Jerry are the owners, the financial transactions of the law firm are kept distinct from their personal financial transactions, ensuring clarity and proper financial management for the business.

c. Corporation

Scenario: XYZ Corp. is a large manufacturing company. It issues shares to multiple shareholders and keeps its financial records completely separate from the personal financial records of its shareholders and executives.

Explanation: The corporation is considered a separate legal entity, and its finances are entirely independent of those of its owners and managers. This separation ensures that the company's financial statements accurately reflect its performance without any interference from personal finances.

d. Limited Liability Company (LLC)

Scenario: A group of friends form an LLC to start a tech startup. They each contribute capital and agree that the business's financial activities will be recorded separately from their individual finances.

Explanation: The LLC's financial records are kept distinct from the personal financial records of its members, maintaining clear boundaries and allowing for proper financial tracking and reporting.

e. Non-Profit Organisation

Scenario: A group of individuals form a non-profit organisation to support environmental conservation efforts. The organisation keeps separate financial records for donations received and expenses incurred, independent of the personal finances of its founders.

Explanation: The non-profit's finances are treated as distinct from the personal finances of those who manage or support it, ensuring transparency and accountability in its operations.

4. Prudence (conservatism) concept

The prudence concept, also known as the conservatism principle, is an accounting principle that requires accountants to exercise caution when recording transactions and preparing financial statements. This means recognising expenses and liabilities as soon as possible but only recognising revenues and assets when they are assured of being received. The main goal of this concept is to avoid overstating the financial health of a business. Profit is not anticipated but provisions are made for possible losses.

Some examples to illustrate the prudence concept

- a. **Scenario:** A company has a lawsuit filed against it. Although the outcome is uncertain, the company estimates that it may need to pay GH¢100,000 if it loses the case.

Application: The company should record a provision (or liability) for the potential loss of GH¢100,000 in its financial statements, even though the lawsuit has not yet been resolved. This ensures that the financial statements reflect a more cautious view of the company's financial position.

- b. **Scenario:** A retailer has inventory that cost GH¢50,000 to purchase, but due to a drop in market demand, the current market value of the inventory is only GH¢35,000.

Application: According to the prudence concept, the inventory should be valued at the lower of cost or net realisable value. In this case, the inventory should be recorded at GH¢35,000, reflecting the potential loss in value.

- c. **Scenario:** A company has accounts receivable of GH¢200,000. Based on past experience, it estimates that 5% of these receivables may become uncollectible.

Application: The company should create a provision for doubtful debts of GH¢10,000 ($\text{GH¢}200,000 \times 5\%$). This conservative approach ensures that the financial statements do not overstate the value of accounts receivable.

- d. **Scenario:** A construction company is working on a long-term contract and has received a partial payment. However, there is uncertainty about receiving the remaining payment due to the client's financial instability.

Application: The company should only recognise the revenue that is assured. If there is doubt about receiving the remaining payment, it should not be recognised as revenue until it is received or becomes reasonably certain.

- e. **Scenario:** A company owns machinery that is expected to last for ten years. However, there are signs of accelerated wear and tear, suggesting it might only last for eight years.

Application: The company should adjust the depreciation schedule to reflect the shorter useful life of the machinery, recognising higher depreciation expenses sooner to reflect the reduced value of the asset.

- f. **Scenario:** A company has invested in a piece of equipment, but due to technological advancements, the equipment is now obsolete, and its market value has dropped significantly.

Application: The company should record the value of the equipment to reflect its current market value, recognising an impairment loss in the financial statements.

Learning tasks

1. Identify accounting concepts and conventions.
2. Explain the types of accounting concepts.
3. Discuss two examples of the types of accounting concepts.

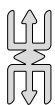
Pedagogical Exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Initiating talk for learning: Guide learners in an all-inclusive class discussion to come out with the meaning of accounting, and understand the difference between, accounting concepts and conventions. Teachers should encourage participation of all learners and for learners to respect the views of their peers.

Use of Resource Person

1. In a class discussion, invite a resource person to make a presentation on accounting concepts for learners to take notes. Encourage learners to prepare questions ahead of the session. Exemplar questions could be provided to learners who are approaching proficiency for them to ask.
2. In mixed-ability and gender groups, encourage learners to fully participate in all class discussions while ensuring respect and tolerance for divergent views during discussions.



Note

This pedagogy is suggested for both lessons but should only be used once across this focal area.

Collaborative learning

1. Guide learners in groups to discuss examples of the type of accounting concepts discussed during the presentation by the resource person.
2. In groups, let learners write and share a report on types of accounting concepts they discussed with the resource person in class.
3. Consolidate learners' ideas by bringing clarity to the explanation of the types of accounting concepts.
4. Let them make a presentation to the class for constructive criticisms from other groups.
5. Learners with low learning ability (AP), should be provided with a simplified explanation on the accounting concepts and conventions.
6. Learners with clear understanding (P), should be made to explain the types of accounting concepts and conventions.
7. Learners with high level (HP) of understanding of concepts, should be made to lead the discussion on the examples of the accounting concepts used in the preparation of financial statements.
8. Ensure participation of all learners in each group and learners respect the views of other learners.

Key Assessment

Level 1

1. State at least two types of accounting concepts.
2. What is the prudence concept?
3. Define the accrual concept.
4. Define the going concern concept in accounting.

Level 2

1. Define the accrual concept in accounting. How does it differ from cash basis accounting?
2. Discuss the advantages of using the accrual concept in matching revenues and expenses.
3. Explain the business entity concept with examples.

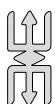
Level 3

1. How does the going concern concept influence the valuation of assets and liabilities in financial reporting?
2. Explain the principles of revenue recognition under the accrual concept.

Focal Area 2: Types of accounting concepts and conventions

Learners have been introduced to the meaning of accounting concepts and conventions and some types of accounting concepts and conventions.

In this lesson, learners will be introduced to the further types of accounting concepts and conventions.



Note

As a minimum, teachers must cover the following **five** concepts across lessons on this learning indicator:

- going concern
- accrual
- business entity
- prudence
- consistency

Additional examples, or greater depth can be explored with learners at higher proficiency or where time allows.

1. Consistency concepts

The consistency concept in accounting states that a company should use the same accounting principles, methods and practices consistently from one accounting period to another. This concept ensures comparability of financial statements over different periods, allowing stakeholders to make informed decisions based on consistent and reliable financial information.

When changes are necessary, they must be clearly disclosed, justified and their impacts on financial statements explained to ensure transparency and maintain trust.

Some practical examples illustrating the consistency concept

Example 1: Depreciation Methods

Scenario: A company, ABC Manufacturing, has been using the straight-line method to depreciate its machinery for the past five years.

Application of Consistency Concept: ABC Manufacturing continues to use the straight-line depreciation method for its machinery year after year.

Impact: This consistency allows stakeholders to compare the company's financial performance over time without adjustments for changes in depreciation methods.

Exception: If ABC Manufacturing decides to switch to the declining balance method to better match the depreciation expense with the machinery's usage pattern, it must disclose the change, explain the reason and show the impact on financial statements.

Example 2: Inventory Valuation

Scenario: XYZ Retail has been using the First-In, First-Out (FIFO) method for inventory valuation.

Application of Consistency Concept: XYZ Retail continues to use FIFO for inventory valuation each year, ensuring that the cost of goods sold and ending inventory are calculated on the same basis.

Impact: Consistent inventory valuation methods allow for accurate comparison of gross profit and inventory turnover ratios over different periods.

Exception: If XYZ Retail changes to the weighted average cost method, it must disclose the change, provide justification and show the financial impact on prior periods for comparability.

Example 3: Revenue Recognition

Scenario: LMN Software recognises revenue from software sales when the product is delivered to the customer.

Application of Consistency Concept: LMN Software continues to recognise revenue upon delivery year after year.

Impact: Stakeholders can rely on the revenue figures being recognised in a consistent manner, facilitating better comparison and analysis.

Exception: If LMN Software starts recognising revenue based on a subscription model, where revenue is recognised over the period of the subscription, the change must be disclosed, and its impact explained.

2. Dual Aspect Concept

The dual aspect concept, also known as the duality principle or double entry accounting, is a fundamental concept in accounting that forms the basis for recording financial transactions.

This concept simply requires that every transaction should have two entries, a debit and a credit. That is, every debit entry should have a corresponding credit entry, and every credit entry should have a corresponding debit entry. By adhering to the dual aspect concept, businesses can produce reliable financial statements that reflect their true financial position and performance, thereby supporting informed decision-making and enhancing transparency and accountability.

Some examples of Dual Aspect Concept

Example 1: Purchase of Inventory with Cash

Transaction: A company purchases inventory for GH¢5,000 in cash.

Dual Aspect Application:

Debit: Increase in Inventory (Asset) by GH¢5,000.

Credit: Decrease in Cash (Asset) by GH¢5,000.

Journal Entry:

Debit Inventory GH¢5,000.

Credit Cash GH¢5,000.

Explanation: This transaction adheres to the dual aspect concept by recording the increase in Inventory (an asset) with a debit, reflecting the company's acquisition of goods.

Simultaneously, the decrease in cash (another asset) is credited, indicating the use of cash to make the purchase.

Example 2: Loan Obtained from Bank

Transaction: A company obtains a loan of GH¢50,000 from a bank.

Dual Aspect Application:

Debit: Increase in Cash (Asset) by GH¢50,000.

Credit: Increase in Loan Payable (Liability) by GH¢50,000.

Journal Entry:

Debit Cash GH¢50,000.

Credit Loan Payable GH¢50,000.

Explanation: The dual aspect concept is applied here by recording the increase in cash (an asset) with a debit, representing the receipt of funds from the loan.

At the same time, an increase in loan payable (a liability) is credited, indicating the company's obligation to repay the borrowed amount.

Example 3: Payment of Salaries Expense

Transaction: A company pays its employees GH¢8,000 in salaries for the month.

Dual Aspect Application:

Debit: Decrease in Cash (Asset) by GH¢8,000.

Credit: Increase in Salaries Expense (Expense/Equity) by GH¢8,000.

Journal Entry:

Debit Salaries Expense GH¢8,000.

Credit Cash GH¢8,000.

Explanation: This transaction exemplifies the dual aspect concept by recording the decrease in Cash (an asset) with a credit, reflecting the outflow of funds to pay salaries.

At the same time, an increase in Salaries Expense (an expense account, part of equity) is debited, recognising the cost incurred by the company for the services provided by its employees.

3. Money Measurement Concept

The money measurement concept, also known as the monetary unit assumption, is a fundamental principle in accounting that restricts financial reporting to only those transactions and events that can be expressed in monetary terms.

This, however, excludes important information that cannot be measured in monetary terms. Examples are competence of management, competitive product and attitude of employees towards customers.

The money measurement concept is essential for ensuring that financial reporting remains objective, reliable and comparable. By focusing on transactions and events that can be expressed in monetary terms, companies provide stakeholders with clear and verifiable financial information necessary for decision-making and analysis.

Example of money measurement concept

A software development company spends significant resources on research and development (R&D) to develop a new software product. However, the company cannot capitalise these R&D costs on its balance sheet under the money measurement concept because R&D expenditures are considered non-monetary items. Only when the software is completed and ready for sale and its development costs can be reliably measured, can those costs be capitalised as an intangible asset.

Explanation: The money measurement concept prevents the inclusion of R&D expenditures directly in the financial statements until a specific monetary value can be assigned to the completed software product.

This illustrates how the concept ensures that financial statements focus on objective and measurable monetary items, thereby maintaining the reliability and comparability of financial information.

4. Full Disclosure Concepts

The concept of full disclosure in accounting revolves around the principle that all material information relevant to the financial statements should be disclosed in the financial statements or accompanying notes. This principle is crucial for transparency and ensuring that users of financial statements have access to all relevant information to make informed decisions. It enhances transparency, reduces information asymmetry between management and external users and promotes trust in the integrity of financial reporting.

Example of full disclosure concepts

Accounting Policies: Companies disclose their significant accounting policies in the notes to the financial statements. This includes methods of depreciation, inventory valuation, revenue recognition and any changes in accounting policies that may impact the financial statements.

Contingent Liabilities: If a company is involved in pending litigation, it must disclose details such as the nature of the claim, potential financial impact and the company's assessment of the likelihood of an unfavourable outcome.

Segment Reporting: For companies operating in multiple business segments, financial information for each segment must be disclosed. This includes revenues, expenses, assets and liabilities specific to each segment, allowing users to evaluate the performance and risks associated with each part of the business.

Fair Value Measurements: For financial instruments and other assets and liabilities measured at fair value, companies disclose the methods and significant assumptions used to determine fair values. This ensures transparency regarding the valuation process and the reliability of reported fair values.

Subsequent Events: Companies disclose significant events that occur after the balance sheet date but before the financial statements are issued or available to be issued. This could include the acquisition of another company, the sale of a major asset, or a significant change in financial position.

Employee Benefits: Detailed information about employee benefit plans, such as pension plans and stock-based compensation, is disclosed. This includes the nature of the plans, obligations and costs incurred by the company.

Environmental Liabilities: If a company has significant environmental liabilities, such as cleanup costs or compliance costs related to environmental regulations, these must be disclosed in the notes to the financial statements.

Risk Management and Financial Instruments: Companies disclose their policies for managing financial risks, such as interest rate risk, foreign exchange risk and credit risk. This includes details on derivative instruments used for hedging purposes and their impact on the financial statements.

5. **Accounting Period Concept:** The accounting period concept, also known as the accounting time period principle or the periodicity concept, is a fundamental principle in accounting. It refers to the idea that the economic activities of a business can be divided into specific and regular time periods for the purpose of financial reporting. The concept facilitates the production of accounting information about a business at regular intervals for owners and other interested parties. The accounting period concept is crucial for ensuring that financial reporting is systematic, consistent and comparable over time, thereby enhancing transparency and aiding decision-making for both internal and external users of financial information.

Some examples of how the accounting period concept is applied in various scenarios

Annual Financial Statements: Most companies prepare annual financial statements that cover a 12-month period, typically from January 1st to December 31st. These statements include the income statement, balance sheet and cash flow statement, providing a comprehensive view of the company's financial performance and position over the year.

Quarterly Reports: Publicly traded companies often release quarterly financial reports in addition to their annual reports. Each quarter covers a three-month period (e.g. January 1st to March 31st for 1st quarter, April 1st to June 30th for 2nd quarter and so on).

These reports update stakeholders on the company's performance and financial health throughout the year.

Monthly Financial Statements: Some businesses, especially smaller ones or those needing tighter financial control, prepare monthly financial statements. These statements show month-to-month performance and help management track trends, assess cash flow and make timely decisions.

Fiscal Year End: Not all companies use the calendar year (January 1st to December 31st) as their fiscal year. Some may have a fiscal year that ends on a different date (e.g., April 30th or September 30th). The accounting period concept allows flexibility in choosing the fiscal year-end date while maintaining consistency in financial reporting for that period.

Interim Financial Reporting: In addition to annual and quarterly reports, businesses may issue interim financial statements covering shorter periods, such as a specific month or a period of a few weeks. These reports provide snapshots of financial performance and are often used for internal management purposes or to meet specific regulatory requirements.

Budgetary Periods: The accounting period concept also applies to budgeting and forecasting. Businesses create budgets for specific periods (e.g., quarterly or annually) to plan and allocate resources effectively. Actual financial results for these periods are then compared with the budgeted figures to assess performance and make adjustments as needed.

6. **Realisation Concept:** The realisation concept in accounting, also known as the revenue recognition principle, states that revenue should be recognised in the financial statements when it is earned and realisable, regardless of when the actual cash is received. This principle ensures that income is recorded at the point when the goods are delivered, or services are rendered and there is a reasonable certainty of payment.

Examples of realisation concepts

Scenario: A furniture store sells a dining table. On June 15th, the store delivers a dining table to a customer. The customer agrees to pay for the table in 30 days, so the payment will be received on July 15th.

Revenue Recognition: According to the realisation concept, the store recognises the revenue on June 15th when the table is delivered and the sale is completed, even though the cash will be received later.

Scenario: A consulting firm provides a one-month consulting service to a client. The consulting services are provided throughout the month of March. The client is invoiced at the end of March and pays the invoice in April.

Revenue Recognition: The consulting firm recognises the revenue in March, the month in which the services were provided, and the firm earned the revenue, not in April when the payment is received.

Scenario: A construction company builds a custom home. The construction project is completed and delivered to the customer on September 30th. The customer makes a final payment on October 15th.

Revenue Recognition: The construction company recognises the revenue on September 30th when the home is completed and handed over to the customer, even though the payment is received in October.

Scenario: A newspaper company sells an annual subscription. On January 1st, a customer subscribes to the newspaper for a year and pays GH¢120 upfront.

Revenue Recognition: The newspaper company recognises GH¢10 in revenue each month over the 12 months of the subscription period, as the service (newspapers delivered) is provided and earned.

Scenario: An electronics store sells a home theatre system that includes installation. The store delivers the system on June 1st, but the installation is completed on June 10th. The customer pays the full amount upon completion of the installation.

Revenue Recognition: The store recognises the revenue on June 10th when the installation is completed, and the sale is considered fully earned.

Learning Tasks

1. Brainstorm types of accounting concepts and conventions and how they are applied.
2. Discuss examples of the types of accounting concepts and conventions.

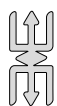
Pedagogical Exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Resource person

1. Invite a resource person to the class to discuss types of accounting concepts and conventions with learners.
2. Encourage the resource person to engage learners with a question or a simple scenario related to the types of accounting concept and convention.
3. The resource person explains the accounting concepts in detail, providing real-world examples.

4. Encourage learners to take notes and prepare questions.
5. Allow learners to ask questions and interact with the resource person.



Note

This pedagogy is suggested for both lessons but should only be used once across this focal area.

Collaborative learning

1. Guide learners in a whole class discussion on how these concepts apply in different scenarios.
2. In mixed ability and mixed gender groups, assign each group a task to discuss and apply the accounting concepts. For example, provide a case study where they have to determine when to recognise revenue. Clarify any misunderstandings and reinforce the correct application of the concepts.
3. Ensure each group discusses the meaning and examples of the concepts.
4. Encourage all group members to participate and respect each other.
5. Guide learners in their various groups to write a report on their discussion and findings.
6. Groups present their reports to the class. Encourage constructive criticism and feedback from peers.
7. Summarise the main points from the presentations.
8. Provide simplified explanations for learners with lower levels of understanding. Use visuals or simple examples to aid comprehension.
9. Encourage learners with a clear understanding (P) to explain the concepts to their peers.
10. Assign highly proficient learners (HP) to lead discussions on the example of the concepts.

Key Assessment

Level 1 Recall

1. Define the dual aspect concept.
2. Define the realisation concept in accounting.

Level 2 Skills of conceptual understanding

1. Define the accounting period concept in accounting. How does it differ from accounting cost?
2. Discuss the advantages of using the consistency concept.
3. Describe the dual aspect concept and explain why it is fundamental to accounting.
4. How does the dual aspect concept ensure that the balance sheet remains balanced?
5. Identify two non-monetary elements that are not recorded in financial statements due to the money measurement concept. Explain why.

Level 3 Strategic reasoning

1. A company decides to change its depreciation method from straight-line to declining balance. Discuss how this change affects the comparability of its financial statements and what the company should do to comply with the consistency principle.

2. ABC Ltd. sells a machine to a customer on December 15th, with the payment due on January 15th. Explain when ABC Ltd. should recognise the revenue from this sale according to the realisation concept.

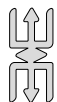
HINT

The recommended mode of assessment for Week 1 is essay. Refer to the Teacher Assessment Manual and Toolkits pages 74–76 for more information on how to administer assessment tasks using essays.

WEEK 2

Learning Indicator: Discuss the advantages and limitations of accounting concepts and conventions

Focal Area 1: Advantages of accounting concepts and convention



Note

As a minimum, teachers must cover the following **five** concepts across lessons on this learning indicator:

- going concern
- accrual
- business entity
- prudence
- consistency

Additional examples, or greater depth can be explored with learners at higher proficiency or where time allows.

1. Going concern concept

- a. **Accurate Asset Valuation:** The going concern concept allows businesses to value their assets based on their intended use in ongoing operations rather than their liquidation value. For example, machinery and equipment are recorded at historical cost less accumulated depreciation under this concept, assuming they will continue to contribute to revenue generation over their useful lives.
- b. **Consistent Financial Reporting:** By assuming that the business will continue to operate indefinitely, financial statements are prepared on a consistent basis over time. This consistency allows stakeholders to compare performance across different reporting periods.
- c. **Operational Continuity:** Assuming the business will continue as a going concern supports uninterrupted operations. It allows management to maintain normal business activities, fulfil commitments to customers and suppliers and preserve ongoing relationships.
- d. **Legal and Regulatory Compliance:** Many accounting standards and regulations, such as Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS), are based on the going concern assumption. These standards require businesses to prepare financial statements under the presumption of continuity unless management intends to liquidate the business.
- e. **Employee Stability:** The going concern concept provides employees with assurance of job security and stability. Employees are more likely to feel confident in the business's ability to continue operating and providing employment opportunities in the long term.

2. Accrual concept

- a. **Matches Revenues and Expenses:** Accrual accounting ensures that revenues and expenses are recognised when they are earned or incurred, not necessarily when cash exchanges hands. This matches income with the expenses incurred to generate that income, giving a more accurate picture of profitability for a given period.
- b. **Better Long-Term Planning:** By recognising revenues and expenses in the period they occur; accrual accounting helps in long-term planning and forecasting. This allows businesses to anticipate future financial obligations and revenues more accurately.
- c. **Reflects Economic Reality:** Accrual accounting aims to reflect the economic reality of transactions, rather than just the timing of cash flows. This provides a more accurate depiction of a company's financial position and performance.
- d. **Facilitates Smooth Tax Planning:** Accrual accounting allows businesses to estimate their tax liabilities more accurately by matching revenues and expenses with the appropriate accounting period, which can help in tax planning strategies.
- e. **Better Management Decisions:** Accurate financial information derived from accrual accounting helps management make better decisions regarding resource allocation, pricing strategies and overall financial management.

3. Business entity concept

- a. **Legal Protection:** One of the primary advantages of the business entity concept is that it provides legal protection to business owners and shareholders. It distinguishes the affairs of the business from those of its owners, meaning that the personal assets of owners are protected from business liabilities. This separation is crucial in limiting personal liability, especially in the case of legal claims or debts incurred by the business.
- b. **Clear Financial Reporting:** By treating the business as a separate entity, financial reporting becomes clearer and more transparent. It ensures that the financial statements reflect only the assets, liabilities, revenues and expenses of the business itself, without mingling personal transactions of the owners. This clarity enhances the reliability and credibility of financial statements for stakeholders, such as investors, creditors and regulators.
- c. **Enhances Accountability:** By treating the business as a separate entity, the entity concept promotes accountability among stakeholders. It encourages management and owners to operate the business independently and make decisions that are in the best interest of the business and its stakeholders. This separation helps in measuring the performance of the business objectively against established benchmarks and goals.
- d. **Supports Growth and Expansion:** As businesses grow and expand, the entity concept allows for easier integration of new entities or business units. Each new entity or unit can be treated as a separate entity for accounting purposes, maintaining clarity and accountability within the overall organisation structure.

4. Prudence Concept

- a. **Risk Mitigation:** By emphasising caution and recognising potential losses early, the prudence concept helps businesses mitigate risks. It ensures that financial statements reflect a more conservative estimate of financial position and performance, which can provide a clearer picture of potential risks and liabilities to stakeholders.
- b. **Enhanced Credibility:** Applying the prudence concept enhances the credibility of financial statements. Stakeholders, such as investors, creditors and regulators, often prefer conservative

financial reporting that takes into account potential losses and liabilities. This approach reduces the likelihood of overstating profits or understating liabilities, thereby fostering trust and transparency in financial reporting.

- c. **Better Decision-Making:** Conservative accounting practices under the prudence concept provide more reliable information for decision-making. Management can make informed decisions based on a more realistic assessment of the business's financial position and performance, considering potential risks and uncertainties.
- d. **Legal and Tax Compliance:** The prudence concept also helps in complying with legal and tax regulations. It ensures that businesses accurately report their financial position and performance, reducing the risk of legal disputes and tax penalties related to incorrect financial reporting.

5. Consistency Concept

- a. **Comparability:** Consistency in accounting methods allows for meaningful comparisons of financial statements over time. Stakeholders, such as investors, creditors and analysts, can evaluate the financial performance and position of a company more effectively when accounting treatments are consistent. This comparability helps in identifying trends, assessing financial stability and making informed decisions.
- b. **Reliability:** Consistent application of accounting methods enhances the reliability of financial information. It reduces the likelihood of distortion in financial statements due to changes in accounting policies or methods. Reliable financial statements are crucial for building trust among stakeholders and maintaining transparency in reporting.
- c. **Transparency:** The consistency concept promotes transparency in financial reporting by ensuring that accounting practices are predictable and understandable. Stakeholders can have confidence that the financial information provided is consistent and reflects ongoing operations and financial performance accurately.
- d. **Facilitates Auditing:** Auditors rely on the consistency of accounting methods to perform effective audits. Consistent practices make it easier for auditors to verify transactions, assess compliance with accounting standards and provide assurance on the accuracy of financial statements.
- e. **Legal and Regulatory Compliance:** Many accounting standards and regulations require the consistent application of accounting policies. Adhering to these standards ensures compliance with legal requirements and regulatory guidelines. Consistency helps businesses avoid penalties, fines, or legal disputes related to inconsistent financial reporting.
- f. **Predictability for Management:** Consistency in accounting methods provides predictability for management in financial planning and decision-making. Management can rely on consistent financial data to analyse performance, allocate resources and develop strategies for growth and profitability.

6. Dual Aspect Concept

- a. **Accuracy and Error Detection:** One of the primary advantages of the dual aspect concept is its role in ensuring accuracy in financial records. By recording every transaction with both a debit and a credit entry, it provides a built-in mechanism for error detection. If the books do not balance (i.e., debits do not equal credits), it indicates that there is an error that needs to be corrected before financial statements can be prepared.
- b. **Complete Record of Transactions:** Double-entry bookkeeping under the dual aspect concept results in a complete record of all financial transactions. Each transaction is

recorded in two accounts, reflecting both the source of funds (credit) and the use of funds (debit). This comprehensive recording system provides a clear audit trail and supports transparency in financial reporting.

- c. **Financial Statement Preparation:** The dual aspect concept facilitates the preparation of accurate and reliable financial statements. By maintaining balance in the accounting equation ($\text{Assets} = \text{Liabilities} + \text{Equity}$), it ensures that the financial position and performance of the business are correctly represented in the balance sheet, income statement and statement of cash flows.
- d. **Legal and Regulatory Compliance:** Many legal and regulatory requirements mandate the use of double-entry bookkeeping and adherence to the dual aspect concept. Compliance with these standards ensures that financial statements meet the necessary reporting standards and provide a true and fair view of the business's financial position.
- e. **Enhanced Accountability:** The dual aspect concept promotes accountability within an organisation. It ensures that every financial transaction is accounted for and transparently recorded, discouraging fraud or mismanagement of financial resources. This accountability is critical for maintaining trust with stakeholders, including investors, creditors and regulators.

7. Money Measurement Concept

- a. **Objectivity:** By focusing on transactions and events that can be quantified in monetary terms, the money measurement concept promotes objectivity in accounting. It allows for the measurement and recording of financial transactions based on verifiable data, reducing subjectivity in financial reporting.
- b. **Clarity and Simplicity:** Restricting accounting to monetary transactions enhances the clarity and simplicity of financial statements. Monetary terms provide a common denominator for measuring and comparing different types of transactions and events, making financial information more understandable to users such as investors, creditors and managers.
- c. **Efficiency in Audit and Review:** Auditors rely on the money measurement concept to conduct efficient audits and reviews of financial statements. They can verify the accuracy and completeness of monetary transactions and ensure compliance with accounting policies and standards, enhancing the reliability and credibility of financial reports.
- d. **Effective Resource Allocation:** The money measurement concept supports effective resource allocation within an organisation. Managers can assess the financial impact of various business activities and allocate resources efficiently based on financial performance metrics expressed in monetary terms.

8. Full Disclosure Concept

- a. **Transparency:** Full disclosure enhances transparency in financial reporting by providing stakeholders with comprehensive information about the company's financial position, performance and significant accounting policies. It ensures that users have access to all relevant information needed to make informed decisions.
- b. **Enhanced Decision-Making:** Stakeholders, including investors, creditors, analysts and regulators, can make better-informed decisions when financial statements include comprehensive disclosures. They can assess the risks, uncertainties and potential impacts of significant transactions or events on the company's financial health and performance.
- c. **Compliance with Accounting Standards:** Many accounting standards and regulatory requirements mandate the disclosure of certain information in financial statements.

Adhering to the full disclosure principle ensures compliance with these standards, such as GAAP (Generally Accepted Accounting Principles) or IFRS (International Financial Reporting Standards), which promotes consistency and comparability in financial reporting.

- d. **Credibility and Accountability:** Full disclosure enhances the credibility of financial statements and promotes accountability among management and stakeholders. It demonstrates a commitment to transparency and ethical financial reporting practices, which is essential for maintaining trust and credibility with investors, creditors, employees and the broader community.

9. Accounting Period Concept

- a. **Regular Reporting:** By dividing the financial year into shorter periods (e.g., monthly, quarterly, annually), the accounting period concept facilitates regular and timely reporting of financial information. This allows stakeholders, such as investors, creditors and management, to receive updated and relevant financial statements at regular intervals, enabling them to make informed decisions.
- b. **Performance Evaluation:** The concept enables businesses to measure and evaluate their financial performance over specific periods. Comparing financial results across different accounting periods helps identify trends, assess profitability, track expenses and monitor cash flows. This information is crucial for management to analyse business operations and make necessary adjustments.
- c. **Budgeting and Planning:** The accounting period concept supports budgeting and financial planning processes. By breaking down financial activities into discrete periods, businesses can set realistic financial goals, allocate resources effectively and monitor progress towards achieving their objectives. This helps in improving financial management and operational efficiency.
- d. **Compliance and Accountability:** Dividing the financial year into accounting periods ensures compliance with legal and regulatory requirements related to financial reporting. It promotes accountability among management and ensures that financial statements are prepared and disclosed in accordance with applicable accounting standards (e.g., GAAP, IFRS) and regulatory guidelines.
- e. **Comparison and Analysis:** Regular accounting periods facilitate meaningful comparisons of financial data over time. Stakeholders can analyse financial statements for consecutive periods to assess growth, performance trends and financial stability. This comparative analysis helps in identifying areas of improvement, evaluating business strategies and benchmarking against industry standards.

10. Realisation Concept

- a. **Accurate Matching of Revenue and Expenses:** The realisation concept ensures that revenues are recognised in the accounting period when they are earned, regardless of when cash is received. This principle facilitates the matching of revenues with the expenses incurred to generate those revenues, providing a more accurate depiction of profitability for a specific period.
- b. **Consistency and Comparability:** By providing guidelines on when to recognise revenue, the realisation concept promotes consistency in financial reporting. This consistency allows stakeholders, such as investors and creditors, to compare financial performance across different periods and make informed decisions based on reliable financial information.

- c. **Transparency and Disclosure:** Applying the realisation concept enhances transparency in financial reporting by requiring companies to disclose the methods and criteria used to recognise revenue. This transparency helps stakeholders understand how revenue figures are determined and assessed for reliability.
- d. **Compliance with Accounting Standards:** Many accounting standards, such as GAAP (Generally Accepted Accounting Principles) and IFRS (International Financial Reporting Standards), require adherence to the realisation concept for revenue recognition. Compliance with these standards ensures that financial statements are prepared in accordance with recognised accounting principles, enhancing credibility and consistency in financial reporting.
- e. **Better Decision-Making:** Accurate revenue recognition under the realisation concept provides stakeholders with reliable information for decision-making. Investors, creditors and management can assess the financial performance and profitability of a company based on recognised revenues, helping them evaluate investment opportunities, creditworthiness and operational efficiency.

Learning Task

Discuss the advantages of three types of accounting concepts and conventions.

Pedagogical Exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Collaborative learning

1. Review learners' knowledge on the meaning of the types of accounting concepts and conventions and their examples.
2. In mixed ability and mixed gender groups, assign each group a specific accounting concept to study.
3. Provide guiding questions to focus their discussion and also scenarios or case studies related to each accounting concept.
4. Ask groups to analyse the scenarios, apply the concept to solve problems and discuss their solutions. Encourage groups to teach the concept to the other group, explaining its purpose and discussing its advantages.
5. Guide each group prepare a short presentation on their assigned accounting concept.
6. Encourage all group members to participate and respect each other.
7. Groups present their reports to the class. Encourage constructive criticism and feedback from peers.
8. Facilitate whole-class discussions to consolidate learning and clarify any misconceptions the benefits of using them.
9. Provide simplified explanations for learners with lower understanding (AP). Use visuals or simple examples to aid comprehension.

10. Encourage learners with a clear understanding (P) to explain the purpose of accounting concepts to their peers.
11. Assign highly proficient learners (HP) to lead discussions on the advantages of the types of accounting concepts.

Key assessment

Level 1: State one advantage of the following accounting concepts and conventions:

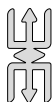
1. going concern
2. consistency
3. accounting period

Level 2: Identify two accounting concepts. Outline three advantages of each of your chosen concepts.

Level 3

1. Discuss the advantages of using the accounting period concept in financial reporting. How does it contribute to transparency and comparability of financial statements?
2. Discuss the advantages of applying the consistency concept in financial reporting. How does it benefit stakeholders such as investors, creditors and regulatory authorities?

Focal Area 2: Limitations of accounting concepts and conventions



Note

As a minimum, teachers must cover the following five concepts across lessons on this learning indicator:

- going concern
- accrual
- business entity
- prudence
- consistency

Additional examples, or greater depth can be explored with learners at higher proficiency or where time allows.

Limitations of going concern concept

1. **Uncertain Future Viability:** The going concern assumption may not hold true if there are significant uncertainties about the company's ability to continue operations. Factors such as economic downturns, changes in market conditions, or unexpected events (like natural disasters or pandemics) could impact the business's ability to operate profitably.
2. **Lack of Predictive Accuracy:** While the going concern assumption provides a basis for preparing financial statements, it does not guarantee the future success or viability of the

business. There could be instances where a business unexpectedly ceases operations or faces financial distress despite previous indications of stability.

3. **Limited Applicability to Certain Industries:** Some industries or types of businesses inherently have a higher risk of discontinuity or closure due to changing market conditions, technological advancements, regulatory changes, or other factors. For example, startups or businesses in highly competitive sectors may face higher uncertainties about their future viability.
4. **Dependence on Management's Judgement:** The going concern concept relies on management's assessment of the company's ability to continue operating. If managements' judgement is overly optimistic or biased, it may lead to an inaccurate assessment of the business's future prospects.

Limitations of accrual concept

1. **Complexity and Subjectivity:** Accrual accounting requires estimates and judgements to determine when revenues are earned and expenses are incurred, especially for transactions that do not involve immediate cash exchanges. This introduces complexity and subjectivity into financial reporting, as different accountants or companies may use different methods or assumptions.
2. **Cash Flow vs. Profit:** Accrual accounting can sometimes obscure the actual cash flow situation of a business. While revenues and expenses are recognised when earned or incurred, cash may not be received or paid until a later date. This discrepancy between profit and cash flow can be challenging to interpret, particularly for businesses with significant timing differences between revenue recognition and cash receipts.
3. **Manipulation Risks:** The accrual concept allows some flexibility in timing recognition of revenues and expenses, which can be exploited for manipulation. Companies might use aggressive revenue recognition practices or delay recognising expenses to artificially inflate reported profits in the short term, potentially misleading stakeholders.
4. **Potential for Misinterpretation:** Stakeholders, such as investors and creditors, may find it challenging to understand and interpret financial statements prepared under accrual accounting, especially if they are not familiar with the underlying assumptions and estimates used.

Limitations of business entity concept

1. **Small Business Challenges:** For small businesses operated by sole proprietors or partnerships, there may be blurred lines between personal and business finances. The entity concept requires these businesses to maintain separate accounting records, which can be burdensome and may not always reflect the practical realities of how the business operates.
2. **Intercompany Transactions:** In cases where multiple entities are under common control (e.g., subsidiaries of a parent company), the entity concept requires each entity to maintain separate accounting records. However, this can lead to complexities in consolidating financial statements and understanding the overall financial position and performance of the group as a whole.
3. **Complex Organisational Structures:** In modern business environments with complex organisational structures, such as conglomerates or holding companies with diverse subsidiaries, applying the entity concept can be challenging. It may not fully capture the interconnected nature of business operations and financial transactions within the group.
4. **Risk of Misrepresentation:** In cases where there are significant related-party transactions or where entities are closely interconnected, there is a risk that the entity concept may not fully

reflect the economic reality. This could potentially lead to misrepresentation or misunderstanding of a business's financial health and performance.

Limitations of Prudence Concept

1. **Subjectivity in Judgement:** The prudence concept relies on subjective judgements and estimates by management or accountants. This subjectivity can lead to variations in the application of conservatism across different companies or even within the same company over time.
2. **Potential for Understatement of Assets and Income:** Overly conservative practices may result in the understatement of assets and income in financial statements. This can affect key financial metrics such as profitability ratios and asset valuations, potentially giving stakeholders an unduly pessimistic view of the company's financial health.
3. **Impact on Decision-Making:** Excessive conservatism can influence management decisions by discouraging investments or expenditures that could potentially benefit the company in the long term. It may lead to overly cautious strategies that hinder growth and competitiveness.
4. **Complexity in Financial Reporting:** Applying the prudence concept adds complexity to financial reporting, as it requires careful consideration of uncertainties, risks and potential losses. This complexity can make it challenging to achieve a balance between prudence and transparency in financial statements.

Limitations of Consistency Concept

1. **Restricts Flexibility:** The requirement to maintain consistency in accounting policies can restrict a company's ability to adapt to changing circumstances or to adopt new accounting standards that may better reflect economic reality. This can be particularly challenging in industries with rapid technological advancements or evolving regulatory requirements.
2. **Obsolete Accounting Policies:** Over time, accounting policies that were initially appropriate may become outdated or less relevant due to changes in business operations, market conditions, or regulatory requirements. The consistency concept may prevent timely updates to accounting policies, resulting in financial statements that do not accurately reflect the current financial position and performance of the company.
3. **Comparability Issues:** While consistency enhances comparability of financial statements over time within the same company, it may hinder comparability between companies, especially if different companies apply different accounting policies for similar transactions or events. This can complicate financial analysis and decision-making for stakeholders comparing companies within an industry.
4. **Complexity in Interpretation:** Maintaining consistency requires clear documentation and disclosure of accounting policies and changes in policies. However, the complexity of accounting standards and the diversity of transactions may make it challenging for stakeholders to interpret and understand the impact of consistency on financial statements.
5. **Inflexibility in Special Cases:** Certain exceptional or non-recurring transactions may require deviation from established accounting policies to accurately reflect their economic substance. The consistency concept may limit the flexibility to appropriately account for such transactions, potentially distorting the financial statements.

Limitations of Dual Aspect Concept

1. **Complexity in Understanding:** The dual aspect concept requires a solid understanding of accounting principles and practices to be correctly applied.
It involves understanding the rules of debit and credit, as well as how different types of transactions affect various accounts. This complexity can make it challenging for individuals new to accounting to grasp.
2. **Dependence on Accurate Recording:** The accuracy of financial reporting under the dual aspect concept heavily depends on the precise recording of transactions. Errors in recording transactions can lead to imbalances in accounts, resulting in inaccuracies in financial statements.
3. **Inherent Assumptions:** The dual aspect concept assumes that every transaction can be classified into two parts: a debit and a credit. However, this assumption may not always align with complex financial transactions or evolving business practices, especially in industries with unique accounting requirements or non-standard transactions.
4. **Limitations in Reflecting Economic Reality:** While the dual aspect concept ensures the balance of the accounting equation, it may not always reflect the economic substance of transactions accurately. Complex financial instruments, off-balance sheet items and certain contractual arrangements may pose challenges in applying the dual aspect concept effectively.

Limitations of Money Measurement Concept

1. **Exclusion of Non-Monetary Factors:** The money measurement concept excludes important non-monetary factors that can impact a company's performance and value, such as employee satisfaction, customer loyalty and intellectual property. These factors are critical to understanding the overall health and prospects of a business but are not quantifiable in monetary terms.
2. **Inability to Capture Inflation and Currency Fluctuations:** Changes in the value of money due to inflation or currency fluctuations can distort the representation of assets and liabilities in financial statements prepared under the money measurement concept. Historical cost accounting, a method closely related to the money measurement concept, may lead to understatement or overstatement of values over time.
3. **Subjectivity in Valuation:** The concept relies on historical cost as the basis for valuing assets and liabilities. This historical cost may not reflect the current market value or economic value of assets and liabilities, especially in rapidly changing markets or industries where asset values fluctuate significantly.
4. **Impact on Comparability:** Financial statements prepared under the money measurement concept may be less comparable over time or across companies, as different entities may use different methods for valuing assets and liabilities. This can make it challenging for stakeholders to assess and compare the financial performance and position of different entities.
5. **Limited Disclosure of Intangible Assets:** Intangible assets, such as goodwill, brand value and intellectual property, are often not recognised or valued adequately under the money measurement concept. This limitation can result in understating the true value and potential of a company's assets.
6. **Complexity in Adjusting for Changing Economic Realities:** Adjusting financial statements prepared under the money measurement concept to reflect changing economic realities, such as technological advancements or regulatory changes, can be complex and subjective. This may lead to discrepancies in financial reporting and decision-making.

Limitations of Full Disclosure Concept

1. **Subjectivity in Materiality:** Determining what constitutes material information that requires disclosure can be subjective. Materiality thresholds may vary among companies and over time, leading to inconsistencies in what information is disclosed. This subjectivity can affect the comparability of financial statements across companies.
2. **Volume of Information:** Full disclosure can result in large volumes of information in financial statements and accompanying notes. This abundance of information may overwhelm users, making it challenging to identify and understand the most relevant information for decision-making purposes.
3. **Disclosure of Competitive Information:** Companies may be reluctant to disclose certain competitive information, such as strategic plans, pricing policies, or proprietary technologies, fearing that such disclosures could harm their competitive position or intellectual property rights.
4. **Complexity and Interpretation:** Detailed disclosures can make financial statements more complex and difficult to interpret, particularly for users without a strong accounting background. Understanding the implications of disclosed information may require expertise in financial analysis and industry-specific knowledge.

Limitations of Accounting Period Concept

1. **Timing Issues:** The concept assumes that the economic life of a business can be divided into discrete periods (e.g., monthly, quarterly, annually). However, certain economic events or transactions may not neatly fit into these periods, leading to challenges in accurately matching revenues and expenses.
2. **Seasonality and Cyclical Nature:** Businesses that experience seasonality or cyclical fluctuations in their operations may find it difficult to accurately reflect their financial performance within a single accounting period. This can distort comparisons between periods and affect decision-making based on financial statements.
3. **Impact of External Events:** Unexpected external events, such as natural disasters, economic downturns, or regulatory changes, can have a significant impact on a company's financial performance within a reporting period. The accounting period concept may not adequately capture the effects of these events on financial statements prepared for that period.
4. **Misleading Trend Analysis:** Dividing financial information into fixed periods can sometimes obscure long-term trends or patterns in a company's financial performance. Short-term fluctuations or one-time events may distort the interpretation of financial statements when viewed in isolation without considering broader trends.
5. **Comparability Challenges:** Differences in the timing of accounting periods (e.g., calendar year vs. fiscal year) or the use of different reporting frequencies (e.g., monthly vs. quarterly) can affect the comparability of financial statements across companies or industries. This can complicate benchmarking and financial analysis.

Limitations of Realisation Concept

1. **Subjectivity in Revenue Recognition:** Determining when revenue is considered earned and realisable can be subjective, especially for transactions involving complex arrangements, multiple deliverables, or long-term contracts. This subjectivity can lead to variations in revenue recognition practices among companies.

2. **Timing Differences:** The realisation concept requires revenue to be recognised when it is earned, regardless of when cash is received. This can create timing differences between revenue recognition and actual cash inflows, potentially affecting cash flow analysis and liquidity assessments.
3. **Impact of Uncertainty:** Uncertainty about the collectability of receivables or the completion of revenue-generating activities may delay or complicate the recognition of revenue under the realisation concept. This uncertainty can affect the reliability and relevance of financial statements to stakeholders.
4. **Complex Transactions:** Transactions involving barter arrangements, non-monetary exchanges, or revenue recognition over multiple periods may pose challenges in applying the realisation concept consistently and accurately. This complexity can lead to disagreements or disputes over revenue recognition practices.
5. **Industry-Specific Challenges:** Certain industries, such as software development, construction and long-term service contracts, face unique challenges in applying the realisation concept due to the nature of their revenue-generating activities. Industry-specific guidance may be required to ensure appropriate revenue recognition practices.

Learning Task

Discuss the limitations of three types of accounting concepts and conventions.

Pedagogical Exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Collaborative learning

Case study

1. Guide learners to review their knowledge on the purpose and advantages of accounting concepts.
2. Select a real-world case study that highlights the limitations of these concepts. This could be a well-documented corporate scandal, financial misreporting case, or an example from industry-specific challenges.
3. Provide a comprehensive summary of the case, including background information, financial statements and specific accounting issues faced. Focus on parts of the case that illustrate the limitations of accounting concepts.
4. Provide questions that direct learners to analyse specific issues.
5. Put learners into mixed ability and mixed gender groups and encourage them to discuss their findings and viewpoints.
6. Guide learners in their various group in the discussion, ensuring that all aspects of the case are covered and that learners consider multiple perspectives.

7. Task learners in groups to use digital tools to prepare a simple slide using PowerPoint to present their ideas to the whole class.
8. Highly proficient learners should assist learners who find it difficult to prepare the slides or these learners can be allowed to present their work by other means.
9. Summarise the key points learned from the case study, emphasising the limitations of accounting concepts.
10. Provide simplified explanations for learners with lower understanding (AP). Use visuals or simple examples to aid comprehension.
11. Encourage learners with a clear understanding (P) to explain the limitations of accounting concepts to their peers.
12. Assign highly proficient learners (HP) to lead discussions on the limitation of the types of accounting concepts on the preparation of financial statements.

Key Assessment Level

Level 1

1. List two limitations of the full disclosure concept.
2. State two limitations of the money measurement concept.

Level 3

1. How can the accrual concept lead to complications in revenue recognition for companies with long-term contracts?
2. Why is it important to maintain a clear distinction between personal and business transactions in accounting?
3. Explain how the prudence concept might affect a company's ability to attract investment.

Level 4

Scenario

Build Future Corp., a construction company, has been facing significant financial difficulties, including mounting debts and declining revenues. Despite these challenges, the company continues to prepare its financial statements under the going concern assumption, without disclosing the potential risk of bankruptcy.

Questions

1. What limitations of the going concern concept are evident in this scenario?
2. How does assuming the going concern status without proper disclosure impact stakeholders, particularly investors and creditors?
3. Discuss the importance of disclosure when there are significant doubts about the company's ability to continue as a going concern. What should Build Future Corp. include in its financial statements to provide a more accurate picture?

HINT

The Recommended Mode of Assessment for Week 2 is **Portfolio Assessment** for the academic year. The portfolio should be submitted by Week 22. See **Appendix A** of this Section and Teacher Assessment Manual and Toolkit pages 22–25 for more information on how to organise a portfolio assessment.

SECTION 1 REVIEW

The last two weeks focused on foundational concepts and conventions in financial accounting. Learners were introduced to key accounting principles and learned to prepare financial statements through discussions, collaborative learning and practical exercises. Differentiated instruction ensured all learners can be supported to achieve the intended outcomes, assessed through evaluations of basic concepts, application skills, strategic reasoning and critical thinking. Group work and interactions with resource persons deepened understanding. By the end of this section, learners should comprehensively understand accounting concepts and demonstrate critical thinking and problem-solving proficiency. The frameworks enhance comparability, transparency and consistency but have limitations such as outdated asset valuations, subjective materiality, potential bias and added complexity. This review prepares learners for advanced accounting topics.

ADDITIONAL READING

1. Financial Accounting Theory” by William R. Scott
2. Accounting Principles” by Jerry J. Weygandt, Paul D. Kimmel and Donald E. Kieso
3. The Importance of Accounting Standards” - Journal of Accounting and Economics



APPENDIX A: SAMPLE PORTFOLIO ASSESSMENT

Refer to the Teacher Assessment Manual and Toolkit pages 68–69 for guidelines on portfolio assessment

1. **Task:** Learners must compile a sample of their work from across the academic year, starting from the beginning of the first semester, which is submitted for assessment as a portfolio at the end of the year. The portfolio should include assignments, projects, quizzes, tests, reflective pieces and mid-term and end-of-semester papers. This portfolio will be assessed to evaluate learner's overall understanding and progress throughout the year.

2. **Example of structure and organisation of the Portfolio Assessment**

Ensure that learners understand how to structure their portfolio and that it must include a:

- a. Cover Page which includes the learner's name, class, subject and period/date.
- b. Table of Contents which has the list of items included with page numbers.
- c. Brief description/background of items such as short description of the significance of sports certificates and awards, background information for each included artefact etc.

3. **Example of learners' works to be included in the Portfolio Assessment**

- a. Assignments
- b. Projects
- c. Quizzes and Tests
- d. Reflective Pieces
- e. Mid semester and end of semester papers

4. **Mode of administration**

- a. The portfolio task must be set in week 2.
- b. Explain the purpose and components of the portfolio to the learners and provide examples and templates for each section.
- c. Schedule periodic reviews (e.g., every 3-4 weeks) to ensure learners are keeping up with their portfolios and provide feedback and guidance during these checkpoints.
- d. Provide learners with the scoring rubrics and provide detailed explanation on the rubrics.
- e. Final portfolios are due in week 22 of the academic calendar. Allow a grace period for revisions based on final feedback.

5. **Mode of submission/presentation**

- a. Communicate the final deadline for portfolio submission to all learners to ensure timely and complete submissions.
- b. Learners will submit their completed portfolios either as a physical or through the school's online submission system.
- c. Ensure the portfolio includes all required elements: assignments, projects, quizzes, tests, reflective pieces, class participation records and a final reflection.

- d. Learners should organise their portfolios clearly and logically, with each component clearly labelled and easy to access.
- e. For digital submissions, learners should upload their portfolios as a single file or in clearly marked folders within the online portal.

6. **Feedback strategy**

- a) Schedule periodic check-ins to discuss progress, set goals and adjust strategies as needed.
- b) Utilise both formative and summative feedback to guide learners' development and ensure they understand how to enhance their work continuously.

7. **Sample Portfolio Assessment Marking scheme**

<i>Learner's pieces of works</i>	<i>Items</i>	<i>Scores per item</i>	<i>Total Score</i>
<i>Assignments/Exercises</i>	<i>2</i>	<i>1 mark each</i>	<i>2 marks</i>
<i>Projects works (Group/ individual)</i>	<i>2</i>	<i>2.5 marks each</i>	<i>5 marks</i>
<i>Case studies</i>	<i>1</i>	<i>2 marks</i>	<i>2 marks</i>
<i>Quizzes and Tests</i>	<i>1</i>	<i>2 marks</i>	<i>2 marks</i>
<i>Reflective Pieces</i>	<i>1</i>	<i>2 marks</i>	<i>2 marks</i>
<i>Mid-semester</i>	<i>2</i>	<i>2 marks each</i>	<i>4 marks</i>
<i>End-of-semester Papers</i>	<i>1</i>	<i>3marks</i>	<i>3 marks</i>
<i>Total marks</i>			<i>20 marks</i>

SECTION 2: CORRECTION OF ERRORS, BANK RECONCILIATION STATEMENT AND CONTROL ACCOUNTS

STRAND: FINANCIAL ACCOUNTING

Sub-Strand: FINANCIAL DATA ANALYSIS

Learning Outcomes

1. Analyse and rectify errors through journals and ledgers
2. Prepare adjusted cashbook and bank reconciliation statements
3. Prepare receivable and payables control accounts

Content Standards

1. Demonstrate knowledge and understanding of errors and their effects on the trial balance
2. Demonstrate knowledge and understanding of the preparation of bank reconciliation statement
3. Demonstrate knowledge and understanding of the preparation of receivable and payables control accounts

HINT



- Assign Group Project in Week 3. The group project work should be submitted by Week 8. Guidance on the outline of the task, which includes the scope and rubrics is included in Appendix B of this Section. Refer to the Teacher Assessment Manual and Toolkits pages 27–29 for more information on group project work as an assessment strategy.
- The Recommended Mode of Assessment for Week 6 is Mid-semester examination. Refer to the Teacher Assessment Manual and Toolkits pages 66–67 and 74–76 for more information on multiple-choice questions and essay questions. Refer to Appendix C of this section for more information on the structure of the mid-semester examination.

INTRODUCTION AND SECTION SUMMARY

In section two of the financial accounting curriculum, learners will develop practical skills and theoretical understanding across key topics. Weeks three and four focus on identifying and correcting errors in accounting, emphasising their impact on trial balances and financial statements and mastering journal and ledger entries through collaborative and problem-based learning. Weeks five and six shift to bank reconciliation statements, where learners understand discrepancies between cashbook and bank statement balances and how to prepare reconciliations using experiential learning. In weeks seven and eight, learners explore the significance of the control account, mastering receivables and payables control accounts through collaborative learning. By the section's end, learners will be able to identify, correct and interpret accounting errors, prepare accurate reconciliations and control accounts, crucial for financial accuracy and reporting.

The following weeks with their respective focal areas are considered in Section 2:

Week 3: Introduction to correction of errors & Effects of errors on the trial balance and the financial statement

Week 4: Suspense account and the use of journal entries to correct error & Correcting errors using the journal and ledger entries

Week 5: Introduction to Bank Reconciliation Statement & Causes of the differences between cashbook and bank reconciliation statement balance

Week 6: Preparation of updated cashbook & Preparation of Bank Reconciliation Statement

Week 7: Introduction to control accounts & Receivables control account

Week 8: Payables control account & Preparation of receivables and payables control account

SUMMARY OF PEDAGOGICAL EXEMPLARS

In teaching this section, teachers should employ a variety of active learning strategies tailored to learners' diverse range of needs. For weeks three and four, emphasise interactive sessions where learners collaboratively identify and correct accounting errors, ensuring they grasp the impact on financial statements. For weeks five and six, experiential learning through practical reconciliation exercises will deepen understanding of discrepancies between cashbook and bank statements. Highly proficient learners can be challenged with real-world case studies while approaching proficient learners should be given more attention. Weeks seven and eight should involve collaborative projects on control accounts, assessing learners' competence in preparing and analysing receivables and payables control accounts. Differentiated tasks can include more complex account scenarios for advanced learners. Particular attention should be paid to learners with special educational needs, making relevant accommodations to ensure their full participation in all activities. To support teachers in their approach to differentiation, this manual sometimes refers to learners as approaching proficiency (AP), proficient (P) or working as a high level of proficiency (HP).

ASSESSMENT SUMMARY

Assessment should align with learning objectives and pedagogy. Teachers should employ various forms of assessments to ascertain learners' performance on the concepts that will be taught under this section. The strategy ensures a balanced assessment approach, fostering continuous improvement and holistic learner development.

Teachers are entreated to administer these assessments and record them for onward submission into the Student Transcript Portal (STP). The following assessment would be conducted and recorded for each learner.

Week 3: Group project work

Week 4: Research

Week 5: Discussion and presentation

Week 6: Mid semester examination

Week 7: Critiquing

Week 8: Computational exercise

WEEK 3

Learning Indicator: Identify types of errors in accounting and their effects on the trial balance and financial statement

Focal Area 1: Introduction to correction of errors

Meaning of Errors

Errors in financial accounting may be defined as the misapplication of accounting principles and methods.

Types of Errors

There are two types of errors

- Errors that do not affect the agreement of the trial balance
- Errors that affect the agreement of the trial balance

1. Errors that do not affect the agreement of the trial balance

These errors occur when two or more mistakes cancel each other out, resulting in the trial balance still agreeing (i.e. debits equal credits) despite the presence of errors.

Examples of this type of error are:

a. Error of omission

An error of omission in accounting occurs when a transaction is completely left out of the accounting records. This means the transaction is not recorded at all in the books of accounts. This could happen due to oversight, negligence, or simply not recognising that a transaction needs to be recorded. Errors of omission can significantly impact the accuracy of financial statements because they result in incomplete or inaccurate financial reporting.

Example: A company receives an invoice for GH¢5,000 worth of office supplies but forgets to record this transaction in its accounting records.

b. Error of commission

An error of commission in accounting occurs when a transaction is recorded in a wrong account of a similar type or of the same class. This is where the correct amount is posted but to a wrong personal account of the same class. This means the transaction is recorded in a different account other than the account the transaction is supposed to be recorded in.

Example: A purchase of GH¢3,000 worth of goods from Mansah, is entered in Mensah's account.

c. Error of principle

An error of principle in accounting occurs when a transaction is recorded in the wrong class of account. This is where the correct amount is posted but to a wrong class account.

Example: A purchase of motor van costing GH¢100,000 was wrongly posted to the purchases account.

d. Error of original entry

An error of original entry occurs when a mistake is made at the point of initially recording a transaction in the accounting system. It can involve incorrect amounts or incorrect accounts. This is where a wrong amount is posted from the subsidiary books and used for both the debit and credit entries in the ledger.

Example: Purchases of GH¢150,000 were recorded in the subsidiary books as GH¢105,000.

e. Error of complete reversal of entry

This occurs where the correct accounts are used but each entry is shown on the wrong side of the account. That is, the double entry for a transaction is exchanged; instead of crediting the accounts, they are debited.

Example: Goods worth GH¢20,000 were bought by cheque and purchases account was credited while bank account was debited.

f. Error of duplication

This is where a transaction is entered twice or more in the books. That is the debit and credit entries are made twice, the total being overstated by the same amount.

Example: Goods worth GH¢2,000 were bought by cheque. Purchases account is debited twice with the same amount and bank account is credited twice with the same amount.

g. Compensating error

This occurs where one or more errors on one side of an account is cancelled by errors of the same amount on the other side of the same account or another account.

Example: Sales account and purchases account were overcast by GH¢500. An error on the debit side of an account has been compensated by an error of equal amount on the credit side of the corresponding entry.

2. Errors that affect the agreement of the trial balance**a. Single Entry (partial omission)**

This error occurs where one entry does not have its corresponding entry. Thus, where one entry of a transaction is recorded and the other left out.

Example: Sales to Yaw, GH¢550 recorded in the sales account but not recorded in the account of Yaw.

b. Error of Transposition

This error occurs where the positions or sequence of the figures are changed when recording.

Example: Sales of GH¢879 entered in the sale account as GH¢789. Note that when this error occurs at the debit and the credit then the trial balance totals will agree.

c. Partial Reversal of Entries

This error occurs where the entry is made correctly in one account but is reversed (entered at the wrong side) in the other account.

Example: Sales to Akoto entered by crediting sales and crediting Akoto's account.

d. Error of Casting (under-cast and over-cast)

This error occurs where the amount involved is overstated or under-stated in one of the accounts but not both accounts.

Example: Purchase of goods from Rose at GH¢950 was recorded in the purchases account as GH¢9,500. This is an example of over-cast. If the purchases account was recorded as GH¢95, that would be under-cast.

- e. **Other errors** may also occur through additions of the trial balance figures.

Learning tasks

1. Brainstorm the meaning of the term “error” in financial accounting.
2. Explain two types of errors in financial accounting.
3. Discuss examples of the types of errors in financial accounting and their potential impact.

Pedagogical exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Initiating talk for Learning

1. Let learners think-pair-share some possible mistakes accountants may commit in the preparation of accounts.
2. In an all-inclusive class discussion, guide learners to brainstorm the meaning of errors in accounting.
3. Emphasise that errors are not failures but opportunities for growth and learning.

Collaborative Learning

1. In mixed-ability and mixed-gender groups, guide learners to come out with the types of errors.
2. Guide learners to explain the types of errors.
3. Guide learners in their various groups to discuss examples of the types of error. Assign proficient learners to lead in the discussion.
4. Ask groups to share their examples with the class. Encourage discussion on why each example represents that particular type of error.
5. Provide specific examples of each type of error from the subject matter or related real-life scenarios.
6. Guide learners to analyse these examples.
7. Recap the key points about errors, types and their examples discussed.
8. Ensure all learners have opportunities to contribute to discussions.
9. Offer scaffolding for AP learners (for example through narrated exemplars) and challenge extension activities for P and HP learners (for example through provision of additional or more complex examples).

Key assessment

Level 1

1. What is “error” in financial accounting?
2. List the two types of error.
3. State three examples of each of the types of error.

Level 2

1. Explain error in financial accounting.
2. Explain the types of errors in financial accounting.
3. Discuss at least three examples of each of the types of errors.

Level 3: What strategies can be employed to ensure that all errors (both those affecting and not affecting the trial balance) are detected and corrected promptly.

Focal Area 2: Effects of errors on the trial balance and the financial statement

Learners have been introduced to the types of error and their examples so we will now look at the effects of these errors on the trial balance and the financial statement.

1. Errors that do not affect the agreement of the trial balance can still have significant implications on both the trial balance and the financial statements.

a. Trial Balance

Balanced Trial Balance: Even if the trial balance is balanced (i.e., total debits equal total credits), errors within individual accounts can still exist. These errors may include:

- i. **Compensating Errors:** Errors that offset each other, such as overstating one expense account and understating another by the same amount, leading to a balanced total.
- ii. **Errors of Omission:** Transactions that are completely left out of the accounting records.
- iii. **Errors of Principle:** Recording transactions using an incorrect accounting principle.

Impact on Individual Accounts: Errors within specific accounts can distort the accuracy of financial information represented in the trial balance.

For example, Overstatement or Understatement: An error could lead to overstatement or understatement of assets, liabilities, revenues, or expenses, despite the trial balance remaining balanced.

b. Financial Statements

Misstatement of Financial Results: Errors can lead to misstated financial results in the income statement and balance sheet:

- i. **Income Statement:** Errors can affect the calculation of net income, resulting in incorrect figures for revenues and expenses.

- ii. **Balance Sheet:** Errors can misstate assets, liabilities and equity, affecting the financial position of the company.

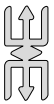
Decision Making: Misstated financial statements can affect decision-making by management, investors and creditors, as they rely on accurate financial information for assessments and projections.

Audit and Compliance: Errors, especially material ones, can lead to issues during audits and may result in non-compliance with regulatory requirements. This can lead to fines, penalties, or other legal consequences.

Example Scenarios

Example 1: A company mistakenly records a purchase of GH¢10,000 as GH¢1,000. While the trial balance might still balance (due to a compensating error elsewhere), the inventory and accounts payable figures will be incorrect, affecting the balance sheet and income statement.

Example 2: An error of omission where a revenue transaction is not recorded in the accounting period can lead to an understatement of revenue in the income statement, despite the trial balance being in agreement.



Note

Even if errors do not affect the agreement of the trial balance, they can still distort the accuracy of financial statements and mislead stakeholders relying on the financial information. It is crucial for accounting professionals to diligently identify and correct errors to ensure the reliability and integrity of financial reporting.

- 2. Errors that affect the agreement of the trial balance can have significant implications on both the trial balance itself and the financial statements.

a. Trial Balance

Unbalanced Trial Balance: Errors that cause the trial balance to be unbalanced (total debits not equal to total credits) indicate discrepancies in the accounting records. Common errors include:

- i. **Mathematical Errors:** Mistakes in addition or subtraction within individual ledger accounts or when preparing the trial balance.
- ii. **Posting Errors:** Incorrectly transferring amounts from the journals to the ledger accounts.
- iii. **Transposition Errors:** Reversing digits when recording amounts, leading to discrepancies in the trial balance totals.

Detection of Errors: An unbalanced trial balance prompts an accountant to investigate and rectify errors before preparing financial statements. This ensures the accuracy of financial reporting.

b. Financial Statements

Misstated Financial Results: Errors in the trial balance can lead to misstatements in the financial statements:

- i. **Income Statement:** Errors can affect the calculation of revenues and expenses, thereby distorting the net income figure. This misstatement can impact profitability analysis and decision-making.
- ii. **Balance Sheet:** Errors can misstate assets, liabilities and equity. For example, an overstatement of accounts receivable or understatement of accrued liabilities can affect the financial position of the company.
- iii. **Impact on Ratios and Analysis:** Misstated financial statements can lead to incorrect financial ratios, affecting the assessment of liquidity, profitability and overall financial health of the company.

Legal and Regulatory Compliance: Inaccurate financial statements resulting from errors can lead to non-compliance with accounting standards and regulations. This may result in legal repercussions and penalties.

Example Scenarios

Example 1: A posting error where a GH¢5,000 payment is incorrectly recorded as GH¢50,000 in the account payable ledger. This error causes the trial balance to be unbalanced, affecting the accuracy of the balance sheet's liabilities section.

Example 2: A transposition error where a sales revenue of GH¢4,600 is recorded as GH¢6,400. This error affects both the trial balance and the income statement, leading to a misstatement of revenues and net income.

Learning tasks

1. Explain the effect of errors that do not affect the agreement of the trial balance on the trial balance and the financial statements.
2. Discuss the effect of errors that affect the agreement of the trial balance on the trial balance and the financial statements.

Pedagogical exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Collaborative learning

1. Assist learners to review their knowledge on meaning and uses of the trial balance.
2. Guide learners and review their knowledge on the meaning of errors, types and their examples.
3. Guide learners in mixed ability and mixed gender groups, to discuss the effect of different types of error on the trial balance and the financial statements.

Problem-based learning

1. Provide learners with a case study of a fictitious company where errors have been identified in the accounting records affecting the trial balance and financial statements or present an accounting problem involving multiple errors. For AP learners, present a simpler problem with

fewer errors and consider scaffolding with a worked example. HP learners could be provided with additional examples or a more complex problem as an extension task.

2. **In mixed ability and mixed gender groups**, assign each group a specific type of error.
3. Each group analyses the impact of their assigned error type on the trial balance and financial statements. They should identify which accounts are affected and how the errors distort financial reporting.
4. **Task** each group to present their findings to the class, discussing the errors identified, their impact on financial reporting and proposed solutions.
5. Encourage critical thinking by asking probing questions about the consequences of each type of error.
6. Provide clear instructions and examples for each activity and offer assistance and feedback during group work and simulations.
7. Provide simplified explanations for learners with lower understanding (AP). Use visuals or worked examples to aid comprehension.
8. Encourage learners with a clear understanding (P) to explain the examples of the types of error to their peers.
9. Assign highly proficient learners (HP) to lead discussions on the effects of errors on the trial balance and the financial statements.

Key assessment

Level 2

1. Explain how an error of omission can impact both the trial balance and the financial statements. Provide an example involving the omission of a sales transaction.
2. What is an error of principle? How does it impact the trial balance and financial statements?
3. Define compensating errors and explain their effect on the trial balance and financial statements. Provide an example where two errors offset each other.

Level 3

1. Imagine a company has detected a compensating error where overstated sales are offset by understated accounts payable. Explain how this impacts the trial balance.
2. How would a transposition error involving a large cash transaction affect the trial balance and the overall financial statements if left undetected until the end of the fiscal year?

HINT



The Recommended Mode of Assessment for Week 3 is group project work. The group project work should be submitted by Week 8. Guidance on the outline of the task, which includes the scope and rubrics is included in Appendix B of this Section. Refer to the Teacher Assessment Manual and Toolkits pages 27–29 for more information on group project work as an assessment strategy.

WEEK 4

Learning Indicator: Correct errors using journal and ledger entries

Focal Area 1: Suspense account and the use of journal entries to correct error

Meaning of the suspense account

A suspense account is an account in which differences in the trial balance are placed pending further investigation. When the trial balance totals disagree, certain steps are taken to trace the errors and rectify (correct) them as early as possible. The suspense account is used to record the difference in the trial balance from the records of ledger accounts until the errors are located and corrected.

The suspense account helps to balance the trial balance temporarily. After the error has been found, the suspense account is adjusted and becomes a zero balance.

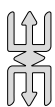
1. Correction of errors that do not affect the agreement of the trial balance

These errors are corrected through the general journal or journal proper. These errors involve two accounts. In such a situation, one account is debited, and the other account is credited. The principle to be followed is to identify whether the error has increased or decreased the balance of the account. If the error has increased the account balance, then the error should be corrected by decreasing the balance on the account. On the other hand, if the error has decreased the account balance, then it should be corrected by increasing the balance in the account.

2. Correction of errors that affect the agreement of the trial balance.

These errors are corrected through the journal proper and the suspense account. The difference in the trial balance is placed in a suspense account. If the debit side of the trial balance is short, the difference is put at the debit side. On the other hand, if the shortage is on the credit side, the difference is put at the credit side. These errors affect only one account and so therefore the corresponding entry goes to the suspense account.

The account to be corrected may be debited or credited, as the case may be, and the journal entry is completed by crediting or debiting the suspense account. After correction of all errors affecting trial balance, the suspense account should show equal totals.



Note

The journal should always have a narration explaining changes unless the question specifically states this does not need to be included.

Learning tasks

1. Explain the purpose of a suspense account.
2. Discuss how to correct errors using journal and ledger entries.

Pedagogical exemplars

Collaborative Learning

1. In a whole class discussion, guide learners to review their knowledge and understanding of the effect of errors on the trial balance and the financial statements.
2. Organise learners in mixed-ability and mixed-gender groups to brainstorm the meaning of the suspense account.
3. Let learners continue to work in their groups to come out with the uses of suspense accounts.
4. In mixed ability and mixed gender groups, assists learners to discuss how to correct errors using the journal entries and the suspense account.

Problem-based learning

1. Present learners with given financial data (learning task) on errors for them to analyse and correct through journals entries and use of the suspense account.
2. Guide each group on how to analyse and correct the errors identified in the learning task, and how to enter these in to the journals and suspense account.
3. Encourage learners to fully participate fully in activities while embedding in them elements of accuracy, precision and attention to detail. Additional support should be provided for AP learners by scaffolding the activity, for example through the provision of a worked example and templates for journal and suspense accounts.
4. Proficient learners should lead the group in correcting the errors using journal entries.
5. HP learners should be provided with another example to work through, or to work as elbow partners with AP learners.

Key assessment

Level 1

1. What is a suspense account?
2. Identify the types of errors in the following transactions
 - a. Sale of goods to Adams for GH¢450 was not recorded in the books of accounts at all.
 - b. Purchase of goods worth GH¢800 from Asiedu was posted to the account of Adusie.
 - c. A sale to Kofi for GH¢400 was recorded twice in the books.
 - d. Purchase of machinery worth GH¢750 debited to machinery repairs account instead of the machinery account.
 - e. Sales invoice amount of GH¢1500 entered in the sales journal as GH¢150 and posted to the ledgers as GH¢150.

Level 2

1. Explain the use of the suspense account in correcting errors.
2. Explain how to correct errors that do not affect the agreement of the trial balance.

Level 3

1. Discuss the importance of correcting accounting errors and the potential consequences of failing to correct them.
2. You discover that a purchase of office supplies for GH¢200 was incorrectly debited to the equipment account. Describe the process for correcting the journal entry.
3. You are auditing a company and find that the purchase of equipment was recorded as an expense due to an error of principle. How would you correct this error and what would be its impact on the trial balance and financial statements?
4. The trial balance of OSIKA Enterprise failed to agree. The difference was entered in the suspense account.

The following errors were detected:

- a. A sum of GH¢1,000 received from Sammy has not been posted to his account.
- b. The sales daybook was undercast by GH¢560
- c. Return outwards book was overcast by GH¢140.
- d. Discount received GH¢410 from Doris had been correctly entered in the cashbook but not posted to Doris's account.
- e. Goods worth GH¢750 returned to a supplier was recorded in his personal account as GH¢570.
- f. Discount allowed was overcast by GH¢310.
- g. Discount received column in the cashbook has been overcast by GH¢400.

You are required to prepare:

- i. Journal entries to correct the errors.
- ii. Suspense account entries

Focal Area 2: Correcting errors using the journal and ledger entries

Learners have been introduced to types of errors, their examples and how to correct these errors using journal entries and the suspense account.

The following learning tasks should be used to support the pedagogy, and this lesson is dedicated to applying the principles of error correction using journal entries and the suspense account.

Additional examples could be produced by teachers to support proficient or highly proficient learners who require extension challenges.

Learning tasks

1. Identify the types of errors.
2. Explain examples of errors identified in transactions.
3. Prepare the suspense account to correct errors and address imbalance of a trial balance.

Pedagogical Exemplars

Collaborative learning: In a whole class discussion, guide learners to discuss what they already know about journal entries and common errors. This helps in activating prior knowledge and identifying gaps.

Problem based learning

1. Present the learning tasks on financial transactions that contains errors.
2. Divide learners into groups, considering abilities and gender.
3. Task learners in their various groups to identify the specific accounting errors that need to be analysed and corrected.
4. Guide learners to brainstorm possible reasons for the errors and how they can be corrected using journal entries and the suspense account. Encourage them to think critically and discuss their ideas within the group.
5. Within each group, assign roles such as leader, recorder, presenter and researcher to ensure active participation from all members.
6. Have each group present their findings and solutions using a flip chart. Task proficient learners to lead in the presentation.
7. Provide feedback and clarify any misconceptions. Highlight best practices and common setbacks in journal entries.
8. Provide additional practice problems to reinforce the concepts learned. Ensure these problems cover a variety of potential errors.

Key assessment

Read this scenario

You are preparing the trial balance for your business at the end of the accounting period, but the totals do not balance: Your credits are GH¢5900 higher than your debits. After analysing the trial balance, you note the following transactions:

- Credit purchases of GH¢8500 to Victoria have been entered in the purchases account but credited as GH¢5800 in Victoria's account.
- The sales account was overstated by GH¢7400.
- Discount allowed GH¢4000, has been credited to the discount received account.
- Vehicle expenses, GH¢500 has been debited to the vehicles account.
- Payment of GH¢2600 from a credit customer, Soloman, has been entered correctly into the cashbook but has been debited to Soloman's account
- Returns outward of GH¢1600 has been correctly entered into the payables ledger but omitted from the returns outwards account.

Level 1: Identify the types of errors from these transactions.

Level 2: Explain the examples of errors identified in these transactions.

Level 3: Prepare the suspense account to correct the errors and address the imbalance of the trial balance.

Level 3

1. Business Studies Enterprise extracted its trial balance and discovered a difference of GH¢1,030 debit. A review of the ledger revealed the following errors:
 - a. A sum of GH¢120 on a creditor's account was omitted from the balance of creditors.
 - b. An item of furniture purchased for GH¢960 was debited to repairs.
 - c. The payment side of the cash account had been undercast by GH¢650.
 - d. The total of one page of the sales daybook had been carried forward as GH¢2,154 whereas the correct amount was GH¢2,514
 - e. A debit note of GH¢210 received from a customer had been posted to the wrong side of his account.
 - f. A debit of GH¢520, presumed bad earlier and written off, was recovered during the year. The debtor's personal account was credited but no corresponding entry was made.

You are required to

- i. Prepare journal entries to correct the errors.
 - ii. Write up the suspense account.
2. A sole trader prepared a trial balance which failed to agree, and the difference was placed in a suspense account. An audit of the books revealed the following errors:
 - a. Trade discount of GH¢19,000 received from a supplier had been posted to the purchases account.
 - b. One of the pages of the sales returns journal totalling GH¢8,000 was not posted to the return inwards account.
 - c. A payment of GH¢19,600 for insurance has not been entered in the cashbook.
 - d. A cheque for GH¢49,000 paid to a supplier was entered in the cashbook as a receipt.
 - e. A payment of minor repairs of GH¢11,000 to plant and machinery was wrongly posted to plant and machinery account.
 - f. A sale invoice of GH¢158,950 to a customer was not entered in the books.
 - g. A discount received from a supplier of GH¢25,500 was entered on the wrong side of the personal account.

You are required to prepare

- i. Journal entries to correct the errors.
- ii. Write up the suspense account

Level 4: Research task: Evaluate how modern accounting software and technology can help identify and correct accounting errors. Discuss the advantages and potential limitations of relying on technology for error correction.

HINT



The Recommended Mode of Assessment for Week 4 is research work. Refer to the Teacher Assessment Manual and Toolkits pages 84–86 for more information on research work as an assessment strategy.

WEEK 5

Learning Indicator: Identify the causes of differences between the cashbook and the bank statement balances

Focal Area 1: Introduction to Bank Reconciliation Statement

Meaning of bank statement and bank reconciliation statement Cashbook

A cashbook is used to record details of cash, bank and discount transactions. It is used to record the receipts and payments of cash of a business.

Bank statement

A bank statement is a statement which shows the list of debit and credit transactions that have happened in a particular bank account.

It is a periodic report sent by a bank to its customers (especially those keeping current accounts) to inform them of their balances with the bank at a specific date.

Bank reconciliation statement

A bank reconciliation statement is a statement or a report prepared by a business at the end of the month or period to show any differences arising between the bank statement balance and the cashbook (bank column) at that date.

Reasons for the preparation of bank reconciliation statement

1. **Detection of Error:** Mistakes such as recording transactions in the wrong amounts, omitting transactions, or duplicating entries can be identified. Banks can also make errors, such as incorrect charges or deposits, which can be detected through reconciliation.
2. **Prevention of Fraud:** Reconciliation can uncover unauthorised or fraudulent transactions, helping to detect and prevent fraud. It acts as an internal control mechanism, ensuring that all cash transactions are properly recorded and accounted for.
3. **Ensuring Accurate Financial Records:** It ensures that the cash balance reported in the company's books is accurate, which is crucial for financial reporting and analysis. Accurate cash records are essential for the preparation of reliable financial statements, which stakeholders use to make informed decisions.
4. **Identification of Unrecorded Transactions:** Reconciliation helps identify bank charges, interest earned and other transactions that have not yet been recorded in the company's books. It ensures that all deposits made and cheques issued are accurately recorded.
5. **Compliance and Audit Requirement:** Regular bank reconciliations help ensure compliance with financial regulations and standards. It provides a clear audit trail for external auditors, demonstrating that the company's cash transactions are accurately recorded and verified.

Learning tasks

1. Brainstorm the meaning of a bank statement.
2. Explain the meaning of a bank reconciliation statement.
3. Discuss the reasons for the preparation of a bank reconciliation statement.

Pedagogical exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Initiating talk for Learning

1. Let learners think-pair-share some possible mistakes banks may commit in the preparation of accounts of their customers.
2. In an all-inclusive class discussion, guide learners to discuss how these mistakes can be identified.

Collaborative Learning

1. Put learners in groups, considering abilities and gender.
2. In mixed-ability and mixed-gender groups, guide learners to brainstorm on the meaning of bank statement.
3. Present learners with samples of bank statements.
4. Assist each group to examine the sample of the bank statement to identify key components (account balance, deposits, withdrawals, fees).
5. Assist learners in their various groups to discuss and brainstorm reasons for the preparation of a bank reconciliation statement.
6. Recap the key points about bank statement, bank reconciliation statement and reasons for preparing a bank reconciliation statement.
7. Ensure all learners have opportunities to contribute to discussions.
8. Provide simplified explanations for learners with lower understanding (AP). Use visuals or simple examples to aid comprehension.
9. Encourage learners with a clear understanding (P) to explain bank statement and bank reconciliation statement to their peers.
10. Assign highly proficient learners (HP) to lead discussions on the reasons for the preparation of bank reconciliation statement.

Key Assessment

Level 1

1. What is a bank statement?
2. What is a bank reconciliation statement?
3. List two reasons for the preparation of a bank reconciliation statement.

Level 2

1. List and briefly explain three reasons for preparing a bank reconciliation statement.
2. Explain what a bank statement is and what key components it includes.

Level 3: How can a bank reconciliation statement help in detecting fraud?

Focal Area 2: Causes of the differences between cashbook and bank reconciliation statement balance

Causes of the differences between the cashbook and the bank statement balances

Teachers should summarise the common causes of differences between the bank statement and cashbook (bank column), for example;

1. **Unpresented Cheques:** These are cheques issued by a firm/business to customers or creditors for services rendered or goods provided but which have not been presented to the bank for payments. In other words, they are cheques drawn in favour of a supplier and credited in the cashbook but have not yet been presented by the creditor for payment. If it has not been presented to the bank for payment, it would not reflect in the bank statement.
2. **Uncredited cheques:** These are cheques received from customers and debited to the cashbook but have not yet been credited by the bank. This means these cheques were recorded at the debit (receipts) side of the cashbook but has not reflected in the bank statement because it has not been credited to the account by the bank.
3. **Standing order:** It is an instruction or directive from a customer of a bank to their bankers to make certain periodic or regular payments out of their account to named persons or organisations. This order (transaction) comes to the attention of the customer when a bank statement is presented so it is recorded in the statement but has not been recorded in the cashbook. For example, medical bill, mortgage interest, hire purchase payments, electricity bill, insurance premiums, etc.
4. **Credit transfer:** These are payments made directly into a customer's account in the bank by third parties unknown by the firm. The business receiving the credit will only know of it after receiving the bank statement.
5. **Bank charges and commission:** These are charges and commissions levied by the bank for services rendered on behalf of the customer/firm but not credited in the customer's cashbook. These charges are charged to the customer's account(debited), but customer may not know of these charges until the bank statement is received.
6. **Dividend or interest received:** A customer of a bank may receive periodic dividends from investment in shares in a company and other investments that attract interest as per the accounting year which are paid directly into his bank account. Until the firm receives the bank statement, such interests and dividends will not appear in the cashbook but would show in the bank statement.
7. **Errors made by the bank** in the customer's account by means of omissions, duplications, complete reversal error, commissions and casting. This can either be a debit error or a credit error.

8. **Errors made by the customer** in their cashbook by means of omissions, wrong posting or casting. This can either be a debit error or a credit error.
9. **Dishonoured cheques:** These are cheques that the bank has refused payment upon presentation at the counter either by the account holder or a creditor. Sometimes, cheques paid in by the customer (account holder) are rejected by the bank and returned. These may not yet be reflected in the customer's cashbook but show in the bank statement as dishonoured. There may be a number of reasons why a bank may refuse to pay a cheque.

Reasons for dishonouring a cheque

- a. Insufficient funds in the drawers' account
- b. Lack of agreement between the amount in words and figures
- c. Stale cheque
- d. When a post-dated cheque is presented before maturity date
- e. Irregularity in signature from the specimen signature
- f. Wrong date

Learning tasks

Examine samples of cashbooks (bank column) together with bank statements of organisations.

1. Identify the causes of the differences between the cashbook and the bank statement balances.
2. Brainstorm the reasons for dishonouring a cheque.
3. In groups, present your findings to the rest of the class.

Pedagogical exemplars

Collaborative Learning: In a whole class discussion, guide learners to review their knowledge on the meaning of cashbook, bank statements, bank reconciliation statement and the reasons for the preparation of bank reconciliation statement.

Experiential learning

1. In mixed-ability and mixed-gender groups, learners examine samples of cashbooks (bank column) together with bank statements of organisations. Task highly proficient learners to lead in examining the sample given.
2. Task each group to identify a cause of the differences between the bank statement and cashbook (bank column).
3. Guide learners in their groups to discuss the causes of the differences between the bank statement and cashbook (bank column) identified.
4. Task approaching proficient learners to mention the key points about causes of the differences between the bank statement and cashbook.
5. Assist learners in their various groups to discuss and brainstorm reasons for dishonouring a cheque as one of the causes of the differences.

6. Each group to make a presentation to the class on the differences they have identified together with their causes. Encourage questioning and discussion from the wider class.
7. Ensure all learners have opportunities to contribute to discussions.
8. Provide simplified explanations for learners with lower understanding (AP). Use visuals or simple examples to aid comprehension.
9. Encourage learners with a clear understanding (P) to explain causes of the differences between the bank statement and cashbook to their peers.
10. Assign highly proficient learners (HP) to lead discussions on causes of the differences between the bank statement and cashbook.

Key Assessment

Level 1

1. Identify three causes of the differences between the bank statement and cashbook.
2. State two reasons for dishonouring a cheque.
3. Match the term with its correct description:
 - a. ____: Mistakes made by the bank in recording transactions.
 - b. ____: Deposits made by the company not yet reflected in the bank statement.
 - c. ____: Interest earned but not yet recorded in the cashbook.
 - d. ____: Checks issued but not yet cleared by the bank.
 - i. Outstanding Checks
 - ii. Deposits in Transit
 - iii. Bank Errors
 - iv. Unrecorded Interest

Level 2: List and briefly describe three common causes of differences between a bank statement and a cashbook.

Level 3

1. Discuss the potential impacts on a business if discrepancies between the cashbook and the bank statement are not regularly reconciled.
2. Consider a situation where frequent discrepancies occur between the cashbook and the bank statement. What measures can a business take to address and minimise these discrepancies?

HINT



The Recommended Mode of Assessment for Week 5 is discussion and presentation. Refer to the Teacher Assessment Manual and Toolkits pages 34–37 for more information on discussion as an assessment tool.

WEEK 6

Learning Indicator: Prepare the updated cashbook and the bank reconciliation statement balances

Focal Area 1: Preparation of updated cashbook

Preparation of the updated cashbook

Teachers to introduce the lesson and its objective to work through how to prepare an updated cashbook.

Teachers to outline the method and best practice approach, i.e.

1. To go through the bank statement and identify items which have been omitted from the bank account in the cashbook. It is also necessary to identify items that should have been recorded in the cashbook but haven't been.
2. These items should then be recorded in the cashbook. Examples of such items include dishonoured cheques, credit transfer, standing orders, bank charges and commissions, dividends and interest received and errors made.
3. The principle for recording is as follows; any item that should have reduced the bank balance should be credited to the cashbook and any item that should have increased the cashbook balance should be debited. The result is a revised balance on the customer's bank account.

Format of updated cashbook

UPDATED CASHBOOK			
	GH¢		GH¢
Balance b/d	xxx	Balance b/d (if any)	xxx
Credit Transfer	xxx	Standing Order	xxx
Dividend received	xxx	Bank charges and commissions	xxx
Interest received	xxx	Dishonoured cheques	xxx
Error (undercast)	xxx	Error (undercast)	xxx
Error (overcast)	xxx	Error (overcast)	xxx
		Balance c/d	xxx
Balance b/d	xxx		

Learning tasks

1. Discuss the preparation of an updated cashbook.
2. Prepare an updated cashbook.

Pedagogical Exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Collaborative learning

1. In a whole class discussion, guide learners to review their knowledge on cashbooks and the causes of the differences between the bank statement and cashbook.
2. Guide learners to discuss the preparation of the updated cashbook.
3. Present learners with samples of the formats of updated cashbook for learners to examine.
4. In mixed-ability and mixed-gender groups, guide learners to discuss the items in the format of the updated cashbook.
5. Encourage learners with a clear understanding (P) to discuss the items in the format of the adjusted cashbook.

Problem-based learning

1. Learners to work in mixed ability and mixed gender groups. Present each group with financial data (outlined in the learning task) for learners to analyse and prepare an updated cashbook.
2. Assist learners in their various groups to prepare an updated cashbook using the format outlined in the lesson.
3. Ensure all learners have opportunities to contribute to discussions.
4. Groups to exchange their updated cashbooks to the class with other groups for feedback and discussion.
5. Provide simplified explanations for learners with lower understanding (AP). Worked examples could be provided to support access to the activity alongside a templated cashbook for learners to complete.
6. Assign highly proficient learners (HP) to lead preparation of updated cashbook.

Key Assessment

Level 1

1. List two items that would appear on the credit side of the updated cashbook format.
2. List two items that would appear on the debit side of the updated cashbook format.

Level 2

1. Why is it important to include bank charges when updating the cashbook?
2. Why is it necessary to update the cashbook regularly?

Level 3

Scenario

1. Ama's cashbook on 31st March, 20X1 showed a credit balance of GH¢ 30,250 while her bank statement the same day showed a debit balance of GH¢17,650. An investigation revealed the following:
 - The receipts side of the cashbook had been under-cast by GH¢2,500.
 - Bank charges of GH¢1,900 entered on the bank statement had not been entered in the cashbook.
 - A cheque for GH¢13,000 drawn by Adam had been charged by the bank in error to another customer's account.
 - A dividend of GH¢750 paid direct to the bank had not been entered in the cashbook.
 - A cheque for GH¢1,750 paid into the bank had been dishonoured and shown as such by the bank but no entry of the dishonour had been made in the cashbook.
 - A cheque drawn for GH¢1,600 had been entered in the cashbook in error as GH¢1,150.
 - A cheque for GH¢1,050 drawn by another customer of the same name had been charged to Ama's bank account in error.

Prepare the updated cashbook .

2. Stephen's cashbook on 30th June, 20X1 showed a credit balance of GH¢ 60,500 while his bank statement the same day showed a debit balance of GH¢35,300. An investigation revealed the following:
 - The receipts side of the cashbook had been under-cast by GH¢5,000.
 - Bank charges of GH¢3,800 entered on the bank statement had not been entered in the cashbook.
 - A cheque for GH¢26,000 drawn by Duodo had been charged by the bank in error to another customer's account.
 - A dividend of GH¢1,500 paid direct to the bank had not been entered in the cashbook.
 - A cheque for GH¢3,500 paid into the bank had been dishonoured and shown as such by the bank but no entry of the dishonour had been made in the cashbook.
 - A cheque drawn for GH¢3,200 had been entered in the cashbook in error as GH¢2,300.
 - A cheque for GH¢2,100 drawn by another customer of the same name had been charged to Stephen's bank account in error.

Focal Area 2: Preparation of Bank Reconciliation Statement

Preparation of the Bank Reconciliation Statement

Teachers to introduce the lesson and its objective to work through how to prepare a bank reconciliation statement, with or without an overdraft.

The preparation of the bank reconciliation statement involves bringing the corrected cashbook balance in agreement with the bank statement balance. The items used are unrepresented cheques, uncredited cheques and errors by the bank. The following principles must be followed.

1. Unpresented cheques - These are cheques drawn by the business or customer and credited in the cashbook but which have not yet been presented to the bank for payment. Since these have been recorded at the credit side of the cashbook, they have reduced the cashbook balance. To reverse this entry, it has to be added back to the balance as per the adjusted cashbook.
2. Uncredited cheques - These are cheques received by the business and paid into the bank account and debited in the cashbook but which have not been recorded in the records of the bank. Since these have been recorded at the debit side of the cashbook, they have increased the cashbook balance. Therefore, to make the cashbook balance equal to that of the bank statement, it should be deducted from the balance as per the adjusted cashbook.
3. Errors by the bank may be debit in error or credit in error.

Credit in error: if the bank credits an account in error it means that the bank has increased the balance on that account in error. Since the cashbook balance has to be equal to the bank statement balance, an equal amount is added to the adjusted cashbook balance.

Debit in Error: if the bank debits an account in error it means the bank has reduced the balance on that account in error. Since the cashbook balance has to be equal to the bank statement balance, an equal amount is deducted from the adjusted cashbook balance.

The reconciliation statement can be prepared starting with the balance as per adjusted cashbook, overdraft as per cashbook, balance as per bank statement or overdraft as per bank statement.

Format of bank reconciliation statement

Bank Reconciliation Statement as at

Balance as per updated cashbook		xxx
---------------------------------	--	-----

add: Unpresented Cheques	xxx	
---------------------------------	-----	--

Credited in Error	xxx	<u>xxx</u>
		xxx

less: Uncredited Cheques	xxx	
---------------------------------	-----	--

Debited in Error	xxx	<u>xxx</u>
------------------	-----	------------

Balance as per Bank Statement		xxx
-------------------------------	--	------------

Alternatively

Bank Reconciliation Statement as at

Balance as per bank Statement		xxx
-------------------------------	--	-----

add: Uncredited Cheques	xxx	
Debited in Error	xxx	<u>xxx</u>
		xxx

less: Unpresented Cheques	xxx	
Credited in Error	xxx	<u>xxx</u>

Balance as per updated Cashbook **xxx**

Bank overdraft

A Bank overdraft is a credit facility given to a customer of a bank, which allows them to overdraw his or her account to an agreed limit. Interest is charged on the amount overdrawn.

Format of bank reconciliation statement when the balances are overdraft

Bank Reconciliation Statement as at

Overdraft as per updated Cashbook		xxx
add: Uncredited Cheques	xxx	
Debited in error by bank	xxx	xxx
		xxx
less: Unpresented Cheques	xxx	
Credited in error by bank	xxx	xxx
Overdraft as per Bank Statement		xxx

Alternatively

Bank Reconciliation Statement as at

Balance as per Bank Statement(O/D)		xxx
add: Unpresented Cheques	xxx	
Credited in Error	xxx	xxx
		xxx
less: Uncredited Cheques	xxx	
Debited in Error	xxx	xxx
Balance as per updated cashbook (O/D)		xxx

Learning tasks

1. Discuss the preparation of bank reconciliation statement with a partner.
2. Identify the items in the bank reconciliation statement format.

Pedagogical Exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Collaborative learning

1. In a whole class discussion, guide learners to review their knowledge on the preparation of updated cashbook.
2. Guide learners to discuss the preparation of bank reconciliation statement.
3. Assign proficient learners to lead in the discussion on the preparation of bank reconciliation statement.
4. Present learners with samples of the formats of bank reconciliation statement to examine.
5. Guide learners to identify the items in the format of the bank reconciliation statement.
6. In mixed-ability and mixed-gender groups, guide learners to discuss the items in the format of the bank reconciliation statement. Assign proficient learners to lead in the discussion.

Problem based learning

1. Organise learners in mixed ability and mixed gender groups. Present financial data (learning task) for learners to analyse and use to prepare the bank reconciliation statement.
2. Assist learners in their various groups to prepare bank reconciliation statements using the format discussed.
3. Assign highly proficient learners (HP) to lead preparation of bank reconciliation statement.
4. Ensure all learners have opportunities to contribute to discussions.
5. Provide simplified explanations for learners with lower understanding (AP). Use visuals such as templated statements or worked examples to aid comprehension.
6. Let individual groups exchange their prepared bank reconciliation statement with other groups for peer review and constructive feedback.

Key Assessment

Level 1: List two items in the format bank reconciliation statement.

Level 2

1. Why is it important for a business to reconcile its bank statement regularly?
2. What is an outstanding cheque and how does it affect the bank reconciliation process?

Level 3

1. What steps should be taken if discrepancies are found during the bank reconciliation process?
2. Prepare the updated cashbook and bank reconciliation statement from the information given in the following scenario

The cashbook for Accra Foods Ltd shows a debit balance of GH¢3,000 on 31st December 20X1. On analysis you identify the following:

- a. A direct debit of GH¢ 250 for internet services was paid by the bank but not recorded in the cashbook.

- b. Bank fees totalling GH¢ 400 were not recorded in the cashbook.
 - c. Standing order payments were missing from the cashbook, including a water bill of GH¢ 60, rent for GH¢ 200, and sanitation services GH¢ 150.
 - d. Interest income of GH¢ 200 deposited directly into the bank was missing from the cashbook records.
 - e. An error was found where the cashbook balance carried forward was understated by GH¢ 150.
 - f. Issued cheques totalling GH¢ 3,500 had not cleared and were not reflected in the cashbook.
 - g. Deposits of GH¢ 2,500 were made but not yet acknowledged by the bank.
3. Dorvic Enterprise cashbook showed a debit balance of GH¢ 4,500 on December 31, 20X2. Further examination revealed the following:
- a. A direct debit of GH¢350 for subscription had been paid by the bank.
 - b. Bank charges of GH¢500 had not been reflected in the cashbook.
 - c. Payments settled by standing orders were omitted from the cashbook; electricity bill GH¢ 70, insurance GH¢100, medical bill GH¢120.
 - d. A dividend of GH¢320 paid directly into the bank had not been entered in the cashbook.
 - e. It was discovered that the cashbook balance brought down was undercast by GH¢ 180.
 - f. Cheques amounting to GH¢4,800 issued had not been presented for payment.
 - g. Cheques amounting to GH¢1,990 paid into the bank had not yet been credited.

You are required to prepare

- i. The updated cashbook
- ii. Bank reconciliation statement as of December 31, 20X2

Level 4: Analyse the impact on a business if they were not to prepare a bank reconciliation statement. Consider the related financial statements and operational implications.

HINT



*The Recommended Mode of Assessment for Week 6 is **Mid-semester examination**. Refer to the Teacher Assessment Manual and Toolkits pages 66–67 and 74–76 for more information on multiple-choice questions and essay questions. Refer to **Appendix C** of this section for more information on the structure of the mid-semester examination*

WEEK 7

Learning Indicator: Discuss the importance of control accounts and prepare the receivables and payables control accounts

Focal Area 1: Introduction to control accounts

In the first lesson of this week, teachers should introduce learners to the role of control accounts – what they are, the different types and why they are important – before they begin to apply this to the preparation of control accounts in the following lessons.

Meaning of control account

These are accounts that record a summary of all transactions that have been entered in the individual ledgers to which they relate. If the control account for a particular ledger at the end of a financial period agrees with the total of the balances of the individual accounts in that ledger, then it implies that the entries have been correctly made. This can support checks as a discrepancy would signpost the ledger that require detailed checking to find errors. It is worth noting that control accounts do not identify all errors. Similar to the trial balance, there are certain types of error that can occur which mean that the control account will still balance (for example errors or omission, compensating errors).

Control accounts are often referred to as self-balancing ledgers because ledgers, which have control accounts system, are proved to be correct as far as the double entry is concerned. The control account is generally confined to purchases and sales, although theoretically the principle may be extended to all ledgers. Because control accounts are essentially summaries of the transactions contained within a particular ledger, they are sometimes referred to as total accounts.

Importance of control accounts

1. They provide a check on the accuracy of entries made in the personal accounts.
2. They assist in the location/identification and correction of errors.
3. They act as an internal check on the work of clerical staff.
4. They are used to ascertain debtors' and creditors balances more quickly.
5. They are used to find missing figures when preparing accounts for Single Entry and Incomplete Records.
6. They serve as a check on fraudulent acts and checks on the accuracy of the ledger keepers.

Types of control accounts

1. **Receivables (Sales) Ledger Control Account:** This is an account in which records are kept of all transactions relating to all debtors in total. The balance on the receivables control account therefore represents the sum of the individual balances owed by credit customers in the sales ledger. It simply tracks any amounts owed to the business. It is also called the sales ledger control account or total debtors account. It is debited with all items that increase debtors' balance and credited with all items that decrease the debtors' balance.

- 2. Payables (Purchases) Ledger Control Account:** It is an account in which records are kept of all transactions relating to all creditors in total. The balance on payables control account therefore represents the sum of the individual balances owed to trade creditors in the payable ledger. It is credited with all items that increase creditors' balance and debited with all items that decrease creditors' balance.

Learning Tasks

1. Brainstorm the meaning of control account.
2. Explain the importance of control accounts.
3. Discuss the types of control account.

Pedagogical exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Collaborative Learning

1. In a whole class discussion, guide learners to review their knowledge on sales and purchases daybooks to connect with previous learning.
2. Learners in pairs think and share the meaning of control account.
3. Organise learners in mixed-ability and mixed-gender groups to discuss and brainstorm on the meaning of control accounts.
4. Let learners continue to work in their groups to come up with the importance of control accounts.
5. In mixed-ability and mixed-gender groups, guide learners to explain the importance of control account.
6. Assist learners in their various groups to discuss the types of control accounts.
7. Ensure all learners have opportunities to contribute to discussions.
8. Provide simplified explanations for learners with lower understanding (AP). Use visuals or simple examples to aid comprehension.
9. Encourage learners with a clear understanding (P) to explain the importance of control accounts to approaching proficient learners.
10. Assign highly proficient learners (HP) to lead the discussion of the importance and types of control account.

Key Assessment

Level 1

1. What is a control account?
2. State two reasons why the control account is important.
3. Summarise the types of control account.

Level 2

1. Briefly explain the role of the control account.
2. Discuss the importance of the control account.
3. Explain the types of control account.
4. Why are control accounts used in accounting?

Level 3: Discuss the advantages and disadvantages of using control accounts in a computerised accounting system.

Level 4: Critically evaluate the role of control accounts as a tool to ensure accuracy and fidelity across all ledgers.

Focal Area 2: Receivables control account

This lesson will build on learners' understanding of receivables control accounts. Teachers should introduce the format of these types of accounts and they key things to note in how they are presented.

Format of receivables control accounts

Teachers should present the format of a receivables ledger control account as per the example below.

Receivable ledger control account			
Balance b/d	xxx	Balance c/d	xxx
Credit sales	xxx	Cash received from customers	xxx
Dishonoured cheques	xxx	Cheques received from customers	xxx
Bills receivable dishonored	xxx	Bills receivables	xxx
Cash refunds to customers	xxx	Discounts allowed	xxx
Interest charge on customers' overdue a/c xxx		Return inwards	xxx
Noting Charges	xxx	Bad debts written off	xxx
Balance c/d	xxx	Allowances on goods damaged	xxx
		Set off	xxx
		Balance c/d	xxx
	<u>xxx</u>		<u>xxx</u>
Balance b/d	xxx	Balance b/d	xxx

Teachers should cover the following lines to ensure learners understanding of these components.

Opening credit balance: the receivables ledger control account usually has an opening debit balance representing the amount owed by customers. It is therefore unusual to have an opening credit balance but it happens at times. An opening credit balance represents customers to whom the business owes money, probably as a result of overpayment of their accounts or for cash deposits or advances made by them prior to supply of goods.

Set off: these arise where there are balances on both supplier's account and customer's account for the same individual or business. A person may be both a customer and a supplier and it is sometimes necessary to set off one balance against the other. The set offs are sometimes referred to as contra entries.

Noting charges: is charge by the bank for processing bill of exchanges. It is therefore debited to the sales ledger control account.

Learning tasks

1. Identify the items in the receivables ledger control accounts.
2. Discuss the preparation of receivables ledger control accounts and the format to be used.

Pedagogical Exemplars

Collaborative learning

1. In a whole class discussion, guide learners to review their knowledge on the types of control accounts.
2. Present learners with samples of the formats of receivable ledger control accounts for learners to examine.
3. Task learners to identify the items in the format of receivable ledger control accounts.
4. In mixed-ability and mixed-gender groups, guide learners to discuss the items in the format of receivable ledger control accounts.
5. Assign proficient learners to lead in the discussion of the items in the receivables ledger control account.

Problem-based Learning

1. Present learners with a given financial data on receivables control account for them to analyse and prepare receivables control accounts (the learning task could be used to support this activity)
2. Assist learners in their various groups to prepare receivables ledger control accounts using the format discussed.
3. Let individual groups exchange their prepared receivables ledger control accounts with other groups for peer review and constructive feedback.
4. Ensure all learners have opportunities to contribute to discussions.
5. Provide simplified explanations for learners with lower understanding (AP). Use visuals such as a pre-templated control account or worked examples to aid comprehension.
6. Encourage learners with a clear understanding (P) to lead in the discussion of the items in the format of receivables ledger control accounts.
7. Assign highly proficient learners (HP) to lead preparation of receivables ledger control accounts. HP learners could be given additional examples to work through.

Key Assessment

Level 1

1. List two items that should appear on the credit side of receivables ledger control accounts.
2. State three items that should appear on the debit side of receivables ledger control accounts.

Level 2

1. Briefly explain set off in receivables ledger control accounts.
2. Explain the purpose of a receivables ledger control account in the accounting system.

Level 3

1. Discuss how the receivables ledger control account aids in the preparation of financial statements.

Prepare the receivables ledger control account for Okuyo Textiles for the month of August, 20X3 from the data given below.

	GH¢
Debtors balance as of 1/8/20X3	12,000
Credit balance on 1/8/20X3	3,000
Discounts allowed	2,000
Bills receivable	8,000
Bad debts	5,000
Receipts from debtors	50,000
Contra-entries	2,000
Credit sales	70,000
Returned cheques	2,500
Bills receivable returned	1,000
Allowance to debtors for defective goods	500
Closing balance of debtors as per the receivables ledger	45,000

2. Using the information below, task learners to prepare the receivables ledger control account for Okatakyye Ltd. for the month of July, 20X3.

	GH¢
Debtors' balance at 1/7/20X3	10,000
Credit balance on customers account at 1/7/20X3	2,500
Discount allowed	1,500
Bills receivable	9,000
Bad debts	6,500
Receipts from debtors	43,000
Set – off of a customer's account against a credit balance	1,800
Credit sales	65,000
Dishonoured cheques	3,200
Bills receivable dishonoured	1,500

Allowances to debtors for defective goods	400
Balances of debtor from the receivable ledger at the end	40,000

HINT

*The Recommended Mode of Assessment for Week 7 is **critiquing**. Refer to the Teacher Assessment Manual and Toolkits pages 58–61 and **Appendix D** for more information on how to use critiquing as an assessment strategy.*

WEEK 8

Learning Indicator: Discuss the importance of control accounts and prepare the receivables and payables control accounts

Focal Area 1: Payables control account

This lesson will build on learners' understanding of payables control accounts. Teachers should introduce the format of these types of accounts and the key things to note in how they are presented.

Format of receivables control accounts

Teachers should present the format of a payables control account as per the example below.

Payables ledger control account			
Balance b/d	xxx	Balance b/d	xxx
Cash paid to suppliers	xxx	Credit purchases	xxx
Cheque paid to suppliers	xxx	Dishonored cheques	xxx
Bills payable	xxx	Dishonored bills	xxx
Discount received	xxx	Cash refunds (receipts)	xxx
Return outwards	xxx	Balance c/d	xxx
Sales ledger set off (contra)	xxx		
Balance c/d	<u>xxx</u>		
	<u>xxx</u>		<u>xxx</u>
Balance b/d	xxx	Balance b/d	xxx

Teachers should note the meaning and importance of the opening credit balance when working through the format of the account and ensure learners understand which items are not listed.

Opening credit balance: the payables ledger control account usually has an opening credit balance representing the amount owed to suppliers. It is therefore unusual to have an opening debit balance in the payables ledger control account, but it can happen at times. An opening debit balance represents an amount owed by the suppliers to the business, probably as a result of overpayments in settlement of the firm's accounts, or cash deposits made by the firm to the suppliers for which goods have not yet been supplied.

The following items are not shown in the control account:

1. provision for bad debts
2. cash sales and cash purchases
3. provision for trade discount
4. carriage inwards and outwards

Learning tasks

1. Identify the items in the payable ledger control accounts.
2. Discuss the preparation of payable ledger control accounts and the format to be used.

Pedagogical Exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Collaborative Learning

1. In a whole class discussion, guide learners to review their knowledge on the types of control accounts.
2. Present learners with samples of the formats of payables ledger control accounts for learners to examine.
3. Task learners to identify the items in the format of payables ledger control accounts.
4. In mixed-ability and mixed-gender groups, guide learners to discuss the items in the format of payables ledger control accounts.
5. Assign proficient learners to lead in the discussion of the items in the payable ledger control account.

Problem-based learning

1. Organise learners in mixed ability and mixed gender groups. Present learners with a given financial data on to analyse and prepare payables control accounts (the learning task could be used to support this activity).
2. Assist learners in their various groups to prepare payables ledger control accounts using the format discussed.
3. Let individual groups exchange their prepared payables ledger control accounts with other groups for peer review and constructive feedback.
4. Ensure all learners have opportunities to contribute to discussions.
5. Provide simplified explanations for learners with lower understanding (AP). Use visuals such as a templated control account or worked examples to aid comprehension.
6. Assign highly proficient learners (HP) to lead preparation of payables ledger control accounts. HP learners could be given additional examples to work through.

Key Assessment

Level 1

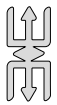
1. List three items that would be found on the credit side of payables ledger control accounts.
2. State two items that would be found on the debit side of payables ledger control accounts.

Level 2: Explain the purpose of a payables ledger control account in the accounting system.

Level 3

1. Why is it important to reconcile the payables ledger control account regularly?
2. Discuss how the payables ledger control account supports the preparation of financial statements.
3. Prepare the payables ledger control account from the following set of financial data.

	GH¢
Bills payable	3,500
Cheques paid to creditors	7,500
Credit purchases	15,000
Creditors balances on 1/2/20X5	750
Debit balance on 1/2/20X5	1,200
Discount received	500
Purchases returns	950
Set – off	1,100
Debit balances on 31/1/20X5	700



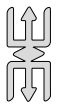
Note

A cheque paid to a creditor for GH¢ 3,750 was dishonoured.

4. The following balances were extracted from the books of JoeVic Enterprise at the end of the year 31st March, 20X5.

Task learners to prepare the payables ledger control account for the company to determine the amount owed to suppliers.

	GH¢
Bills payable	4,000
Cheques paid to creditors	8,000
Credit purchases	16,600
Creditors balances on 1/4/20X5	550
Debit balance on 1/4/20X5	1,570
Discount received	610
Purchases returns	840
Set – off	930
Debit balances on 31/3/20X5	600



Note

A cheque paid to a creditor for GH¢ 4,700 was dishonoured.

Focal Area 2: Preparation of receivables and payables control account

Preparations of receivables and payables control accounts

Learners have now been introduced to receivables and payables control accounts.

During this lesson, teachers should guide learners to work through additional examples of preparing receivables and payables control accounts to secure their understanding.

Learning task

The following balances and transactions were extracted from the financial records of a company for the month of October, 20X4.

Balance as of 1st October, 20X4	GH¢
Payable ledger	224,500 (Credit)
	1,000 (Debit)
Receivable ledger	860,000 (Debit)
	2,200 (Credit)
Transactions during October, 20X4	
Cash purchases	4,500,000
Credit sales	8,000,000
Cash sales	9,200,000
Credit purchases	6,300,000
Allowances from suppliers	25,000
Cheques received from credit customers	6,000,000
Cash received from credit customers	800,000
Discount received	120,000
Cheques paid to creditors	4,700,000
Receivable ledger debit balance transferred to payable ledger	150,000
Allowances to customers	300,000
Bills of exchange payable	1,000,000
Bills of exchange receivable	200,000
Cheques from customers dishonoured	180,000
Provision for discount on debtors	50,000
Bad debts written off	80,000
Discount allowed	100,000

Refund to customers for overpayment	210,000
Interest charged on debtors' overdue account	20,000
Receivable returns	100,000
Returns outwards	60,000
Balance on 31st October, 20X4:	
Sales ledger	2,000 (Credit)
Purchases ledger	900 (Debit)

Learning Task

Learners to write up the receivables ledger control account and payables ledger control account for the month of October, 20X4.

Pedagogical Exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Collaborative learning

1. In a whole class discussion, guide learners to review their knowledge of receivables ledger control accounts and payables ledger control accounts.
2. In mixed-ability and mixed-gender groups, guide learners to discuss the learning task.
3. Learners with a clear understanding (P) should be tasked to assist approaching proficient learners in discussing the items in the given task.

Problem-based learning

1. Present learners with a given financial data (learning task) on receivable and payables control account for them to analyse and prepare receivables and payables control accounts.
2. Assist learners in their various groups to prepare receivables and payables ledger control accounts using the task given.
3. Let individual groups exchange their prepared receivables and payables ledger control accounts with other groups for peer review and constructive feedback.
4. Encourage learners to participate fully (special attention to approaching proficient learners) while embedding in them elements of accuracy, precision and attention to detail.
5. Provide simplified explanations for learners with lower understanding (AP). Use visuals such as templates or worked examples to aid comprehension.
6. Assign highly proficient learners (HP) to lead preparation of receivables and payables ledger control accounts. Additional examples could be provided for HP learners to work through.

Key Assessment

Level 1

1. List three items that would appear on the credit side of receivables and payables ledger control accounts.
2. State two items that would appear on the debit side of receivables and payables ledger control accounts.

Level 2: Explain the purpose of receivables and payables ledger control account in the accounting system.

Level 3

Balance as of 1st October, 20X5

	GH¢
Payable ledger	250,000 (Credit)
	1,500 (Debit)
Receivable ledger	900,000 (Debit)
	2,500 (Credit)

Transactions during October, 20X5

Cash purchases	4,800,000
Credit sales	7,500,000
Cash sales	9,500,000
Credit purchases	6,800,000
Allowances from suppliers	30,000
Cheques received from credit customers	5,500,000
Cash received from credit customers	700,000
Discount received	110,000
Cheques paid to creditors	4,800,000
Receivable ledger debit balance transferred to payable ledger	140,000
Allowances to customers	250,000
Bills of exchange payable	950,000
Bills of exchange receivable	180,000
Cheques from customers dishonoured	160,000
Provision for discount on debtors	45,000
Bad debts written off	70,000
Discount allowed	90,000
Refund to customers for overpayment	200,000
Interest charged on debtors' overdue account	15,000
Receivable returns	90,000
Returns outwards	50,000

Balance on 31st October, 20X5:

Sales ledger	1,800 (Credit)
--------------	----------------

Purchases ledger	800 (Debit)
------------------	-------------

Use this information to prepare the receivables and payables ledger control accounts.

HINT

The Recommended Mode of Assessment for Week 8 is computational exercise . Refer to the Teacher Assessment Manual and Toolkits pages 37–39 and Appendix G for more information on computational exercise as an assessment strategy.

SECTION REVIEW

This review covers the six-week learning journey in financial accounting, from weeks three to eight. Learners should now be proficient in identifying and correcting accounting errors, understanding their impact on financial statements and mastering journal and ledger entries through collaborative learning in weeks three and four. In weeks five and six, they developed skills in bank reconciliation, learning to reconcile discrepancies between cashbook and bank statement balances through experiential methods. By weeks seven and eight, learners should be competent in preparing and analysing receivables and payables control accounts via collaborative projects. Effective differentiation and scaffolding were implemented to support all learners to achieve targeted skills, with additional support for approaching proficiency learners and advanced challenges for highly proficient learners. By the end of this section, learners should be proficient in error correction, reconciliation statement preparation and control account management. Teachers should assess individual learner's progress comprehensively, reinforcing understanding to ensure readiness for advanced financial accounting studies.

ADDITIONAL READING

1. "Frank Wood's Business Accounting 1" by Frank Wood and Alan Sangster
2. "Accounting Principles" by Jerry J. Weygandt, Paul D. Kimmel and Donald E. Kieso
3. Any approved financial accounting book by NaCCA can be used as a further reading material.



APPENDIX B: GROUP PROJECT WORK

Assessment Task

Present a project report on how modern accounting software and automated systems contribute to minimising errors in the preparation of financial statements of organisations.

Task Description: This project aims to explore how modern accounting software and automated systems contribute to reducing errors in the preparation of financial statements. In the world of accounting, accuracy is crucial, as financial statements provide essential information for decision-making by businesses, investors and stakeholders. Traditional manual accounting practices often lead to human errors that can significantly impact financial reporting.

As technology continues to evolve, accounting software and automated systems have emerged as powerful tools that streamline the accounting process, enhance accuracy and reduce the likelihood of errors.

How to Administer

Put learners into mixed ability and mixed gender groups.

Assign each group the tasks of conducting a well-researched group project on the topic and producing a written report.

Specify the required length of the project, for example 2-3 pages

Offer groups the opportunity to ask for clarification and be available to support learners throughout the period of the project work.

Refer to Teacher Assessment Manual and Toolkits pages 27-29 for more information on how to use project work as an assessment strategy.

Date of submission

Learners are expected to submit the project work in the 8th week of the semester.

Submission dates may be extended for learners with additional needs. Teachers should record any agreed extensions.

Feedback

Discuss with learners their general performance in the project work and open opportunity for them to discuss their challenges as well measures to adopt to improve learning next time. Also, target the individual groups to discuss with them the groups strengths and weaknesses as reflected in the project results, etc.

Share the scoring rubrics with learners before the feedback session for transparency .

Provide detailed feedback addressing content accuracy, clarity and organisation – focus on strengths of learners' work and areas in need of improvement.

Recommend additional resources of exercises if necessary to help learners reinforce key concepts.

Rubrics/Marking Scheme (30 marks)

Assessment focus	Scoring criteria	Mark allocation
Introduction	The introduction should give a brief overview of the importance of accurate financial statements for organisations. explain the relevance of modern accounting software in improving accuracy and minimising errors.	1 mark for each element of the structure Maximum marks available: 2
Errors in accounting	Learners must identify and define common types of error in accounting Answers may include omission, commission, principle, transformation, calculation etc. For each error, learners must discuss the impact they may have on financial statements	1 mark per error Up to 5 marks 1 mark per impact (relevant to the type of error) Up to 5 marks Maximum marks available: 10
Accounting software and automated systems	Learners must describe key features of modern accounting software. Answers may include user-friendly interfaces, automation, error detection, etc. Learners must discuss the role of automated systems in enhancing the accounting process.	1 mark for each feature identified 2 mark for each expanded explanation of that feature 2 marks per role Maximum marks available: 10
How Accounting Software and Automated Systems Reduces error in Preparing Financial Statements	Explain specific ways that accounting software minimise human error (e.g., automatic calculations, real-time updates). 8 marks Provide examples of how these systems improve the accuracy and reliability of financial statements. 4 marks	Maximum marks available: 12
Conclusion	This section should be structured to: Summarise the main findings regarding the role of accounting software in reducing errors. Highlight the significance of adopting these technologies for effective financial reporting	Maximum marks available: 3
Recommendations	Learners should offer suggestions for organisations considering implementing accounting software Answers may include investing in suitable software, providing staff training etc. Learners should discuss the importance of establishing internal controls alongside automated systems.	1 mark per suggestion Up to 2 marks 1 mark for a summary of the importance of establishing both types of control Maximum marks available: 3



APPENDIX C: MID-SEMESTER EXAMINATION

Structure

1. Cover content from weeks 1-5 taking into consideration Depth of Knowledge (DOK) levels.
2. **Resources**
 - a. Answer booklets
 - b. Writing tools, etc.
3. The test should include:
 - a. Section A: Multiple choice questions (20 questions)
 - b. Section B: Essay (5 questions)
4. Time: Within 60 minutes
5. Total Score: 40 marks to be scaled down to 20 marks for submission.
6. Provide a Table of Specification

Sample Questions

Multiple Choice Questions

1. What is the name of the accounting principle that states that expenses should be matched with the revenue they help to generate?
 - A. Consistency concept.
 - B. Historical cost concept.
 - C. Matching concept.
 - D. Prudence concept.
2. Which of the following is an error where a transaction is recorded in the wrong books of account but with the correct amount?
 - A. Error of principle
 - B. Error of commission
 - C. Error of compensation.
 - D. Error of omission

Essay

Explain the going concern concept and identify three reasons why it is important. (5 marks)

Marking Scheme Rubrics

- a) Correct answer to MCQs (1 mark per question)
 1. C
 2. C

Expected answer to essay (5 marks)

Assessment focus	Marking guidance	Mark allocation
Focus of going concern concept	Learners should define the going concern concept: The Going Concern Concept assumes a business will keep operating, (1 mark) which helps in valuing assets and liabilities accurately (1 mark).	1 mark for each point Up to 2 marks
Importance of going concern concept	Learners should provide up to three reasons why the going concern concept is important. Answers may include: provides consistent and reliable financial reports, boosting confidence among investors and creditors. It also requires revealing any major concerns about the company's future, etc.	1 mark per point Up to 3 marks

Refer to Teacher Manual Section 1-2, Week 1-5 and Learner Material Section 1-2 for more examples of assessment tasks for the mid-semester examination.

How to Administer

1. Provide clear instructions and resources needed for the tasks.
2. Use a table of test specifications or blueprints (see table of specification below).
3. Write the test items.
4. Ensure questions are of varied level of difficulty.
5. Provide time allocation for the completion of the test and assign marks to each of the questions (Consider reasonable adjustments for SEN learners such as additional time).
6. Control the environment to prevent cheating.
7. Mark and record learners result into their transcript and provide feedback.

Refer to the Teacher Assessment Manual and Toolkits pages 66-67 and 74-76 for more information on multiple-choice questions and MCQs.

Providing Feedback

1. Discuss assessment questions with learners after the mid-semester
2. Identify the areas that were answered well and areas that needs improvement
3. Communicate individual results to learners and record into their transcript
4. Ask learners to review their own work and do the corrections
5. Engage individual learners to set targets for the end of semester examination, etc.

TABLE OF SPECIFICATION

Week	Learning indicator	Type of Questions	DoK Level				Total
			1	2	3	4	
1	Explain the types accounting concepts and conventions	Multiple Choice	1	1	2	–	4
		Essay		1		–	1
2	Discuss the purpose, advantages and limitations of accounting concepts	Multiple Choice	1	2	1	–	4
		Essay		1		–	1
3	Identify types of errors in accounting and their effects on the trial balance and financial statement	Multiple Choice	1	1	2	–	4
		Essay	1			–	1
4	Correct errors using journal and ledger entries	Multiple Choice	2	1	2	–	5
		Essay			1	–	1
5	Identify the causes of differences between the cash book and the bank statement balances	Multiple Choice	1	2	–	–	3
		Essay		1		–	1
	Total		7	10	8		25



APPENDIX D: CRITIQUING

Assessment Task

Prepare receivables ledger control account.

Task Description: This task aims to explore how learners can correctly post transactions correctly in the receivables ledger control account.

How to Administer

Put learners into mixed ability and mixed gender groups.

Assign group the task and give learners time to come out with their answers. Offer groups the opportunity to ask for clarification on the task.

Feedback

Ask groups to exchange their prepared account with another group. Let learners come out with what they have noticed in the other groups work for discussion. Make sure learners come out with constructive feedback on their colleagues work. Discuss with learners their general performance in the task and open opportunity for them to discuss their challenges as well measures to adopt to improve learning next time. Provide detailed feedback addressing communication skills, teamwork and others.

Guideline on rubrics

Example

The following information relates to God is Good Books Ltd.

Use this information to prepare the receivable ledger control accounts for period 31st December, 20X9

20X9		GH¢
January 1	Sales ledger balances	28,227
	Sales journal	305,824
	Returns inwards journal	3,618
	Cheques and cash received from customers	287,317
	Discount allowed	4,102
	Set off	640
Dec 31	Sales ledger balance	38,374

Example of rubrics for the above question

- Proper layout of the format of the receivable ledger control account (2 marks): Account heading, debit and credit columns
- Accurate recording of entries into receivable ledger control account (0.5 mark per entry)
- Correct computation and balances (2 marks)

Receivable Ledger Control Account			
	GH¢		GH¢
<i>Bal b/d</i>	28,227	<i>Return inwards</i>	3,618
<i>Sales Journal</i>	305,824	<i>Cheque and cash received</i>	287,317
		<i>Discount allowed</i>	4,102
		<i>Set off</i>	640
		<i>Bal c/d</i>	38,374
	334,051		334,051
<i>Bal b/d</i>	38,374		

SECTION 3: NOT FOR PROFIT MAKING ORGANISATION, SINGLE ENTRY AND INCOMPLETE RECORDS

STRAND: FINANCIAL ACCOUNTING

Sub-Strand: FINANCIAL REPORTING

Learning Outcomes

1. Prepare financial statements and reports for not – for – profit organisations
2. Prepare financial statements and reports from incomplete records

Content Standards

1. Demonstrate knowledge, understanding and skills in the preparation and presentation of financial statements of organisations
2. Demonstrate knowledge and understanding of preparing financial statements from incomplete records

HINT



The recommended mode of assessment for week 12 is **End of semester examination**. Refer to **Appendix E** of this section for sample. Refer to the Teacher Assessment Manual and Toolkits pages 66–68, 74–76 and 39–41 for more information on how to use multiple choice, essays and practice assessment as assessment tools.

INTRODUCTION AND SECTION SUMMARY

This section aims to develop learners' skills in accounting for non-profit organisations and managing single entry and incomplete records. Using collaborative, problem-based and experiential learning methods, learners will explore the concepts, challenges and practical applications of these topics. By the end, learners should understand not for-profit organisations, define their purpose and features and be able to prepare income and expenditure accounts. Additionally, they will learn how to handle incomplete records by identifying their causes and challenges and preparing accurate financial statements. The key performance indicator is learner's proficiency in managing accounting tasks for non-profit organisations and incomplete records, demonstrating a thorough understanding of these specialised areas.

The following weeks with their respective focal areas are considered in this section:

Week 9: Discuss the concept of not for profit making organisation, their purposes and features and identify the differences between receipts and payment account and income and expenditure account

Week 10: Prepare financial statement for a not-for profit making organization

Week 11: Explain why a business would not keep a complete set of accounting records and the challenges associated with incomplete records

Week 12: Prepare financial statements involving the use of incomplete records.

SUMMARY OF PEDAGOGICAL EXEMPLARS

Teachers should use collaborative and problem-based learning approaches for these accounting topics. Learners will discuss not-for-profit organisations in groups, with additional resources for approaching proficient learners and complex scenarios for advanced learners. Assessments will focus on explaining the purpose and preparing accurate financial statements. Highly proficient learners can analyse case studies of various not-for-profits.

For incomplete records, teachers should use collaborative, problem-based and experiential techniques. Learners will explore challenges and practice preparing financial statements. Differentiation includes simplified examples for those needing help and challenging problems for advanced learners. Assessments will gauge understanding and proficiency in creating financial statements. Highly proficient learners can solve complex, real-world scenarios, enhancing analytical skills.

Particular attention should be paid to learners with special educational needs, making relevant accommodations to ensure their full participation in all activities. To support teachers in their approach to differentiation, this manual sometimes refers to learners as approaching proficiency (AP), proficient (P) or working as a high level of proficiency (HP).

ASSESSMENT SUMMARY

Assessment in these modules focuses on both comprehension and practical application of accounting for incomplete records and single-entry methods and not-for-profit organisations. Teachers should employ a variety of assessment methods, including formative assessments during collaborative, problem-based and experiential learning activities. Summative assessments will evaluate learner's ability to handle incomplete records, prepare accurate financial statements from single entry systems and prepare income and expenditure accounts for not for-profit organisations.

For detailed guidelines on assessment design, refer to the assessment manual. Assessment records should provide comprehensive feedback on learners' understanding and proficiency in these accounting areas. Differentiated tasks will be provided to challenge highly proficient learners. Accurate transcripts documenting assessment results and feedback should be maintained for transparency and accountability.

Teachers are entreated to administer these assessments and record them for onward submission into the Student Transcript Portal (STP). The following assessment would be conducted and recorded for each learner:

Week 9: Quiz

Week 10: Practical assessment

Week 11: Case study

Week 12: End of semester examination

WEEK 9

Learning Indicators

1. Discuss the concept of not for profit making organisations, their purposes and features
2. Identify the differences between receipts and payment accounts and income and expenditure accounts

Focal Area 1: Introduction to not-for profit making organisation

Meaning of not-for profit making organisation

Not-for-profit making organisations are organisations that operate for public good rather than to generate profits. They are also referred to as non-trading organisations. Examples are churches, mosques, schools, associations, societies and clubs.

Sources of finance for not-for-profit making organisations

1. Subscription fees/dues
2. Entrance/registration fees
3. Life membership fees
4. Donations received
5. Profit from trading activities e.g., restaurant, entertainments, etc.
6. Government grants

Purpose of not-for profit making organisation

Not-for-profit organisations are established for purposes other than generating profit. Their primary aim is to serve the public interest or a specific group without distributing surplus revenues to owners or shareholders. Here are some key purposes of not-for-profit making organisations:

1. **Social Welfare:** To address social issues such as poverty, homelessness and hunger, providing aid and support to those in need.
2. **Education:** To promote education through schools, colleges, universities, research institutions and scholarship programs.
3. **Healthcare:** To offer medical services, conduct medical research and promote health awareness and disease prevention.
4. **Environment:** To engage in activities that protect and preserve the environment, such as conservation projects, recycling programs and advocacy for environmental policies.
5. **Community Development:** To enhance the quality of life within communities by promoting economic development, housing and local infrastructure improvements.
6. **Charity:** To raise and distribute funds for various causes, providing financial assistance to individuals or other organisations.

Features of not-for profit making organisation

Not-for-profit organisations (NPOs) have several distinct features that set them apart from for-profit entities. These features include:

1. **Non-Distribution Constraint:** Any surplus revenues (profits) generated are reinvested into the organisation's mission and activities rather than being distributed to owners or shareholders.
2. **Purpose-Driven:** They are established with a specific mission or purpose, typically focused on social, educational, charitable, religious, or community-oriented goals.
3. **Tax-Exempt Status:** Many NPOs qualify for tax-exempt status, meaning they do not pay income taxes on the money they raise, allowing more funds to be directed towards their mission.
4. **Funding Sources:** They rely on various sources of funding, including donations, grants, membership fees, fundraising events and sometimes government support. They may also generate income through activities related to their mission.
5. **Governance:** NPOs are usually governed by a board of directors or trustees who provide oversight and ensure that the organisation adheres to its mission and legal requirements. The board members are often volunteers.
6. **Transparency and Accountability:** NPOs are often required to maintain a high level of transparency and accountability to their donors, members and the public. They must provide regular financial reports and demonstrate how funds are used to achieve their mission.
7. **Legal Status:** They must register and comply with specific legal and regulatory requirements that vary by country and jurisdiction. This includes maintaining proper documentation and adhering to reporting standards.
8. **Social Impact:** The primary measure of success for NPOs is the social impact they create, rather than financial profitability. Their effectiveness is often evaluated based on the extent to which they fulfil their mission and make a positive difference in their area of focus.
9. **Membership and Participation:** Many NPOs have a membership base that supports the organisation through dues and active participation in activities and decision-making processes.
10. **Ethical Standards:** NPOs are expected to adhere to high ethical standards in their operations, ensuring integrity, fairness and respect in all interactions.

Learning tasks

1. Brainstorm the concept of not-for-profit making organisations.
2. Identify sources of funds for not-for-profit making organisations.
3. Explain the purpose of not-for-profit making organisations.
4. Discuss the features of not-for-profit making organisations.

Pedagogy Exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Collaborative Learning

1. In a whole class discussion, ask learners to think pair share examples of organisations that have been helping people in their communities.
2. Learners brainstorm to come out with the meaning of not-for-profit making organisations.
3. Guide learners to identify sources of funds for not-for-profit making organisations.
4. In mixed-ability and mixed-gender groups, guide learners to explain the purpose of not-for-profit making organisations.
5. Assist learners in their various groups to discuss the features of not-for-profit making organisations.
6. Ensure all learners have opportunities to contribute to discussions.
7. Provide simplified explanations for learners with lower understanding (AP). Encourage the use of visuals or simple examples to aid comprehension.
8. Assign highly proficient learners (HP) to assist AP learners with during the discussion for understanding.

Key assessment

Level 1

1. State two features of not-for-profit making organisations.
2. Identify two sources of funds for not-for-profit making organisations.
3. List two purposes of not-for-profit making organisations.

Level 2

1. Describe two key differences between not-for-profit organisations and for-profit businesses.
2. Explain three purposes of not-for-profit making organisations.

Level 3: Examine the role of not-for-profit organisations in addressing social issues. Provide examples of how specific organisations have made a positive impact in their communities.

Focal Area 2: Not-for profit making organisations

Teachers should introduce the key terminology in administration of not-for-profit making organisations, using exemplar accounts to contextualise their use.

Terminologies used in the administration of not-for profit making organisations

1. **Receipts and payments account:** This is the equivalent of the cashbook of a profit-making organisation. The debit side shows details of opening cash/bank balances and all cash receipts while the credit side indicates all cash/bank payments and their closing balances.
2. **Income and expenditure account:** This is the equivalent of the profit and loss account of a profit-making organisation. It records only revenue expenditure and revenue receipts, and it discloses a balance as surplus or deficit. The excess of the income over the expenditure is called **surplus** while the excess of the expenditure over the income is called **deficit**.

3. **Accumulated fund:** This is the capital for the not-for-profit making organisation. It is the difference between the total assets and total liabilities of a not-for-profit making organisation at any point in time.
4. **Subscription:** This is the regular/periodic contribution made by members as dues to the non-profit-organisation. This could be paid on daily basis, weekly, monthly, quarterly, bi-annually, annually basis. Subscription in arrears is the amount of subscription that is outstanding or had not been paid by a member at the time of preparing the accounts. They are classified as a current asset in the statement of financial position. Subscriptions that have been over-paid by members to the organisation at the end of a financial year are called subscription prepaid and it is noted as a current liability in the statement of financial position of the organisation.
5. **Entrance fees:** These are amounts payable when a person first joins a club/organisation. These are normally included as income in the year that they are received.
6. **Honorarium:** This is an amount of money/token given to a professional or an expert for rendering services to the not-for-profit organisation. It is noted as expenditure to the organisation.
7. **Bar profit:** This is the profit realised from trading activities of the not-for-profit making organisation. It is ascertained by preparing the bar trading account whereby cost of sales is matched against bar takings/sales/proceeds.

Example of receipts and payments account for a not-for-profit organisation

Receipts and Payments for the year ended 31 st December, 20X2				
	GH¢	GH¢		GH¢
Cash in hand 1/1/20X2		500	Purchase of sports equipment	1,800
Cash at bank 1/1/20X2		1,000	Repairs	1,500
Subscriptions:			Salaries	1,700
20X1	1,200		Insurance	1,000
20X2	4,000		Show expenses	3,200
20X3	<u>2,300</u>	7,500	Transport expenses	500
Donations		2,000	Secretarial expenses	300
End of year show		15,000	Purchase of furniture	3,000
Transfer from deposit account		<u>3,000</u>	Balance c/d	<u>16,000</u>
		<u>29,000</u>		<u>29,000</u>

Example of an income and expenditure account for a not-for-profit organisation

Income and Expenditure Account for the year ended.....		
Income:	GH¢	GH¢
Subscriptions	xxx	
Donations received	xxx	
Bar profit	<u>xxx</u>	<u>xxx</u>
Expenditure:		
Rent and rates	xxx	
Printing and postage	xxx	
Secretary's expenses	xxx	
Salaries	xxx	
General expenses	xxx	
Depreciation: Equipment	<u>xxx</u>	<u>(xxx)</u>
Surplus		<u>xxx</u>
OR		
Deficit		<u>(xxx)</u>

Differences between receipts and payments accounts and income and expenditure accounts

Differences between these two types of accounts are summarised below

Receipts and Payments	Income and Expenditure
Receipts are shown on the debit side and payment shown on the credit side	Expenses and losses are shown on the debit side and income are shown on the credit side
It starts with the opening balance of cash in hand and at bank	It has no opening balances
Accounts are prepared on cash accounting basis	Transactions are treated on accrual basis or accounts are prepared on the accrual basis
Capital expenditure as well as revenue expenditure items appear in the receipt and payment account	Only revenue expenditure items appear or are included in the income and expenditure account
The difference of the two sides is the cash in hand and at bank at the end of the period	The difference of the two sides is either surplus or deficit for the period
It is a real account	It is a nominal account
All receipts and payments are shown irrespective of the year to which they relate	Only those expenses and income which are related to the period are used to prepare it

Learning tasks

1. Discuss three terminologies that apply to not-for-profit making organisations.
2. Identify the differences between receipts and payments accounts and income and expenditure accounts.

Pedagogy Exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Collaborative learning

1. In a whole class discussion, guide learners to review their knowledge of the meaning, sources of funds, purpose and features of not-for-profit making organisation.
2. Put learners in mixed-ability and mixed-gender groups to use the internet on digital tools such as laptop and mobile phone to define key terminology and discuss terminologies used in the administration of accounts in not-for-profit making organisations.
3. Guide the groups to discuss the terminologies in not-for profit making organisations.
4. Task learners who can use digital tools to work as elbow partners and assist less able learners.

Experiential/ Problem-based learning

1. In mixed ability and mixed gender groupings, guide learners to examine samples of income and expenditure and receipt and payment accounts of not-for-profit organisations. Task learners to compare the two to identify similarities in terms of debit and credit entries and reflect on the similarities in relation to the double entry principle for maintaining a cashbook.
2. Assist learners in their various groups to prepare a short report on the difference between income and expenditure and receipt and payment of not-for-profit organisations.
3. Ask groups to present their reports to the class, for example using flip charts.
4. Ensure all learners have opportunities to contribute to discussions.
5. Task highly proficient learners to provide simplified explanations for learners with lower understanding (AP). Encourage the use of visuals or simple examples to aid comprehension.
6. Task proficient learners to lead in the presentation of their reports.

Key assessment

Level 2

1. Explain the following terminologies
 - a. Honorarium
 - b. Entrance fees
 - c. Subscription
2. Explain three differences between income and expenditure accounts and receipt and payment accounts of not-for-profit organisations.

HINT



*The recommended mode of assessment for week 9 is **quiz**. Refer to the Teacher Assessment Manual and Toolkits page 9 for more information on quizzes as an assessment strategy.*

WEEK 10

Learning Indicator: Prepare the financial statement of a not-for-profit making organisation

Focal Area 1: Preparation of financial statement for a not-for-profit making organisation

Calculation of Accumulated Fund (using a statement of affairs)

Accumulated fund (capital) is ascertained by using the accounting equation (assets – liabilities) in the statement of affairs. The statement of affairs is used to calculate the accumulated fund by not-for-profit organisations. All assets are grouped on one side and all liabilities on the other side. The difference arrived at is the accumulated fund (capital).

Accumulated fund as at

Assets	GH¢	GH¢
Equipment	xxx	
Motor van	xxx	
Bar stock	xxx	
Subscription accrued	xxx	
Cash/bank balance	<u>xxx</u>	xxx
Less Liabilities	xxx	
Subscription in advance	xxx	
Creditors for bar	xxx	
Expenses accrued	xxx	
Creditors	<u>xxx</u>	xxx
Accumulated fund		xxx

Preparation of Subscription Account

The subscription/dues account is prepared to ascertain the amount to be transferred to the income and expenditure account for the year ended. Monies received but are not meant for the year under review should be subtracted and monies that are due for the year under review but are not paid yet should be added. In other words, subscriptions prepaid/in advance should be subtracted and subscriptions owing/ in arrears should be added.

FORMAT**Subscriptions account**

	GH¢	GH¢		
Owings (arrears) b/d	xxx	Prepaid b/d	xxx	
Income and Expenditure (difference)	xxx	Cash/Bank - Previous year	xxx	
Prepaid c/d	xxx	Current year	xxx	
		Future year	xxx	
		Owing c/d	xxx	
	xxx		xxx	
Owing b/d	xxx	Prepaid b/d	xxx	

Example

	1/1/2020	31/12/2020
Subscription owing	1,800	750
Subscription prepaid	2500	1250

Subscription received during the year amounted to GH¢ 5,500.

Prepare the subscription account for the year.

Solution

Subscription account for the year ended 31st December 2020

	GH¢	GH¢
Subscription received during the 2020		5,500
Add: subscription owing for the 2020	750	
Subscription received in 2019 for 2020	<u>2500</u>	<u>3,250</u>
		8,750
Less: subscription owing at 1/1/2020	1,800	
Subscription prepaid for 31/12/2020	<u>1,250</u>	<u>3,050</u>
Income and Expenditure		<u>5,700</u>

Learning tasks

1. Explain how to calculate the accumulated fund of a not-for-profit organisation.
2. Discuss the preparation of subscription accounts.

Pedagogy Exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Collaborative Learning

1. In mixed-ability and mixed-gender groups, guide learners to discuss the method of calculating the accumulated fund of not-for-profit making organisations.
2. Assist learners in their various groups to discuss how to prepare subscription accounts for not-for-profit making organisations.
3. Task proficient learners to provide simplified explanations for learners with lower understanding (AP). Encourage the use of visuals or worked examples to scaffold the activity and aid comprehension.

Problem based learning

1. Present the format of subscription accounts and accumulated fund to learners.
2. Guide learners in their groups to prepare a subscription account and calculate the accumulated fund from a set of financial data (examples from the learning tasks could be used).
3. Task the various groups to share their prepared subscription account and accumulated fund with another group for constructive feedback.
4. Ensure all learners have opportunities to contribute in their group discussions while embedding in them elements of accuracy, precision and attention to detail.
5. Assign highly proficient learners (HP) to assist AP learners during the preparation of accumulated fund and subscription account for understanding. AP learners could be further supported through the use of worked examples or provision of templates for them to work from.

Key assessment

Level 2

1. Describe how to prepare a subscription account.
2. Describe the items in the calculation of accumulated fund(capital).

Level 3

1. Prepare the subscription account from the following set of financial data for the year ended 20X4.

		GH¢
20X3	Subscriptions unpaid at end of 20X3	3,000
20X4	Subscriptions received	28,500
20X4	Subscriptions remaining unpaid at the year ended	1,500
20X5	Subscriptions received in the current year	2,750

2. Calculate the accumulated fund from the following set of financial data

	GH¢
Furniture and fittings	5,500
Sports equipment	3,200
Subscription in advance	1,500
Rent accrued	7,000
Caretakers' wages prepaid	750
Subscription in arrears	5,000
Bank	25,000
Cash	1,250

3. You are given the following lists of assets and liabilities of Accounting Social Club for the year ended 31st December, 20X3. Use this information to calculate the accumulated fund.

	GH¢
Furniture and fittings	4,000
Recreational equipment	2,700
Subscription in advance	2,000
Rent accrued	5,000
Caretakers' wages prepaid	500
Subscription in arrears	5,000
Bank	10,000
Cash	1,000

4. You are given the following information regarding the Unity Fun Club for the year 2018.

	GH¢
Subscriptions unpaid at the beginning of 2018	4,700
2017 Subscriptions received in 2008	4,700
2018 Subscriptions received	38,500
2018 Subscriptions remaining unpaid at the year ended	1,500
2019 Subscriptions received in the current year	5,500

Use this information to prepare the Club's subscriptions account.

Level 4: What do the results of the subscriptions accounts and accumulated tell you about the financial health of the organisation?

Focal Area 2: Preparation of the income and expenditure account from receipts and payments accounts of not-for-profit making organisations

Preparation of the Income and Expenditure Account

The income and expenditure account (the profit and loss account) is simply prepared by debiting all expenditure like rent, general expense, honorarium, donations given, stationery, electricity, depreciation, etc. and crediting all income like subscriptions, bar profits, surplus from dance, donations received, etc.

If the debit (expenditure) total is more than the credit (income) total, the difference is called deficit (loss), but if the credit (income) total is more than the debit (expenditure) total, the difference is called surplus (profit).

Format of income and expenditure account of a not-for profit making organisation

Income and Expenditure Account for the year ended.....		
Income:	GH¢	GH¢
Subscriptions	xxx	
Donations received	xxx	
Bar profit	<u>xxx</u>	xxx
Expenditure:		
Rent and rates	xxx	
Printing and postage	xxx	
Secretary's expenses	xxx	
Salaries	xxx	
General expenses	xxx	
Depreciation: Equipment	<u>xxx</u>	(xxx)
Surplus		<u>xxx</u>
OR		
Deficit		<u>(xxx)</u>

Learning tasks

1. Discuss the preparation of the income and expenditure account.
2. Prepare income and expenditure account.

Pedagogy Exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Collaborative Learning

1. Guide learners to review their knowledge and understanding of the calculation of accumulated fund and the preparation of subscription account, the meaning and purpose of receipts and payments and income and expenditure accounts.
2. In mixed-ability and mixed-gender groups, guide learners to discuss the preparation of income and expenditure account.
3. Provide simplified explanations for learners with lower understanding (AP). Use visuals such as templates or worked examples to aid comprehension.

Problem-based learning

1. Present to learners the format of the income and expenditure account for not-for-profit making organisations.
2. In mixed-ability and mixed-gender groups, guide learners to discuss the items in the format of income and expenditure of not-for-profit-organisations.
3. Present learners with financial data to prepare income and expenditure account of not for profit making organisation.
4. Guide learners in the preparation of income and expenditure accounts for not-for-profit organisations from given financial data.
5. Task the various groups to present their prepared income and expenditure account on flip charts for constructive feedback from other groups
6. Ensure all learners have opportunities to contribute in their group discussions and in the preparation of income and expenditure accounts while embedding in them elements of accuracy, precision and attention to detail.
7. Assign highly proficient learners (HP) to assist AP learners during the preparation of income and expenditure account for understanding. Worked examples could be prepared to use as aids for AP learners, whilst additional scenarios could be available for HP learners for them to further practice these skills.

Key Assessment

Level 2: Summarise the items included in the format of an income and expenditure account.

Level 3

1. Prepare the income and expenditure account and statement of financial position of not for profit making organisation from the following set of data. Receipts and Payments for the year ended 31st December, 20X4

	GH¢	GH¢		GH¢
Cash in hand 1/1/20X4		400	Purchase of sports equipment	1,500
Cash at bank 1/1/20X4		800	Repairs	1,200
Subscriptions:			Salaries	1,400
20X3	1,000		Insurance	800
20X4	3,500		Show expenses	2,500
20X5	<u>1,800</u>	6,300	Transport expenses	400
Donations		1,500	Secretarial expenses	250

End of year show	12,000	Purchase of furniture	2,500
Transfer from deposit account	<u>2,500</u>	Balance c/d	<u>10,550</u>
	<u>23,500</u>		<u>12,950</u>

Additional information

- a. Equipment was valued at GH¢2,800 and furniture GH¢1,300 on 31st December, 20X3
 - b. Depreciation is to be provided as follows:

Equipment	GH¢200
Furniture	GH¢100
 - c. The following expenses were outstanding:

Salaries	GH¢250
Transport	GH¢80
Repairs	GH¢200
 - d. Subscriptions owing by members were as follows:

31 st December, 20X3	GH¢1,000
31 st December, 20X4	GH¢1,800
 - e. The balance in the bank deposit account of 31st December, 20X3 was GH¢2,500.
2. The Receipts and Payments Accounts of God is Good Social Club for the year ended 31st December, 20X2 are shown below.

Receipts and Payments for the year ended 31st December, 20X2

	GH¢	GH¢		GH¢
Cash in hand 1/1/20X2		500	Purchase of sports equipment	1,800
Cash at bank 1/1/20X2		1,000	Repairs	1,500
Subscriptions:			Salaries	1,700
20X1	1,200		Insurance	1,000
20X2	4,000		Show expenses	3,200
20X3	<u>2,300</u>	7,500	Transport expenses	500
Donations		2,000	Secretarial expenses	300
End of year show		15,000	Purchase of furniture	3,000
Transfer from deposit account		<u>3,000</u>	Balance c/d	<u>16,000</u>
		<u>29,000</u>		<u>29,000</u>

Additional information

- a. Equipment was valued at GH¢3,250 and furniture GH¢1,550 on 31st December, 20X1
- b. Depreciation is to be provided as follows:

Equipment	GH¢505
Furniture	GH¢55
- c. The following expenses were outstanding:

Salaries	GH¢300
----------	--------

Transport	GH¢100
-----------	--------

Repairs	GH¢250
---------	--------

d. Subscriptions owing by members were as follows:

31 st December, 20X1	GH¢1,200
---------------------------------	----------

31 st December, 20X2	GH¢2,100
---------------------------------	----------

e. The balance in the bank deposit account of 31st December, 20X1 was GH¢3,000.

Learners should prepare the:

- i. Statement of affairs as of 31st December, 20X1;
- ii. Subscription account for the year ended 31st December, 20X2;
- iii. Income and expenditure account for the year ended 31st December, 20X2.

HINT



*The recommended mode of assessment for week 10 is **practical assessment**. Refer to the Teacher Assessment Manual and Toolkits pages 37–40 and Appendix I for more information on practical assessment as an assessment strategy.*

WEEK 11

Learning Indicators

1. Explain why a business would not keep a complete set of accounting records and the challenges associated with incomplete records
2. Prepare financial statements from incomplete records

Focal Area 1: Introduction to single entry and incomplete records

Meaning of single entry and incomplete records

The single entry and incomplete record is a system of recording business transactions whereby the double entry principle of book-keeping is not applied. Under the incomplete or single-entry system, the dual effect of all transactions is not maintained and instead only those accounts which are considered necessary are kept, which fails to keep track of all financial activities.

Incomplete records or single-entry systems tend to use simple cash-based accounting systems so the maintenance of records (accounts) relating to items of assets, expenses and income are ignored.

Characteristics of single entry systems and incomplete records

1. There is no concept of debits and credits, which are fundamental to the double-entry system.
2. Incomplete records do not follow a systematic accounting method, which often means accountants have to reconstruct records from limited information, which can be time-consuming and prone to inaccuracies.
3. Only partial financial data is recorded, such as cash receipts and payments, leaving out other critical transactions.
4. Financial data is often scattered and not recorded in a standardised format, making it difficult to generate accurate financial statements.
5. Varied methods of calculating profit may not allow a business to consistently stick to one method of preparing its books
6. Differentiating between capital and revenue expenditures may not be made
7. Adjustments are not made on closing stock, and provision for depreciation is not made on assets

Reasons for single entry and incomplete records

1. **Simplicity and Ease of Use:** Single entry and incomplete records is a system which is easier to understand and use, especially for individuals without a formal accounting background.
2. **Suitable for Small Operations:** A single entry and incomplete record system is often sufficient for small-scale operations with minimal transactions and simpler financial needs.
3. **Cost and Resource Savings:** This system is less costly to maintain, requiring fewer resources in terms of both money and personnel.

4. **Time Efficiency:** Less time is needed to record and maintain financial data, which is beneficial for small businesses with limited time.
5. **Lack of expertise in accounting:** Owners or managers may not have sufficient knowledge of accounting principles, resulting in incomplete or improperly maintained records.
6. **No requirement for external reporting:** Some businesses, especially the smaller ones, do not prepare their financial statement for reporting purposes.
7. **Avoidance of tax:** Some businesses, for the avoidance of tax, do not keep proper records of their operations.
8. **Secrecy:** Some businesses do not want their operations to be in the public domain, therefore would not keep proper records of their transactions.

Learning tasks

1. Brainstorm the concept of single entry and incomplete records.
2. Identify the characteristics of single entry and incomplete records.
3. Explain the reasons for using single entry and incomplete records.

Pedagogy Exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson

Collaborative Learning

1. In a whole class discussion, ask learners to think of the types of businesses that may not keep full financial records of their operations following the double entry principle.
2. Put learners in mixed-ability and mixed-gender groups to brainstorm the concept of single entry and incomplete records.
3. Guide them in their groups to identify the characteristics of single entry and incomplete records.
4. Assist learners in mixed ability and mixed gender groups to explain the reasons for single entry and incomplete records.
5. Ensure all learners have opportunities to contribute in their group discussions.
6. Task proficient learners to provide simplified explanations for learners with lower understanding (AP). Use visuals or simple examples to aid comprehension.
7. Assign highly proficient learners (HP) to assist AP learners with simplified explanations during their group discussion.

Key Assessment

Level 1

1. Define the single entry system and incomplete records.
2. State two characteristics of single entry and incomplete records.
3. Summarise two reasons why a business may use single entry or have incomplete records.

Level 2

1. How does a single-entry system differ from a double entry system?
2. Explain why single-entry systems and incomplete records might be easier to maintain for small businesses.
3. Why is it difficult to prepare comprehensive financial statements with incomplete records?

Focal Area 2: Disadvantages of single entry and incomplete records and preparation of profit and loss using the capital balances approach from single entry records.

Disadvantages of single entry and incomplete records

Single entry and incomplete records can lead to challenges when preparing financial statements. Some disadvantages of single entry and incomplete records are as follows:

1. **Lack of Accuracy and Reliability:** Single entry and incomplete records are more prone to errors than double entry systems due to the lack of checks and balances, impacting the quality of financial reporting.
2. **Financial Mismanagement:** Poor record-keeping practices can lead to financial mismanagement and poor decision-making due to a lack of accurate data.
3. **Inability to Secure Financing:** Banks and investors often require detailed financial records for loans and investments, which these systems fail to provide.
4. **Hindered Business Growth:** Without accurate financial data, it is challenging to plan for growth, manage budgets, or strategise effectively.
5. **Operational Inefficiencies:** Single entry and incomplete records can lead to operational inefficiencies and challenges in day-to-day business management.
6. **Challenges in Auditing:** Audits are more difficult to conduct accurately due to the lack of detailed records and the inherent inaccuracies more likely in the single-entry system.
7. **Tax compliance concerns:** Many tax authorities require businesses to maintain detailed and accurate records of all financial transactions. Single entry systems and incomplete records may fail to meet these regulatory requirements, leading to non-compliance issues. This can lead to errors in reporting income, expenses and other financial data required for tax filings.
8. **Fraud and dishonesty:** single entry systems are more susceptible to fraud as there is only one record of each transaction and errors are more difficult to detect/check than in a double entry system,

Preparation of profit and loss using the capital balances approach from single entry records

Capital or Statement of Affairs approach

This approach requires one to prepare the statement of affairs by subtracting total liabilities from total assets to ascertain the capital.

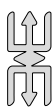
This method can be used when sufficient information is not available to prepare the final accounts. Where assets, liabilities, drawings and additional capital are the only information given, this method is used to ascertain the profit.

Steps

1. Prepare the statement of affairs at the beginning with the opening balances of assets and liabilities to ascertain the opening capital
2. Ascertain the closing capital by using the closing balances of assets and liabilities to prepare the statement of affairs at the end.
3. Determine the drawings made either by cash or goods by the proprietor (if any).
4. Find out any additional capital introduced by the proprietor during the year (if any).

The format of statement of profit or loss

<u>Statement of profit or loss for the year</u>		
Closing capital	xxx	
Add drawings	xxx	<u>xxx</u>
Opening capital	xxx	
Add additional capital	xxx	<u>xxx</u>
Profit/loss		<u>xxx</u>
Net profit = (closing capital + drawings) – (opening capital + additional capital)		
Or		
Net profit = (closing capital + drawings) – opening capital – additional capital		



Note

1. The drawings have been added to the closing capital because if the drawings had not been made, the closing capital would have been greater.
2. The additional capital has been added to the opening capital because both create the total amount that the proprietor has put into the business.

Learning tasks

1. Explain the disadvantages of single entry and incomplete records
2. Discuss the calculation of profit and loss using the capital balances approach from single entry records.
3. Prepare a statement of affairs.
4. Prepare statement of profit.

Pedagogy Exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson

Collaborative learning

1. In a whole class discussion, guide learners to review their knowledge on the meaning, characteristics and the reasons for single entry and incomplete records.
2. Put learners in mixed-ability and mixed-gender groups to discuss the disadvantages of single entry and incomplete records. As an introduction, learners should be tasked to consider the implications of not keeping proper records of their assignments or results when trying to establish the progress they have made over the course of the year.
3. Assign proficient learners to lead their groups to discuss the disadvantages of single entry and incomplete records.

Experiential/ Problem-based learning

1. In mixed ability and mixed gender grouping, guide learners to discuss the steps in preparing a statement of profit or loss using the capital balance approach.
2. Present learners with a scenario to calculate profit or loss using the capital balances approach from single entry records. The case study presented in the learning materials could be used to support this activity.
3. Assign proficient learners to lead in discussing how to apply the capital balances approach from the single entry records in the scenario.
4. Guide learners in groups to calculate profit and loss from single entry records.
5. Ensure all learners have opportunities to contribute in their group discussions in computing for profit and loss using the capital balances approach from single entry records while embedding in them elements of accuracy, precision and attention to detail.
6. Task proficient learners to provide simplified explanations for learners with lower understanding (AP).
7. Assign highly proficient learners (HP) to work as elbow partners with AP learners during the activity. Consider providing worked examples to scaffold the activity for AP learners. Teachers move around groups checking understanding throughout.

Key Assessment

Level 1: State two disadvantages of single entry and incomplete records

Level 2

1. Discuss the steps in computing a statement of profit or loss from single entry and incomplete records.
2. Discuss the items included in the statement of profit or loss.

Level 3

1. Prepare a statement of profit or loss for SK Electronics based on the following information:
SK Electronics have kept single entry records since they were founded. Over the last year they have recorded the following

	GH¢
Cash sales	150,000
Credit sales	40,000
Purchases	80,000
Rent	10,000
Salaries	30,000
Utility bills	5,000
Cash withdrawals for personal use	20,000

2. Joshua runs a butchery for which proper accounting records are not kept. However, you have been able to ascertain the following:

	01/01/20X1	31/12/20X1
	GH¢	GH¢
Creditors	720	1180
Debtors	300	550
Stock	840	1140
Bank	1,570	120 O/D
Cash	230	246
Motor vehicle	7,200	5,400
Fixtures and fittings	4,000	3,000

Joshua withdrew GH¢250 cash and sold GH¢20 worth of meat per week.

You are required to prepare:

- A statement of affairs as of 1st January 20X1 and 31st December, 20X1.
- A statement of profit for the year ended 31st December, 20X1.

HINT



*The recommended mode of assessment for week 11 is **case study**. Refer to the Teacher Assessment Manual and Toolkits pages 25–27 for more information on case study as an assessment strategy.*

WEEK 12

Learning Indicator: Prepare financial statement from incomplete records

Focal Area 1: Converting from single entry to double entry of incomplete records

Income statement approach

The income statement approach deals with the preparation of the income statement and the statement of financial position of a business at the end of the accounting year to ascertain its financial position. The proprietor mostly keeps a cashbook for the records of all cash and bank transactions, balances of debtors and creditors both at the beginning and the end. To determine the profit using the income statement method, the following steps should be adhered to:

Steps in preparing the final accounts from the incomplete records

1. Prepare the statement of affairs at the beginning to determine the opening capital
2. Re-adjust the cashbook to ascertain the correct closing balance of the cashbook
3. Determine the total sales by preparing the receivable ledger control account to ascertain credit sales then add the cash sales to arrive at the total sales for the period
4. Prepare payables ledger control account to determine the credit purchases. Add the cash purchases and credit purchases for the period to determine the total purchases
5. Re-adjust the expense and revenue accounts, not forgetting depreciation to ascertain the correct closing balances and amount to be treated in the profit and loss account.
6. Record transactions which have not appeared in the books. Examples include assets introduced and adjustments for drawings.
7. Prepare the income statement and the statement of financial position in the usual way once all adjustments have been made.

Learning tasks

1. Discuss the steps in preparing the final accounts from incomplete records using the income statement approach.
2. Prepare an income statement and a statement of financial position

Pedagogy Exemplars

The teacher introduces the lesson of the day by providing a general overview of learning outcomes and major activities. The teacher may choose from the following exemplars to deliver the lesson.

Collaborative Learning

1. Guide learners to review their knowledge on incomplete records, income statements and statements of financial position.
2. Put learners in mixed-ability and mixed-gender groups to discuss the steps involved in the preparation of final accounts from incomplete records using the income statement approach.

3. Assign proficient learners to lead in their groups as they discuss the steps in preparations of final accounts from incomplete records.

Problem based learning

1. In mixed ability and mixed gender groups, provide learners with financial data for them to prepare an income statement and statement of financial position. The scenario given in the learning task could be used as a basis for this activity.
2. Task highly proficient learners lead in the preparation of income statement and statement of financial position.
3. Ensure all learners have opportunities to contribute in their group discussions when preparing their income statement and statement of financial position while embedding in them elements of accuracy, precision and attention to detail.
4. Provide simplified explanations for learners with lower understanding (AP). Use visuals such as templates or worked examples to aid comprehension. Teachers to move around groups checking understanding throughout.
5. Assign proficient learners (P) to work as elbow partners with AP learners with during preparation of income statement and statement of financial position from single entry and incomplete records. HP learners could be provided with additional or more complex scenarios to further develop their understanding.

Key Assessment

Level 1: State two steps involved in the use of the income statement approach when preparing final account from single entry and incomplete records.

Level 2: Explain three steps involved in the use of the income statement approach when preparing final account from single entry and incomplete records.

Level 3: The following is the summary of the bank account of Joe, a retailer, for the year 20X4.

	GH¢
Balance on January 1 20X4	1,448
Cash from customers	34,722
Payment to suppliers	28,364
Rent and rates	1,488
Drawings	5,816

You are given the following additional information:

	Jan. 1	Dec. 31
	GH¢	GH¢
Furniture	1,000	1,000
Stock	5,260	4,380
Debtors	2,900	3,270
Creditors	3,750	3,940

During the year, wages amounting to GH¢1,300 and GH¢220 worth of general expenses were paid in cash out of the cash received from customers.

All the remaining cash received from customers was paid to the bank.

You are required to prepare an income statement and a statement of financial position as of December 31, 20X4.

Focal Area 2: Preparation of final accounts of sole trader from incomplete records

Learners have been introduced to the steps and how to prepare an income statement and statement of financial position. In this lesson, learners will be guided to apply this process to case studies involving sole proprietors, further embedding the concepts that have been developed throughout this section of study.

Learning tasks

1. Prepare statement of affairs.
2. Prepare income statement account.
3. Prepare statement of financial position.

Pedagogy Exemplars

Problem-based learning

1. In a whole class discussion, review learners' knowledge on the computation for capital, net profit or loss, income statement and statement of financial position.
2. In mixed ability and mixed gender groups, provide financial data for learners to prepare final accounts of sole trader from incomplete records.
3. Task proficient learners to lead in the preparation of final accounts of sole trader from incomplete records from given financial data.
4. Encourage learners to participate fully in activities while embedding in them elements of accuracy, precision and attention to detail. Teachers to move around groups checking understanding throughout.
5. Let each group present their prepared final account of sole trader from incomplete records using flip chart.
6. Ensure learners respect each other's view on feedback on the work presented.
7. Special attention should be given to approaching proficient learners.
8. HP learners should be given more tasks to perform.

Key Assessment

Level 2: Explain why drawings are added to closing capital in order to calculate the net profit or loss.

Level 3: Seth started a business on 01/01/20X5 with GH¢10,000 capital in cash. His record keeping was minimal in the first year of business. On 31/12/20X5 his assets and liabilities were:

	GH¢
Freehold property	120,000
Debentures	80,000
Stock	30,000

Debtors	7,000
Creditors	20,000
Cash and Bank	8500

During the year, Seth withdrew GH¢20,000 cash for his personal use.

He also paid GH¢15,000 into the business bank account which he received from the sale of personal assets.

Calculate the capital as at 31/12/20X5

Prepare the statement of the net profit for the year ended 31/12/20X5

Prepare statement of financial position as of 31/12/20X5

Level 4

1. Prepare income statement and statement of financial position of a business the following set of financial data.

What do these tell you about the financial position of the business entity at the end, compared to the start of this accounting period?

A sole trader has the following financial details for the year ended 31/12/20X4.

Cashbook (Summary)

	GH¢		GH¢
Balance b/d	8,000	Creditors	10,000
Sales	15,000	Salaries	7,000
Debtors	<u>25,000</u>	Rent and rates	3,500
		Insurance	1,500
		Balance c/d	<u>17,000</u>
	<u>48,000</u>		<u>39,000</u>

Additional information

	01/01/20X4	31/12/20X4
	GH¢	GH¢
Stock	5,000	3,000
Land and building	20,000	20,000
Motor vehicle	7,000	5,000
Debtors	3,000	4,000
Creditors	2,000	1,000
Insurance owing	1,000	5,000

2. Luther, a sole trader, has the following financial details for the year ended 31/12/20X5.

Cashbook (Summary)

	GH¢		GH¢
Balance b/d	6,000	Creditors	12,000
Sales	10,000	Salaries	5,000
Debtors	<u>20,000</u>	Rent and rates	4,000
		Insurance	1,000
		Balance c/d	<u>14,000</u>
	<u>36,000</u>		<u>36,000</u>

Additional information

	01/01/20X5	31/12/20X5
	GH¢	GH¢
Stock	4,000	2,000
Land and building	15,000	15,000
Motor vehicle	6,000	4,000
Debtors	2,000	3,000
Creditors	1,000	500
Insurance owing	2,000	6,000

Learners are required to prepare:

- a. Statement of affairs as of 1st January, 20X5
 - b. Income statement account for the year ended 31/12/20X5
 - c. Statement of financial position as at 31/12/20X5.
3. Emma started a business on 01/01/20X6 with GH¢8,000 capital in cash. She kept very few records of her transactions in the first year of business. The assets and liabilities of the business as at 31/12/20X6 were:

	GH¢
Freehold property	152,000
Debentures	100,000
Stock	48,000
Debtors	5,600
Creditors	15,200
Cash and Bank	10,800

During the year, Emma withdrew GH¢18,000 cash for her personal use.

She also paid GH¢12,000, received from the sale of her private car into the business bank account.

You are required to:

- a. Calculate the capital as at 31/12/20X6
- b. Prepare the statement of the net profit for the year ended 31/12/20X6
- c. Prepare statement of financial position as at 31/12/20X6

HINT

*The recommended mode of assessment for Week 12 is **end of semester examination**. Refer to Appendix E of this section for sample. Refer to the Teacher Assessment Manual and Toolkits pages 66–68, 74–76 and 39–41 for more information on how to use multiple choice, essays and practice assessment as assessment tools.*

SECTION REVIEW

This section serves as a comprehensive review of the lessons covered over the past four weeks. Teachers should summarise the key concepts taught and the essential learning outcomes for each learner, considering differentiation strategies applied throughout the teaching process.

By this stage, learners should have acquired a solid understanding of not-for-profit organisations and their financial reporting requirements. They should be capable of preparing accurate income and expenditure accounts, demonstrating proficiency in applying their knowledge to practical scenarios. Differentiated instruction has ensured that all learners, including those identified as highly proficient, have been appropriately challenged with advanced concepts and tasks.

The review phase provides an opportunity to assess individual learner progress and understanding, ensuring that all learning indicators have been met effectively. Teachers are encouraged to use this review to reinforce learning outcomes and address any remaining questions or areas requiring clarification.

ADDITIONAL READING

1. “Frank Wood’s Business Accounting 1” by Frank Wood and Alan Sangster
2. “Accounting Principles” by Jerry J. Weygandt, Paul D. Kimmel and Donald E. Kieso
3. Any approved financial accounting book by NaCCA can be used as further reading material.



APPENDIX E: END OF FIRST SEMESTER EXAMINATION

Structure

1. Cover content from weeks 1-12 taking into consideration Depth of Knowledge (DOK) levels.
2. **Resources**
 - a. Answer booklets
 - b. Scannable sheets
 - c. Writing tools, etc.
3. The test should include
 - a. Section A-Objectives (50 MCQs for 25 marks)
 - b. Section B-Essay questions (4 Questions answer 2 for 30 marks)
 - c. Section C-Practical questions (5 practice questions answer 3 for 45 marks)
4. **Time:** 210 minutes
5. **Total Score:** 100 marks
6. Provide a Table of Specification
Refer to the Teacher Assessment Manual and Toolkits pages 49-51. 83-86 and 94-96 for more information on end of semester examination as assessment tools.

SAMPLE QUESTIONS

Section A: Multiple Choice Questions

1. Which action would you take when a bank reconciliation statement starts with an overdraft as per cash book?
 - A. Add uncredited cheques
 - B. Add unpresented cheques
 - C. Deduct dishonoured cheques
 - D. Deduct uncredited cheques
2. You are reconciling a bank statement and cash book balances. How are cheques which have been paid to suppliers but not yet cashed by them treated?
 - A. Credit transfers
 - B. Standing orders
 - C. Uncredited cheques
 - D. Unpresented cheques

Section B: Essay- 30 marks (Answer only 2 questions)

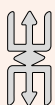
1. a. State the two main types of errors. (2 marks)
- b. State and explain any four types of errors that do not affect the agreement of the trial balance. (12 marks)

2. a. Differentiate between bank statement and bank reconciliation statement. (6 marks)
- b. Explain 3 causes of the difference between the bank statement balance and the cash book (bank column). (9 marks)

Section C: practical questions – 45 marks (answer 3 questions)

The following errors were discovered in the books of a company. Prepare the necessary journal entries to correct them by identifying the type of errors and showing and explaining how they can be corrected.

- A. Sales of GH¢5,000 were recorded in the Purchases account.
- B. A payment of GH¢2,500 for rent was omitted from the books.
- C. A credit sale of GH¢800 was incorrectly credited to the debtor's account.



Note

The questions put under the various sections are just examples of assessment tasks under objective, essay and practice questions. Teachers are expected to develop 50 objective questions that will carry 25 marks, essay questions that will carry 30 marks and practical questions that will carry 45 marks.

Marking Scheme Rubrics (100 marks – Scale the total marks to 60)

Objective Test

Correct answer to objective test questions (1 mark per question)

1. D
2. D

Essay Test

Answer to question 1a.

The following are the two main types of errors,

1. Errors that affect the agreement of the trial balance
2. Errors that do not affect the agreement of the trial balance

Allocate 1 mark to each error identified by learners, etc.

Section C: practice question

A: Sales of GH¢5,000 were recorded in the Purchases account. (5 marks)

Identification of Error (1 mark)

Recognise that the error is an error of principle (1 mark).

Correct Journal Entry (3 marks)

Debit Sales Account with GH¢5,000 (1 mark)

Credit Purchases Account with GH¢5,000 (1 mark)

Correct narration for the entry (1 mark)

Explanation (1 mark)

Provide a brief explanation of why the error occurred and how the journal entry corrects it (1 mark).

B: A payment of GH¢2,500 for rent was omitted from the books. (5 marks)

Identification of Error (1 mark)

Recognise that the error is an error of omission (1 mark).

Correct Journal Entry (3 marks)

Debit Rent Expense Account with GH¢2,500 (1 mark)

Credit Cash/Bank Account with GH¢2,500 (1 mark)

Correct narration for the entry (1 mark)

Explanation (1 mark)

Provide a brief explanation of the impact of omitting the payment and how the journal entry corrects it (1 mark).

C: A credit sale of GH¢800 was incorrectly credited to the debtor's account. (5 marks)

Identification of Error (1 mark)

Recognise that the error is an error of commission (1 mark)

Correct Journal Entry (3 marks)

Debit Debtor's Account with GH¢800 (1 mark)

Credit Sales Account with GH¢800 (1 mark)

Correct narration for the entry (1 mark)

Explanation (1 mark)

Provide a brief explanation of why crediting the debtor's account was incorrect and how the journal entry corrects it (1 mark).

How to Administer

1. Provide clear instructions and resources needed for the tasks.
2. Use the table of test specifications or blueprints (see table of specification below).
3. Write the test items.
4. Ensure questions are of varied levels of difficulty.
5. Provide time allocation for the completion of the essay and assign marks to each of the questions (Give additional time for learners with SEN).
6. Control the environment to prevent cheating.
7. Mark and record learners result into their transcript and provide feedback.

Refer to the Teacher Assessment Manual and Toolkits pages 66-68, 74-76 and 39-41 for more information on how to use objectives, essays and practice assessment as assessment tools.

Providing Feedback

1. Discuss assessment questions with learners after the end-of-semester
2. Identify the areas learners did well and areas that needs improvement

3. Communicate individual results to learners and record into their transcript
4. Ask learners to review their own work and do the corrections, etc.

TABLE OF SPECIFICATION

Week	Learning indicator	Type of Questions	DoK Level				Total
			1	2	3	4	
1	Explain the types accounting concepts and conventions	Multiple choice	2	2	1	–	5
		Essay	–	–	–	–	
2	Discuss the advantages and limitations of accounting concepts	Multiple choice	1	1	1	–	3
		Essay	–	–	1	–	1
3	Identify types of errors in accounting and their effects on the trial balance and financial statement	Multiple Choice	2	2	1	–	5
		Essay	–	–	1	–	1
4	Correct errors using journal and ledger entries including suspense account	Multiple Choice	1	1	1	–	3
		Essay	–	–	–	–	–
		Practice question	–	–	1	–	1
5	Identify the causes of differences between the cash book and the bank statement balances	Multiple Choice	2	2	–	–	4
		Essay	–	1	–	–	1
6	Prepare the updated Cashbook and Bank Reconciliation Statement	Multiple Choice	1	2	–	–	3
		Essay	–	–	–	–	
		Practice question	–	–	1	–	1
7	Discuss control accounts, their types and importance	Multiple Choice	2	2	1	–	5
		Essay	–	–	–	–	
8	Prepare the receivables and payables control accounts	Multiple Choice	1	2	1	–	4
		Essay	–	–	–	–	
		Practice question	–	–	1	–	1

9	1. Discuss the concept of not for profit making organisations, their features and purpose. 2. Identify the differences between receipts and payments accounts and income and expenditure accounts.	Multiple Choice	3	2	1	–	6
		Essay	–	–	–	–	
10	Prepare the financial Statement of a Not – for – profit organisation	Multiple Choice	1	2	1	–	4
		Essay	–	–	1	–	1
		Practice question	–	–	1	–	1
11	Explain why a business would not keep a complete set of accounting records and the challenges associated with incomplete records	Multiple Choice	1	2	1	–	4
		Essay	–	–	–	–	–
12	Prepare financial statements from incomplete records	Multiple Choice	1	2	1	–	4
		Essay	–	–	–	–	–
		Practice question	–	–	1	–	1
Total			18	23	18		59

Summary

Multiple Choice Questions – 50 questions

Essay – 4 Questions, Answer two questions

Practice question– 5 Question, Answer three questions

SECTION 4: MATERIAL PURCHASING AND STORAGE, INVENTORY CONTROL, LABOUR AND LABOUR REMUNERATION AND OVERHEAD ANALYSIS

STRAND: COST ACCOUNTING

Sub-Strand: Controlling cost to improve organisational performance

Content Standard: *Demonstrate knowledge and understanding of how elements of cost impact business profitability and decision-making*

Learning Outcome: *Compute cost of operation using the element of cost*

HINT



- Individual Project Work should be assigned to learners by the end of Week 13. Ensure that the project covers several learning indicators and spans over several weeks. Also, develop a detailed rubric and share with learners. Refer to **Appendix F** for the rubrics of the project at the end of this section.
- The mid-semester examination will be conducted in Week 18. Refer to **Appendix G** at the end of this section for a Table of Specification to guide you to set the questions. Set questions to cover all the indicators covered for at least weeks 13 to 17. Ensure questions cover DoK levels 1– 3.

INTRODUCTION AND SECTION SUMMARY

This section equips learners with the knowledge and skills to control costs, enhancing organisational performance. In Weeks 13 – 18, learners will learn about the documentation and processes used in the purchasing, storage and issuing of materials; how to apply inventory control techniques, design labour control systems and conduct overhead analysis. They will develop their understanding of how these elements integrate to improve financial health and performance, linking closely with subjects like financial accounting and strategic management. The overall performance indicator is the ability to optimise costs and improve operational efficiency, demonstrating practical application of learned concepts.

By the end of this section, learners will have developed an understanding of cost accounting information systems, inventory control and management, labour control and remuneration and overhead analysis. These topics are crucial for effective financial management and operational efficiency. The pedagogies used, such as think-pair-share, experiential learning, collaborative and problem-based learning, will engage learners actively, helping them apply theoretical concepts to real-world scenarios.

The weeks covered by this section are:

Week 13: Purchasing, Storage and Issue of Materials

Weeks 14 & 15: Inventory Control and Inventory Management

Weeks 16: Labour Control and Remuneration

Weeks 17 & 18: Overhead Analysis

Summary of Pedagogical Exemplars

In teaching this section, teachers should use a variety of pedagogical approaches, including think-pair-share, experiential learning and problem-based learning, to actively engage learners and facilitate deep understanding. Differentiation is key; teachers should tailor instruction to meet diverse learning needs, providing additional support for learners with additional or special educational needs and challenging tasks for gifted and talented learners. To support teachers in their approach to differentiation, this manual sometimes refers to learners as approaching proficiency (AP), proficient (P) or working as a high level of proficiency (HP). In this section, learners must be quipped to understand cost accounting information systems, inventory control methods, labour control techniques and overhead analysis. Again, learners should be able to apply these concepts in real-world scenarios, demonstrating problem-solving and critical-thinking abilities. Teachers are encouraged to assess and evaluate learners on their ability to describe, analyse and implement cost control strategies effectively.

Stretch activities should be used to allow highly proficient learners to explore advanced topics such as integrating cost control with strategic management and financial forecasting, allowing them to apply their knowledge at a higher level. This approach ensures all learners are adequately challenged and supported.

Assessment Summary

Assessment should align with learning objectives and pedagogy. Teachers should employ various forms of assessments to ascertain learners' performance on the concepts that will be taught under this section. The strategy ensures a balanced assessment approach, fostering continuous improvement and holistic learner development.

Teachers must administer these assessments and record them for onward submission into the Student Transcript Portal (STP). The following assessment should be conducted and recorded for each learner:

Week 13: Individual Project

Week 14: Questioning

Week 15: Computational Assessment

Week 16: Case Study

Week 17: Test of Practical Knowledge

Week 18: Mid-Semester Examination

WEEK 13

Learning Indicator: Explain the process of purchasing, storage and issue of materials and identify the documents used in these processes

Focal Area 1: The Process of Purchasing and storing materials

Material Control Process

The term “materials” refers to all commodities that are consumed in the production process. Materials can be grouped into direct and indirect materials. Direct materials are those whose consumption can be identified with the specific product or service, for example raw materials. Indirect materials are those that cannot be conveniently identified with product or service, for example sand paper, lubricants and card boards

The Purchasing Process

When a business purchases materials from a supplier, the purchasing process should be documented.

Reasons to document materials include:

1. to ensure that the procedures for ordering, receiving and paying for the materials have been properly followed;
2. to ensure that goods ordered were actually delivered in terms of quantity and quality,
3. to provide a record of materials purchases for the financial records
4. to provide a record of material costs for the cost accounting department.

Procedures and documents

The procedure followed for the purchasing of materials may differ based on the size of the company. However, the basic requirements should be the same for all types of business.

1. The User Department (for example, the Production Department) would send a **Material Requisition Note** to the Stores requesting the materials.
2. Where the materials are not in stock, the Stores Department would also send a **Purchase Requisition Note** to the Purchases Department to initiate the process of buying the materials. This should be authorised by the Stores Manager.
3. The Purchasing Officer invites quotations from suppliers for the supply of the materials. The quotations are compared and the most favourable quotation is selected. A **Purchase Order** is sent to the selected supplier stating the type of material to be purchased, the quantity and the quality required at the agreed price.
4. When the materials are supplied, they are accompanied by a **Goods Delivery Note** which shows the type and quantity of goods delivered. A copy is kept at the Stores and another is retained by the supplier.
5. The Stores Department then prepares a **Goods Received Note**, recording the details of the materials received. The details should include the inventory identity code as well as the quantity received.

6. Copies of the Delivery Note and the Goods Received Note are sent to the Accounts Department where they are matched with the Purchase Order.
7. The Accounts Department checks the invoice details with the Purchase Order and Goods Received Note before payment is made to the supplier.

Storage of Materials

Storage involves keeping materials safely by providing all the necessary securities. Materials should be kept secure and there must be systems, processes and controls to prevent loss, theft or damage. The Stores Department should keep a record of the quantity and quality of each type of material held in inventory. For each type of material, there should be a Bin Card to record the quantities received and issued. The Bin Card may be physical card or a computerised record.

Classification and Coding of Materials

Classification is the process of arranging items with regard to their nature or purpose – it involves arranging items into groups according to their degree of similarity.

A code is a system of numbers and/or symbols applied to a group of items as a brief accurate reference to facilitate entry, collation and analysis. Items of the same nature and type are classified or grouped and given a code (name and number) to ensure easy identification and retrieval.

Coding can be done

- a. Alphabetically – this is where letters are used to represent materials. For example, SDC can be used to represent sodium chloride.
- b. Numerical – Numbers are used to codify materials. For example, 456 represents sodium chloride.
- c. Alphanumeric – this is where a combination of letters and numbers to codify materials. For example, SD45C represents sodium chloride.

The purpose of classification and coding is to:

- i. ensure easy identification of materials,
- ii. minimise lengthy description of items in the stores,
- iii. enhance storage and issue of materials,
- iv. monitor materials levels.

Advantages of classification and coding

1. It helps to speed up the recording of information about the materials.
2. It minimises errors in stock taking and valuation of materials.
3. It simplifies clerical work in material control system.
4. Coding is essential in computerised accounting systems.

Features of a good coding system

1. Unique – each code should be different from another and should be used for only one item.
2. Clear symbolisation – coding should follow a consistent format i.e. it should either be alphabetical, numerical or alphanumeric.

3. Brevity – codes should be short and as brief as possible. This will ensure that it can be easily remembered and is consistent with the requirements of classification.
4. Uniformity – Codes should be equal in length and of the same structure. This helps to identify any missing letter or figure.
5. Ambiguity – Coding should avoid the use of similar characters and numbers. For example, the letters O and I are normally not used in coding since they look like zero (0) and one (1).

Learning Tasks

1. Identify the key documents used in the Stores department.
2. Explain the roles of key store department documents in inventory management and in materials control.
3. Differentiate between coding and classification of materials in inventory management.

Pedagogical Exemplars

Talk for learning

Activity 1

1. In a whole class discussion, revise with learners the types of materials (direct and indirect materials).
2. Introduce the concept of material purchasing and the need for documentation in the purchasing process.
3. Arrange learners in small groups (of mixed abilities and mixed genders) to discuss the procedure for the purchase of materials. Learners should consider the procedures and identify the documents used in the purchasing process.
4. Use call outs to encourage individual reflections on each of the procedures and their importance in managerial decision-making.
5. Facilitate a whole-group discussion where learners share insights and conclusions, reinforcing concepts and addressing misconceptions. Share examples and scenarios to deepen understanding through peer-to-peer learning.

Pedagogical Exemplars

Using Think-Pair-Share

1. In a whole class discussion, introduce the concept of classification and coding of materials.
2. Guide learners to discuss the importance of classification and coding of materials.
3. Using simple examples from the classroom or environment, lead learners to devise simple codes.
4. In groups of two, let learners think pair share the features of a good coding system to deepen understanding of the lesson.
5. Facilitate a whole-group discussion where pairs share insights and conclusions, reinforcing concepts and addressing misconceptions.

Key Assessment

Level 1

1. List the key importance of documentation in the materials purchasing process.
2. Identify four features of a good coding system.

Level 2

1. Explain how authorisation enhances the purchasing process within an organisation and its implications for efficiency and compliance.
2. Discuss three reasons that illustrate the importance of classification and coding in the management of purchasing and storage of materials.

Focal Area 2: Issuing of Materials

Stocktaking

Stocktaking is the process of physically counting the materials in the store/shop. It is a system of physical verification of inventories in the store. The two main methods of stocktaking are periodic stocktaking and continuous stocktaking.

Periodic Stock taking is where stocktaking is done at regular intervals during the year. The store may be closed down for the counting to be done.

Advantages of Periodic stocktaking

1. Normal work of the stores is not disrupted during the stock count since it is closed down.
2. It is less costly in terms of time and money since stock count is at specific periods.
3. Stock figures are more accurate than the figures obtained from continuous stocktaking.
4. There is less clerical work to be done.
5. Staff from other departments can be called to take part in the stock taking.

Disadvantages of Periodic stocktaking

1. There can be late detection of fraud or errors committed.
2. Since the Stores is closed down for stock counting, production may be disrupted.
3. Discrepancies, losses and damaged items are not easily detected.

Continuous stocktaking is where an item of stock is counted daily or weekly to ensure that all items in the store are counted at least once within the year.

Advantages of Continuous stocktaking

1. It avoids disruptions and closure of the store during the year for a major stock count.
2. Discrepancies, losses, deterioration and slow moving items are detected early.
3. The regular checking of items helps to reduce the occurrence of fraud.
4. It helps to determine closing stock values easily and enable the preparation of interim financial statements.
5. Proper inventory control can be exercised since stock levels are monitored and kept within authorised levels.

Disadvantages of Continuous stocktaking

1. It is costly in terms of time and money; especially with the use of experienced staff during the stocktaking.
2. There are frequent interruptions within the areas of the store where stocktaking is taking place.

Issuing and Returns of Materials

The Store Department needs to record the quantities and cost of items or materials that are issued to user departments and the quantities that may be returned unused to the Stores. The following documents are key in this process:

Material Requisition Note is a formal document from a user department to request for materials from the Stores.

A material requisition note is used to record:

1. the details of the quantity of materials issued
2. the user department that received the item
3. the cost of the items issued.

Material Returns Note – is used to record items that have been returned to Stores by a User Department.

Monitoring of physical inventory

There may be times when inventory records in the Cost Accounting system, does not agree with the physical quantities actually held in Store.

Reasons for this may include:

1. Errors in recording and calculation of receipts, issues and returns.
2. Incorrect coding of items causing wrong items to be issued or charged.
3. Omissions in recording of receipts, issues and returns.
4. Theft and pilferage leading to physical loss.
5. Damage to and deterioration of items due to improper handling.

Learning Tasks

1. List advantages and disadvantages of Continuous and Periodic Stocktaking
2. Explain the difference between Continuous and Periodic Stocktaking.
3. Discuss reasons why physical quantities of materials may not agree with the written records.

Pedagogical Exemplars

Think-Pair-Share

1. Revise with learners the classification and coding of materials.
2. Introduce the topic of stocking taking and issue of stocks.

3. Guide learners to think pair share the types of stocktaking and the advantages and disadvantages of each.
4. Learners discuss their reflections with another pair, sharing examples and scenarios to deepen understanding through peer-to-peer learning.

Talk for learning

1. Arrange learners in small mixed ability and gender groups to discuss the documents using in the monitoring, receipts and issuance of materials from the store.
2. Learners should also consider the reasons why physical stock levels may differ from the documented records.
3. Facilitate a whole-group discussion to allow each group to share their work and conclusions, reinforcing concepts and addressing misconceptions.

Key Assessment

Level 1

1. List two types of stocktaking
2. State two types of documents used in stocktaking.

Level 2

1. Discuss the reasons why physical stock levels may differ from the written records of stock.
2. How does stocktaking improve support effective management of materials?

HINT



Assign **individual project** to learners this week. The project should be submitted in week 20 of the academic year. Refer to **Appendix E** for the rubrics of the individual project. Refer to the *Teacher Assessment Manual and Toolkits* pages 27– 30 for how to conduct project-based assessment.

WEEK 14

Learning Indicator: Explain inventory, inventory control and compute inventory control levels

Focal Area 1: Meaning of inventory, types of inventories and the objectives of inventory management

Meaning of Inventory

Inventory refers to stock of goods or products available in the storage of an organisation for different purposes. For a commercial organisation, inventory refers to any stock of goods meant for resale.

Types of inventory

What constitute stocks depends upon the organisation. For a manufacturing organisation, inventory consists of the following:

1. Raw materials and components: These are materials which are worked on in the course of manufacturing and finished parts which are attached to the product during or after manufacture e.g. packing materials or containers.
2. Products in intermediate stage of production or completion (work-in –progress)
3. Consumable Stores – materials used in running the factory generally e.g., soap, detergents.
4. Finished Goods – products that production process is completed and waiting to be sold or dispatched.

Objectives of Inventory Control

Inventory control is a systematic regulation of the purchases, storage and usage of materials in such a way to ensure an even flow of production and sales.

Objectives

1. To ensure economy of purchasing of materials.
2. To avoid wastage of materials.
3. To avoid over or under stocking of materials.
4. It ensures continuous flow of production and sales.
5. To minimise cost associated with inventory.
6. To ensure retention of customers.

Benefits of Inventory Control

1. Inventory control prevents under stocking of materials. Under stocking leads to material running out earlier than expected. These can lead stoppages and delays in production which can lead to loss of profits, customer goodwill and panic buying.
2. Inventory control prevents over stocking of material. Over stocking is where there are more materials than necessary. This results in capital been locked up in stocks, higher cost of storing stocks and a higher rate of spoilage and pilfering.

3. Inventory control ensures economy in purchasing. Stock control ensures that purchases of materials are done at the right time, in right quantities and at most favourable prices.
4. Proper Inventory control will ensure that quality materials are purchased. Inferior materials result in poor quality of goods.
5. Inventory control provides adequate information on types of materials in the Store Room. There will be data on the quantity, quality or prices of stocks.
6. Inventory Controls ensures that there is minimum wastage of materials. Losses of materials occurred due to obsolescence, pilferage/stealing, evaporation and deterioration.

Learning Tasks

1. Identify the different types of inventories stored by various organisations, such as health facilities, educational institutions, and commercial concerns.
2. explain the objectives of inventory control, and how these objectives support the efficient management of resources within an organisation.
3. Analyse the types of inventories stored by different organisations and how each organisation's inventory needs affect its overall operational effectiveness and efficiency.

Pedagogical Exemplars

Collaborative learning

Activity 1

1. In a whole class discussion, guide learners to review their knowledge on the continuous and periodic stocktaking.
2. Put learners into mixed ability and mixed gender groupings and assign each group a specific inventory type (e.g., raw materials, work-in-progress) to discuss.
3. Groups research using digital tools such as laptop and mobile phone, their assigned type, its characteristics, purpose and examples. Teachers to model use of search engines and appropriate sources where required. Prompt questions or brief definitions could be provided to scaffold the activity for AP learners.
4. Each group presents their findings, summarising key characteristics, purpose and examples of their assigned type of inventory.
5. Move around the groups and provide simplified explanations for approaching proficient learners for understanding.

Activity 2

1. Guide learners in their groups to brainstorm on the objectives of inventory control.
2. Encourage peer feedback and discussion to deepen understanding of different inventory types.

3. Provide simplified explanations for learners with lower understanding. Use visuals or simple examples to aid comprehension.
4. Encourage proficient learners to lead group discussions.
5. Highly proficient learners and proficient learners should be tasked to support approaching proficient learners where necessary.

Key Assessment

Level 1

1. List the different types of inventories that organisations may store, such as raw materials, work-in-progress, and finished goods.
2. Identify the main objectives of inventory control in an organisation.

Level 2

1. Explain how effective inventory control helps avoid wastage of materials and supports the smooth operation of production processes within an organization.
2. Discuss the role of inventory types in the operations of different organizations like health facilities, educational institutions, and commercial concerns.

Level 3

1. Analyse the relationship between inventory control objectives and an organization's operational efficiency.
2. Evaluate the benefits of implementing a comprehensive inventory control system in a manufacturing organisation and how it can influence decision-making and customer satisfaction.

Focal Area 2: Reasons for holding inventory, associated costs and understanding stock levels.

Reasons for holding inventory

1. Inventory is held to meet normal production and sales requirements.
2. Inventory may be held to cater for uncertainties in demand. For example, an unexpected increase in demand can require increase in production and sales levels.
3. Inventory is held for fear of increases in prices or shortages. Management can decide to hold more inventory if prices are expected to rise.

Cost associated with inventory

1. Acquisition Cost – this is the cost of purchasing and transporting the goods to the stores.
2. Ordering Cost – this is cost incurred anytime a fresh delivery of goods is required. It includes cost of preparing a Purchase Order, cost of receiving deliveries, telephone calls, etc.
3. Holding / Storage Cost – this is the cost of keeping inventory in the warehouse. It includes insurance costs, storage costs, cost of pilfering, cost of obsolescence, etc.

Inventory levels should be carefully planned and managed to prevent over or under stocking. This is achieved through inventory control and monitoring the following inventory control, or stock, levels:

1. Maximum Stock Level - is the level above which stock is not allowed to rise.
2. Minimum Stock Level – is the level below which stock is not allowed to fall.
3. Re – order Level – is the level at which an order is placed to replenish stock.
4. Re – order quantity – is the quantity of goods purchased for each order.
5. Economic Order Quantity (EOQ) – is the best quantity to order to reduce ordering and carrying cost.

Consequences of over stocking

1. Increase in storage cost – insurance, refrigeration, rent, etc.
2. Physical deterioration – evaporation, breakages, spoilage, etc.
3. Obsolescence – materials becoming out of date
4. Theft and pilferage

Consequences of under stocking

1. Loss of sales – as a result of shortage of goods
2. Loss of customers
3. Under-utilisation of machines and personnel
4. Making/placing of expensive emergency orders

Learning Tasks

1. Identify the various stock levels.
2. Discuss the importance of setting inventory control levels.
3. Analyse the consequences of over stocking and under stocking.

Pedagogical Exemplars

Collaborative learning

1. In a whole class discussion, guide learners to review their knowledge on the types of inventory and benefits of inventory control.
2. Put learners in mixed ability and mixed gender groups to discuss the reasons for holding inventory and the different levels of inventory control.
3. In their various groups, guide learners to discuss the importance of setting inventory control levels.
4. Encourage learners to use digital tools like laptop and mobile phones to surf the internet for information on the consequences of over stocking and understocking.
5. Each group presents its findings on flip charts, for constructive feedback.

6. Provide simplified explanations for approaching proficient learners to support their understanding. Encourage HP learners who are competent in the use of digital tools to assist learners who are less proficient.

Key Assessment

Level 1

1. Identify two inventory control levels.
2. Outline three importance of setting the minimum stock level.

Level 2

1. Describe two consequences each of overstocking and understocking.
2. Explain three inventory control levels.
3. Explain three consequences of over stocking.

HINT



Use **poster presentation** as the assessment for this focal area of the week Use the item 1 under DoK level 3 of key assessment as task example of poster presentation. Refer to the Teacher Assessment Manual and Toolkits pages 76 – 78 on how to conduct poster assessment.

WEEK 15

Learning Indicator: Explain inventory, inventory control and compute inventory control levels

Focal Area 1: Explanation of stock levels – Minimum Level, Maximum Level, Re-order Level, Re-order quantity, Economic Order Quantity (EOQ)

Inventory Control Levels

Learners have been introduced to the various inventory control levels.

Listed below are the formulas used to calculate the various stock levels.

1. Re – order Level = Maximum Lead Time x Maximum Consumption during lead time.
2. Maximum Stock Level = Re- order level + Re-order Quantity - [Minimum usage x minimum usage]
3. Minimum Stock Level = Re-order level – [Average consumption x Average lead time]
4. Just-In-Time Purchasing (JIT): - This is a system where there are no inventories. Material are not stored but are purchased as and when they are needed and delivered directly to the production floor.
5. The Economic Order Quantity (EOQ)

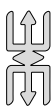
The EOQ is calculated as $\frac{2DO}{H}$

H

Where: D = Annual Demand

O = Cost per Order

H = Holding cost per Order



Note

Lead Time – is the time (days, weeks or months) it takes for ordered goods to arrive.

Factors that affect the lead time

1. Reliability of the source of supply.
2. The mode of transportation.
3. Seasonal fluctuations in the availability of the material.
4. Processing/production time of the material
5. Inventory inspection time
6. Waiting time at loading and off-loading points

Learning Tasks

1. Identify the various stock levels
2. Explain the various stock levels – Minimum Level, Maximum Level, Re-order Level, Re-order quantity, Economic Order Quantity (EOQ).
3. Discuss the consequences of over stocking and under stocking

Pedagogical Exemplars

Collaborative Learning

1. In a whole class discussion, guide learners to review their knowledge on the meaning of the various inventory control levels.
2. Put learners in mixed ability and mixed gender groups to discuss the formulas of the various inventory levels.
3. In their various groups, guide learners to discuss the factors that affect the lead time.
4. Assign proficient learners to lead the discussions.

Problem Based Learning

1. Present a scenario detailing a company's inventory management system including usage, lead times and ordering costs (learning task).
2. Arrange learners in mixed ability and mixed gender groups and task with calculating the various inventory control levels.
3. Guide learners in their various groups as they calculate the various inventory control levels.
4. Provide simplified explanations, worked examples or prompt cards with formulas for approaching proficient learners to support their understanding.
5. Proficient learners should be tasked to support approaching proficient learners in the computation of the various inventory control levels.
6. Highly proficient learners should be given more tasks on the computation of the various inventory control levels.

Key Assessment

Level 2: Discuss the implications of the length of the lead time on reorder quantity.

Level 3

A manufacturing company buys materials from supplier A.

4,000 kg of materials are purchased in one order and it takes 4 – 6 weeks for ordered supplies to arrive. Weekly consumption is between 450 kg and 650 kg.

Calculate the following:

- Re – order level
- Maximum stock/inventory level
- Minimum stock/inventory level
- Average stock/inventory level

Focal Area 2: Calculating various stock levels – Minimum Level, Maximum Level, Re-order Level, Re-order quantity, Economic Order Quantity (EOQ)

This lesson should be dedicated to learners applying their knowledge of inventory control and working through practical examples of how to calculate various stock and inventory control levels.

Learning tasks

Calculate the re – order level, re –order quantity, minimum stock level and maximum stock levels

Pedagogical Exemplars

Problem Based Learning

1. Present scenarios such as those outlined in the learning tasks
2. Arrange learners in mixed ability and gender groups to calculate the various inventory control levels.
3. Provide simplified explanations, worked examples, or prompt cards with formulas for approaching proficient learners to support their understanding.
4. Proficient learners should be tasked to support approaching proficient learners in the computation of the various inventory control levels.
5. Highly proficient learners should be given more tasks on the computation of the various inventory control levels.
6. Teachers to move around groups checking participation.
7. Each group to present one of their examples to the class for peer review and feedback.
8. Teachers to close lesson with roundup of themes of feedback.

Key Assessment

Level 3

1. Calculate the re-order level, maximum stock level and minimum stock level from the data below.
 Re –order Quantity = 12,000 units
 Lead Time = 12 – 14 days
 Maximum Usage = 800 units per day
 Minimum Usage = 400 units per day
2. A company buys raw materials from a supplier at GH¢90 per unit. The annual demand for the material is 400,000 units. Holding cost per unit is GH¢10 while it costs ¢20 to prepare a purchase order. You are required to calculate the Economic Order Quantity.
3. A company uses 5,000 units of materials per month. Cost per order is GH¢100 and the holding cost is GH¢0.40. Calculate the Economic Order Quantity.

HINT



The recommended assessment for the week is **computational assessment**. Use the items under DoK level 3 as task/item examples for computational assessment. Refer to the Teacher Assessment Manual and Toolkits pages 39 – 40 on how to conduct computational assessment.

WEEK 16

Learning Indicator: Explain labour, the types of labour and identify the methods of labour remuneration (including incentive schemes) and their advantages and limitations

Focal Area 1: Types of Labour and Labour Remuneration

Explanation of Labour

Labour refers to human efforts used in the production of goods and services. Labour may be physical or mental and take different forms, such as employees' knowledge, expertise and experience. Labour comprises of all categories of the workforce of an organisation – ranging from the top management down to the lowest worker. Labour may be in the form of direct or indirect labour and skilled or unskilled labour.

Labour Cost/ Remuneration

Labour Cost or Remuneration refers to all the benefits paid to the worker directly and indirectly on their behalf. It consists of

1. basic wages and salaries of employees,
2. payments for incentives (overtime, allowances, bonus) and other benefits,
3. other payments into a pension fund for the employees (Provident Funds, SSNIT).

Bases of Remuneration

1. Time Rate
2. Piece Rate

Time Rate

This method is used when output cannot be measured accurately. Emphasis is on quality of work done and is appropriate when the worker cannot control the speed of work. The amount earned is based on the number of hours spent on the job. The gross wage is calculated as:

Hours worked X rate per hour/day

Conditions under which time rate is used

1. Where it is difficult to measure output or performance.
2. Where the nature of work needs dedication and care.
3. Where the workers insist on time rate method of payment.
4. Where output is not under the control of the worker, for example research work.

Example

Hours worked: = 50 hours

Rate per hour: = GH¢100

Gross Wage: = 50hrs x GH¢100 = **GH¢5,000**

Advantages

1. It is simple for both businesses and workers to understand and administer
2. The quality of work tends to be higher since the worker is not in a rush to complete a job in order to maximise their earnings.
3. Costs can be predicted and budgeted based on the hourly or daily rate
4. It provides a guarantee of basis salary for employees
5. Employees could work extra hours as overtime to boost their earnings.
6. There tends to be less wastage as workers are not under pressure to produce goods as quickly as possible

Disadvantages

1. There is no incentive to produce more since the worker is paid on hourly/daily basis and not on quantity.
2. This model can increase labour costs if productivity is low
3. Idle time is paid for by the business, more supervision may be required to reduce the level of idle time
4. Output is harder to measure or evaluate

Piece Rate

This method is used for workers who produce countable goods. It is normally used when output can be measured reliably. It is appropriate when the worker can control the speed of work. The main types of Piece Rate methods are:

1. Straight Piece Rate
2. Differential Piece Rate
3. Piece Rate with a guaranteed minimum wage

Conditions under which Piece rate is used

1. When output can be measured conveniently.
2. Where workers have control over the production units.
3. Where little or no supervision is needed during production.
4. Where work is uniformed and standardised.

Advantages

1. Efforts are rewarded since the worker is given the incentive to produce more.
2. It requires less supervision during work
3. The employer benefits from increases in production
4. It can incentivise workers as there is a clear link between effort and reward.

Disadvantages

1. Workers may produce poor quality goods in order to produce more. This increases the need for quality control.
2. Pressure to produce more may increase risk of accident or have a negative effect on morale
3. Excessive wastage may occur due to pressure to produce more
4. Increased costs to monitor quality/consistency of items produced.
5. A worker is not paid for when he/she does not work due to sickness or absenteeism.
6. It can be difficult to fix the price per item

Straight Piece Rate: - Under this method the amount earned is based on the number of units produced multiplied by the rate per unit.

Example 16.1

No. of units produced: = 1,000 units

Rate per unit: = GH¢20

Gross Wage: = 1,000 units x GH¢20 = GH¢20,000

Differential Piece Rate: - Under this method, the rate per unit of output changes at different levels of efficiency or production.

Example 16.2

GH¢20 per unit for the first 100 units of production

GH¢30 per unit for the output between 101 and 200 units

GH¢40 per unit for the output above 201 units

Therefore, if a worker produces 90 units they are paid $90 \times \text{GH¢}20 = \text{GH¢}1800$

If they produce 131 units they are paid $131 \times \text{GH¢}30 = \text{GH¢}3930$

And if they produce 210 units they are paid $210 \times \text{GH¢}40 = \text{GH¢}8400$

Piece Rate with a guaranteed minimum wage

This system is adopted to compensate employees with low production during a period. To prevent workers from earning low wages, businesses may put in place a guaranteed minimum wage. This is paid to any worker who is not able to produce the required output.

Example 16.3

A company employs four workers who produced the following in a particular month:

Each worker is expected to work produce 150 units. Workers are paid at GH¢15 per unit but the company sets their guaranteed basic salary at GH¢2,000.

Appiah produces 150 units and is therefore paid GH¢2250.

Chidi produces 180 units and is therefore paid GH¢2700.

Kumba produces 120 units and is paid GH¢2000.

If the piece rate is less than the guaranteed salary then workers will be paid the minimum guaranteed salary.

Learning Tasks

1. Define labour and labour remuneration.
2. Explain the methods of labour remuneration.
3. Analyse the various methods of labour remuneration and the circumstances in which each method is most effectively applied.

Pedagogical Exemplars

Collaborative learning

1. In pairs, guide learners to brainstorm the concept of labour and share with another their partner.
2. Put learners in mixed ability and mixed gender groups (considering ability and gender), to brainstorm the meaning and methods of labour remuneration.
3. In their various groups, guide learners to identify the circumstances under which the various methods of labour remunerations are used. Move around the groups to ensure all learners are engaged and provide prompt questions or simplified explanations for learners in need of support.

Using think-pair-share

1. Arrange learners in pairs to think and share the advantages of the various different methods of labour remunerations.
2. Let learners think pair share the disadvantages of the various methods of labour remunerations.
3. Provide simplified explanation for approaching proficient learners for understanding.
4. Highly proficient learners and proficient learners should be tasked to support approaching proficient learners during discussions.

Problem-Based Learning

1. Put learners in mixed ability and mixed gender groups to discuss the formulas for computing time rate and piece rate. Provide prompt cards with the formulas, or additional guidance on how these can be rearranged to find missing values for AP learners.
2. Present the scenarios in the learning tasks to the groups, and assist learners to identify the remuneration model and calculate the cost of remuneration
3. Let each group compare its computed remuneration with another group for constructive feedback.
4. Encourage learners to participate in the group discussion and respect each other's view.
5. Provide simplified explanations or worked examples to support approaching proficiency learners' understanding.

- Proficient learners should be tasked to support approaching proficient learners in the computation of employees' remuneration.
- Highly proficient learners should be given further examples to work through

Key Assessment

Level 1

- Define the following terms: labour and labour remuneration.
- Outline two advantages of the piece rate method of labour remuneration.
- State two disadvantages of the time rate method of labour remuneration.

Level 2

- Explain two circumstances under which the time rate method of labour remuneration can be used.
- Discuss the circumstances under which the piece rate method of labour remuneration can be used.

Level 3

- Calculate the time rate and piece rate from the following given data.

Scenario A

	Hours worked	Total pay (GH¢)
Ama	37.5	3,450
Seth	32	2,840

Calculate the hourly rate of pay for both Ama and Seth. Show your calculations.

Scenario B

	Number of units produced	Total weekly pay (GH¢)
Felicia	175	3,850
Kwame	210	3,570

Calculate the price paid per unit for both Felicia and Kwame. Show your calculations.

Focus Area 2: Incentive Schemes

Meaning of incentive

An incentive is an extra remuneration given to motivate workers to produce more or reward workers for extra performance.

Types of incentive scheme include:

1. Overtime
2. Bonuses

Overtime Premium

Overtime refers to the extra hours for which a worker works over and above the normal working hours. Overtime **premium** is the money given to a worker for working these extra hours. Overtime premium is normally paid at a higher rate of pay than the normal time rate. Overtime premiums are normally expressed as time plus a fraction, or in multiples of time. For example,

1. time and a half
2. time and a fifth
3. time and a quarter
4. double time

Example 16.4

A company employs 4 workers and they work in a month as follows:

Appiah 170 hrs

Musa 150 hrs

Chidi 200 hrs

Kumba 120 hrs

Each worker is expected to work for 150 hrs. Workers are paid at GH¢15 per hour and overtime is paid at time and a half.

Therefore, Appiah's wages for the month will be calculated on the following basis:

$$(150 \times \text{GH¢}15) + (20 \times (\text{GH¢}15 \times 1.5))$$

$$\text{GH¢}2250 \text{ (base rate)} + \text{GH¢}450 \text{ (overtime premium)} = \text{GH¢}2,700$$

Bonus Schemes

Bonus Schemes are used to reward employees for their efficiency in reducing cost through the saving of time. Bonuses can be awarded where there have been cost savings through improved performance, or where agreed targets have been met within a given period.

Terms

1. **Time Allowed** – this refers to the expected time to be spent or used on a piece of work.
2. **Time taken** – this is actual hours used in performing a piece of work

3. **Time saved** – this is ascertained when the time taken is less than the time allowed. It is the excess of time allowed over the time taken.
4. **Bonus Premium** – this money paid to the worker for saving time.

For example, expected production is 200 units, and the time allowed is 4 hours. If the time taken is 3 hours, then time saved will be 1 hour.

Example 16.5

A company has 3 workers who produced the following units in a day.

Odum 25 units

Asor 35 units

Kwesi 45 units

Each worker is expected to work for 8 hours a day and use 12 minutes to produce one unit of the product.

Taking Asor as an example, the total time taken to produce their 35 minutes is 7 hours $((35 \times 12) / 60)$ therefore they save 1 hour.

Advantages of incentive schemes

1. They reward hardworking employees for their efficiency.
2. They ensure an increase in production.
3. They help to minimise labour turnover.
4. Workers are able to earn more income for their extra efforts.
5. They help to attract quality labour to a job.

Limitations of incentive schemes

1. Some incentive schemes are expensive to administer.
2. It is difficult to establish performance levels and rates of payments.
3. The pressure to produce more may affect the health of workers.
4. The pressure to produce more may affect the quality goods produced.

Labour turnover and idle time

Labour turnover is the rate at which employees leave an organisation and are replaced.

Causes of labour turnover include:

1. Death/Retirement.
2. Redundancy.
3. Dismissal.
4. Seeking greener pastures.
5. Poor working conditions.
6. Movement to join spouse/partner.

Idle time refers to the time spent by a worker where they are paid for not working (due to no fault of their own.)

Causes of idle time include

1. Machine break down
2. Power outage
3. Shortage of materials
4. Time spent commuting between departments
5. Routine maintenance of machines
6. Natural disasters like flood

Learning Tasks

1. Explain the types of incentive schemes.
2. Identify the advantages and limitations of the different incentive schemes
3. Discuss the causes of idle time and labour turnover
4. Calculate overtime and bonus payments in given scenarios.

Pedagogical Exemplars

Collaborative learning

1. In a whole class discussion, guide learners to discuss the concept of incentives.
2. Put learners in mixed ability and mixed gender groups, to explain the types of incentive schemes and identify the advantages and disadvantages of each type.
3. Move around the groups to ensure all learners are engaged in discussions. Provide prompt questions or examples for AP learners to scaffold the activity.
4. Ask each group to feedback to the class and share their learning. Give other members of the class the opportunity to feedback or expand and develop the points raised.

Think pair and share

1. Let learners think pair and share the causes of labour turnover and idle time.
2. Encourage sharing examples and scenarios to understand their impact on motivation and productivity.
3. Provide simplified explanations for approaching proficient learners for understanding. Encourage approaching proficient learners to lead the discussion on the causes of labour turnover and idle time.

Problem based learning

1. Arrange learners in mixed ability and mixed gender groups. Present each group with data on labour remuneration based on incentive schemes (learning tasks) and assist learners in groups to calculate the remunerations.
2. Let each group compare its computed remuneration with another group for constructive feedback.

3. Encourage learners to participate in the group discussion and respect each other's view.
4. Provide simplified explanations or prompt cards with formulas or worked examples for approaching proficient learners to support their understanding.
5. Proficient and highly proficient learners should be tasked to support approaching proficient learners in the computation of overtime premium and bonus premium.

Key Assessment

Level 1

1. Identify two advantages and two disadvantages of incentive schemes.
2. State two causes of labour turnover.
3. Mention two causes of idle time.

Level 2

1. Describe the effects of idle time on productivity and business operations
2. Workers of ABC Corps were tasked to produce 36,000 units of a product in a 30-hour week at a rate of GH¢40 per hour.

A bonus of half rate is paid for time saved and workers are permitted to use time saved for extra production at normal rate.

Activities for the week were as follows:

Name of Employee	Hours worked
Adej	25
Boakye	28
Mensah	30

Calculate the total earnings of each worker showing the details of normal earnings, bonus earnings and extra earnings from using time saved.

Show your workings.

3. Kwame Ltd employed 25 workers who are paid an hourly rate GH¢15 each. During the month of November 20X4:
 - a. A power cut caused 12 workers to be idle for 3 hours each.
 - b. Unplanned equipment maintenance led to 6 workers being idle for 5 hours each.
 - c. During the month, workers spent 3 hours in total in training sessions and awaiting further instructions.

Calculate the cost of idle time during the month of November, 20X4.

Show your workings.

HINT



The recommended assessment for this week is **case study**. Use the items under DoK level 3 as an example case study task. Refer to the Teacher Assessment Manual Toolkits pages 25 – 27 for how to conduct case study.

WEEK 17

Learning Indicator: Prepare Overhead Analysis sheet and compute overhead absorption rates

Focal Area 1: Overheads and Types of Overheads

Explanation of overheads

Overhead cost refers to any indirect costs that are incurred in the course of producing goods and services. Overheads refer to the total of indirect materials, indirect labour and indirect expenses. Overheads costs are those costs that do not result from the existence of individual cost centres. Overheads are normally incurred for the benefit of a number of departments or processes.

Types of Overheads

1. **Production/Factory Overheads:** These refer to the indirect expenses that arise during the production of goods in the factory. They are indirect expenses incurred during production. They include insurance on machines, factory rent, lubricants and depreciation on plants and machines, electricity, etc. They are also known as manufacturing overheads.
2. **Administrative Overheads:** These are overheads related to the administrative set up of the business. They are incurred by management in the course of organising and controlling the activities of the business. Examples are stationery, office rent, electricity, telephone and depreciation of office buildings.
3. **Selling & Distribution Overheads:** These are overhead costs that arise from the selling and distribution functions of the business. The aim is to secure customers and send the goods to them. Examples are sales commission, advertising, showroom expenses, commission, salaries of sales people, depreciation of delivery vehicles, catalogues, etc.
4. **Financial Overheads:** These are expenses are incurred in securing the financial obligations of a business. They include amounts spent on securing loans, bank charges, discount allowed, interest on loans, etc.

Stages of Overhead Analysis

The stages of overhead analysis are

1. Collection
2. Classification
3. Allocation
4. Apportionment
5. Absorption.

Explanation of Terms Collection

Overheads are collected from various departments as they are incurred. The various amounts of overheads are collected from vouchers, invoices, bank statements and other prime documents.

Classification: This is where overheads are grouped according to certain characteristics or features. Overheads can be classified into the functional areas of production, administration, financial or selling and distribution. Overheads can also be classified into elements of cost such as indirect materials, indirect labour and indirect expenses. Alternatively, overheads can be classified into behaviour; that is, it can be fixed or variable.

Allocation: This is the assigning of a whole item of overhead cost to a particular cost centre or department. Cost Allocation is the process of charging an overhead cost to a cost centre, or cost unit, when the overhead can be conveniently identified with that particular cost centre or cost unit.

Apportionment: Apportionment is the process of distributing, or sharing, overhead cost among various cost centres. When an overhead cost cannot be identified with a particular cost centre, it is shared among various cost centres or cost units. The sharing of overhead cost to cost centres is done in proportion to the benefit received by the cost centre. Basis of apportionment becomes the criteria used in sharing overhead cost to cost centres,

Absorption: Overhead Absorption is the process of charging or adding overhead cost to the final cost of a product or service. This is done by calculating an Overhead Absorption Rate (OAR) for every production department. The Overhead Absorption Rate (OAR) calculated is used to absorb the overheads to the unit cost.

Learning Tasks

1. Define overheads and its associated terms
2. Describe the types of overhead.
3. Analyse the stages of overhead analysis

Pedagogical Exemplars

Collaborative learning

1. In a whole class discussion, guide learners to review their knowledge on the elements of cost.
2. Through facilitated group discussions, guide learners through the explanation of overheads and types of overheads with examples.

Arrange learners in mixed ability and mixed gender groups and task them with brainstorming to come out with examples of overhead costs. Let learners group the overhead costs into various types of overheads. Learners should

- a. determine whether the overhead costs should be allocated or apportioned.
- b. indicate the department to which each overhead cost should be allocated.
- c. explain why a particular overhead cost should be allocated or apportioned.
3. Let each group present its reasons or explanations. Provide simplified explanations and contextualised examples for approaching proficient learners to support their understanding.
4. Encourage peer feedback and discussion to deepen understanding of the terms used in overhead analysis.
5. Encourage highly proficient learners to lead group discussions.
6. Highly proficient learners and proficient learners should be tasked to support approaching proficient learners where necessary.

Key Assessment

Level 1

1. What are overheads?
2. Define the following terms:
 - a. Overhead Allocation
 - b. Overhead Apportionment

Level 2

1. Describe two types of overheads.
2. Discuss challenges of establishing a basis of apportionment for a business during the overhead analysis process.

Level 3: Assess the need for absorbing overhead cost within the cost of a product or service.

Focal Area 2: Preparation of Overhead Analysis Sheet & Re-distribution of overheads using repeated distribution and direct allocation

Preparation of Overhead Analysis Sheet

An Overhead Analysis Sheet or Overhead Distribution Statement is normally prepared to show the distribution of overheads to various departments. Bases of Apportionment are the criteria used in sharing overhead cost to cost centres. The most common bases of apportioning overheads are given below:

	Overhead Cost	Basis of Apportionment
1	Building expenses, Rent & Rates	Floor space or area, value of buildings
2	Electricity / Heating, Power	Number of bulbs, floor space or area, kilowatts of electricity
3	Indirect Labour cost, Supervisor's salary, Canteen cost, Welfare, Medical cost	Number of employees
4	Insurance on materials, store expenses, handling expenses	Number of requisitions made by dept., value of materials collected by depts.
5	Depreciation/ Repairs on Machines, Maintenance cost	Cost or value of machines, maintenance hours

Apportionment of Service Department cost

Service Departments exist to provide assistance to the production cost centers. Service cost centres are usually not income generating centres. Therefore, they assist production departments in the manufacturing of products. The costs of service departments are re – apportioned to the production cost centers.

The most common bases of re – apportioning service cost centre overheads are given below:

	Service Cost Center	Basis of Apportionment
1	Canteen	Number of Workers/ wages paid
2	Maintenance	Maintenance hours/ Labour Hours
3	Medical/ Infirmary/Clinic	Number of Workers
4	Stores	Number of requisitions made by dept., value of materials collected by depts.
5	Transport	Vehicle hours/ unit weight or volume transported

Learning Tasks

1. Discuss the need for organisations to apportion overheads to various departments.
2. Prepare an analysis sheet and re-apportion overheads.

Pedagogical Exemplars

Collaborative /Experiential Learning

1. In a whole class discussion, guide learners to review their knowledge on overhead collection, allocation and apportionment.
2. Arrange learners in small groups with mixed genders and abilities. Provide each group with a set of data (learning task) and task them to prepare an overhead analysis sheet.
3. Let learners allocate and apportion overhead costs to the appropriate cost centres based on the chosen basis of apportionment.
4. Using mixed ability groups, let learners collaborate in making any necessary adjustments for re-apportionment to ensure fair allocation of overhead costs.
5. Let learners critically evaluate their allocation decisions and consider the implications of different apportionment methods on cost analysis and decision-making.
6. Let each group present its reasons or explanations. Provide simplified explanation for approaching proficient learners to support their understanding.
7. Encourage peer feedback and discussion to deepen understanding of the terms used in overhead analysis.
8. Encourage highly proficient learners to lead group discussions.
9. Highly proficient learners and proficient learners should be tasked to support approaching proficient learners where necessary.

Key Assessment

Level 2: Discuss the need for organisations to apportion overheads to various departments.

Level 3: Prepare the overhead analysis sheets from the data provided below.

Expenses	Dept. C	Dept. D	Cafeteria	Security	Total
Indirect labour	65,000	80,000	25,000	10,000	180,000
Indirect materials	150,000	75,000	30,000	120,000	375,000
Heat & Light	40,000	25,000	15,000	35,000	115,000
Rent & Rates					125,000
Depreciation					420,000
Supervision					380,000
Power					300,00

Additional Information

	Dept. C	Dept. D	Cafeteria	Security	Total
Floor Space	14	18	8	10	50`
Value of machines GH¢	130,000	95,000	18,000	22,000	265,000
No. of Workers	70	50	10	30	160
Labour hours	5,000	4,500	500	1,000	11,000
Kilowatts of Electricity	700	550	250	150	1650

HINT



The recommended assessment for this week is **test of practical knowledge (TPK)**. Use the task under DoK level 3 of key assessment as task example of TPK. Refer to the Teacher Assessment Manual Toolkits pages 33 – 35 for how to conduct test of practical knowledge (TPK)

WEEK 18

Learning Indicator: Prepare Overhead Analysis sheet and compute overhead absorption rates

Focal Area 1: Computation of Overhead Absorption Rates using various activity levels

Overhead Absorption Rate

Overhead Absorption Rate (OAR) is the formula used to distribute overheads of cost centres to cost units. OAR is calculated by dividing the total overhead cost of a cost centre by a suitable activity level of the cost centre.

$$\text{OAR} = \frac{\text{Budgeted Overhead Cost}}{\text{Budgeted Activity Level}}$$

Types of Activity Levels / Bases of Absorption

The common types of activity levels / bases of absorption are:

1. Direct Machine hours – this method of absorbing overheads applies when machines play a dominant role in the production of goods. It is calculated as:

$$\text{OAR} = \frac{\text{Budgeted Overhead Cost}}{\text{Budgeted Machine Hours}}$$

2. Direct Labour hours - this method of absorbing overheads applies when production is labour intensive. It is calculated as:

$$\text{OAR} = \frac{\text{Budgeted Overhead Cost}}{\text{Budgeted Labour Hours}}$$

3. Product Units (Cost unit) – this formula is based on the quantity of goods produced. The absorption rate is per item and it applies where standardised products or jobs are produced.

$$\text{OAR} = \frac{\text{Budgeted Overhead Cost}}{\text{Budgeted Units produced}}$$

4. Direct Materials Cost percentage – this method is based on the cost of materials incurred. It is calculated as:

$$\text{OAR} = \frac{\text{Budgeted Overhead Cost}}{\text{Budgeted Direct Material Cost}} \times 100\%$$

5. Direct Labour/Wages cost percentage – this method is based on the cost of direct labour incurred. It is calculated as:

$$\text{OAR} = \frac{\text{Budgeted Overhead Cost}}{\text{Budgeted Direct Labour Cost}} \times 100\%$$

6. Prime cost percentage – this is where overheads are recovered in relation to prime cost. Prime cost is the total of direct material cost and direct labour cost. It is calculated as:

$$\text{OAR} = \frac{\text{Budgeted Overhead Cost}}{\text{Budgeted Prime Cost}} \times 100\%$$

Learning Tasks

1. Define overhead absorption rate
2. Explain the methods of recovering overheads incurred.
3. Calculate the overhead absorption rates

Pedagogical Exemplars

Collaborative learning: Through facilitated group discussions, guide learners through the explanation of types of activities that can serve as bases for absorption overheads. For example, machine hours, labour hours, etc.

Project based learning

1. Divide learners into mixed ability and gender groups to work through the learning task. Ensure they are provided with the necessary data and formulas. Let them collaborate to apply formulas and calculate overhead absorption rates.
2. Facilitate group discussions, offering guidance as learners navigate through the calculations to understand the formulas.
3. Let each group present its solutions. Let them provide simplified explanation for approaching proficient learners for understanding.
4. Encourage peer feedback and discussion to deepen understanding of the terms used in overhead analysis.
5. Encourage proficient learners to lead group discussions.
6. Highly proficient learners and proficient learners should be tasked to support approaching proficient learners where necessary.

Key Assessment

Level 1: Define overhead absorption rate?

Level 2: Explain three bases of absorbing overheads.

Level 3: You have been presented with the following set of information:

Total Direct Wages Cost GH¢2,500,000

Total Direct Material Cost GH¢4,500,000

Total Overheads GH¢7,000,000

Additional Information

Labour hours for the year 150,000 hours

Total machine hours 250,000 hours

Total units produced 40,000

Use this data to calculate the absorption rate per

- Labour hour
- Machine hour
- Unit produced

Focal Area 2: Absorption of Overheads & Calculation of over/under absorption of overheads

Overhead Absorption

Overhead Absorption is the process of charging or adding overheads to the final cost of a product or service. This is done by calculating an Overhead Absorption Rate (OAR) for every production department. The Overhead Absorption Rate (OAR) calculated is used to absorb the overheads to the unit cost.

Over Absorption

This occurs when the overheads added or applied to a product, job or service is more than the actual overheads incurred. Over absorption has the effect of overstating the cost of production since the overhead added to the product or service is more than the cost incurred.

Under Absorption

This occurs when the overheads added or applied to a product, job or service is less than the actual overheads incurred. This means the overheads spent is more than what has been added to the cost of the product or service. Under absorption has the effect of reducing profits.

Causes of under or over – absorption of overheads

1. Difference between estimated overhead expenditure and actual overhead.
2. Difference between estimated production volume and actual production units.
3. Differences between the estimated activity levels and the actual activity levels.

Treatment of under or over – absorption of overheads

1. Over – absorption of overheads increases the cost of production and this reduces the net of the business. To obtain the correct net profit, the amount of over absorbed overhead should be added to the profit.
2. Under – absorption of overhead decreases the cost of production and this increases the net of the business. To obtain the correct net profit, the amount of under absorbed overhead should be deducted from the profit.

Calculating over or under absorption

To calculate over or under absorption you can follow the following steps

1. Calculate the overhead absorption rate (OAR)
2. Calculate the overheads absorbed
3. Compare the overheads absorbed with the actual overheads incurred (Overheads absorbed – Actual fixed overhead incurred)

If the answer is above zero, then overheads have been over absorbed; if they are below zero then that have been under absorbed.

Learning Tasks

1. Explain the difference between over absorption and under absorption of overheads.
2. Calculate the following
 - a. production overhead absorption rate.
 - b. over or under absorption of fixed overhead.
 - c. full production cost.
3. Prepare a report to show the profit or loss.

Pedagogical Exemplars

Collaborative learning

1. Through guided discussions, lead learners to refresh their knowledge of how to calculate overhead absorption rates.
2. Present scenarios/cases with varying overhead absorption rates and in pairs, guide learners to add or apply the computed overheads to the prime cost of production.

Problem based learning

1. Divide learners into groups, considering ability and gender, and present the learning task for the absorption of overheads into cost of production.
2. This task can be differentiated so that AP learners work through fewer examples of absorption rates. Further support through prompt questions or worked examples could be used to scaffold the activity.
3. Through guided discussions, lead learners to compare the absorbed overheads to budgeted overheads to determine whether overheads have been over/under absorbed.
4. Facilitate group discussions on the effects of over/under absorption of overheads, offering guidance as learners navigate through the calculations to understand the formulas.
5. Provide worked examples or prompt cards with formulas and definitions for approaching proficient learners to support their understanding.
6. Encourage peer feedback and discussion to deepen understanding of the terms used in overhead analysis.
7. Encourage highly proficient learners to lead group discussions.
8. Highly proficient learners and proficient learners should be tasked to support approaching proficient learners where necessary.

Key Assessment

Level 2: What are the differences between over absorption and under absorption of overhead.

Level 3: The budgeted cost data for Golden Production is given below:

Total Direct Wages: GH¢2,500,000

Total Direct Material Cost: GH¢4,500,000

Total Overheads: GH¢7,000,000

For a cost unit produced by the company, the details could be:

Direct Materials Used: GH¢2,200

Direct Labour Cost: GH¢1,500

Machine Hours: 15 hours per unit

Direct Labour Hours: 8 hours per unit

Additional Information:

Labour Hours for the Year: 150,000 hours

Total Machine Hours: 250,000 hours

Total Units Produced: 40,000 units

Calculate the over and under absorption rates assuming overheads are recovered at GH¢150 per unit. Show all of your workings.

HINT



Remember to conduct the **mid-semester examination** this week. Refer to **Appendix G** for the structure and table of specifications. Set questions to cover DoK levels 1–3, taking into consideration 30%, 40%, 30% distribution of items.

SECTION REVIEW

This section provided comprehensive coverage of cost control strategies to enhance organisational performance. Over the past six weeks, learners were engaged in various pedagogical approaches like think-pair-share, experiential, collaborative and problem-based learning, facilitating active learning and practical application of theoretical knowledge. In week 13, learners learnt about the process of purchasing, storage and issue of materials. Learners also looked at the documents used in the purchasing, storage and issue of materials. Weeks 14 –15 focused on inventory control and management, where learners explored principles, including Economic Order Quantity (EOQ) and learnt to manage stock levels. Weeks 16 covered Labour remuneration strategies; teaching learners to balance labour costs with productivity and employee satisfaction. Finally, weeks 17 – 18 addressed overhead analysis, enabling learners to identify, allocate and control overhead expenses. Differentiation ensured all learners achieved essential outcomes: struggling learners received additional support, while highly proficient learners tackled advanced topics. Learners should have a solid understanding of cost control methods applicable in real-world scenarios.

Additional reading

Any approved Cost and Management Accounting Book by NaCCA can be used as a further reading material.



APPENDIX F: INDIVIDUAL PROJECT

Project Task

Design and implement a cost-control and inventory-management plan for a local business in your community integrating purchasing, storage, stock control, labour remuneration, and overhead analysis.

Project Structure

1. A written project report (approx. 250–300 words) with embedded calculations, assumptions, and justification
2. An overhead analysis sheet for a chosen cost centre
3. A set of stock-level calculations for EOQ, reorder level, max/min stock, and Just-In-Time assessment
4. A labour remuneration model with calculations (time rate and piece rate, including incentives)
5. A final presentation (20 minutes) with executive summary, key findings, risks, and actionable recommendations

Rubric for Individual Project

Criteria	5marks	4marks	3marks	2marks
Calculations and Data Handling	Have 5 calculations correct with precise, transparent steps. 5 data sources cited; 5 assumptions are stated and justified. – Data handling is flawless; no errors in EOQ, reorder points, OH bases, or other datasets. – Outputs (tables, graphs, spreadsheets) are clean, but not well-labelled, and reproducible.	Have 4 calculations correct with precise, transparent steps. 4 data sources cited; 4 assumptions are stated and justified. – Data handling is flawless; no errors in EOQ, reorder points, OH bases, or other datasets. – with Outputs (tables, graphs, spreadsheets) not clean, not well-labelled, and reproducible.	Have 3 calculations correct with precise, transparent steps. 3 data sources cited; 3 assumptions are stated and justified. – Data handling is flawless; with limited errors in EOQ, no reorder points, no OH bases, or other datasets. – with Outputs (tables, graphs, spreadsheets) not clean, not well-labelled, and reproducible.	Have 2 calculations correct with precise, transparent steps. 2 data sources cited; 2 assumptions are stated and justified. – with minimal Data handling flawless; limited errors in EOQ, no reorder points, no OH bases, or other datasets. – with Outputs (tables, graphs, spreadsheets) not clean, not well-labelled, and reproducible.

Conceptual Integration	<i>Demonstrates 5 seamless, coherent integration across purchasing, storage, inventory control, labour remuneration, and overhead. Justifications are data-supported; the learner synthesises concepts to justify decisions and recommendations. Clear evidence of alignment between data analysis and strategic implications for the business.</i>	<i>Demonstrates 4 seamless, coherent integration across purchasing, storage, inventory control, labour remuneration, and overhead. Justifications are data-supported; the learner synthesises concepts to justify decisions and recommendations. Clear evidence of alignment between data analysis and strategic implications for the business.</i>	<i>Demonstrates 3 seamless, coherent integration across purchasing, storage, inventory control, labour remuneration, and overhead. Justifications are data-supported; the learner synthesises concepts to justify decisions and recommendations. With no clear evidence of alignment between data analysis and strategic implications for the business.</i>	<i>Demonstrates 2 seamless, coherent integration across purchasing, storage, inventory control, labour remuneration, and overhead. With no data-supported Justifications; no learner synthesises concepts to justify decisions and recommendations. No clear evidence of alignment between data analysis and strategic implications for the business.</i>
Communication, Justification	<i>Report/presentation is organised, professionally formatted, and visually effective (charts/graphs). With executive summary; recommendations are innovative, feasible, prioritised, and well-supported by data. All stakeholders' perspectives (finance, operations, HR) are considered; risks and trade-offs are clearly discussed.</i>	<i>Report/presentation is organised, professionally formatted, and visually effective (charts/graphs). With executive summary; recommendations are innovative, feasible, prioritised, and well-supported by data. With no stakeholders' perspectives (finance, operations, HR) are considered; no risks and trade-offs clearly discussed.</i>	<i>Report/presentation is organised, professionally formatted, and visually effective (charts/graphs). With executive summary; no recommendations are innovative, feasible, prioritised, and well-supported by data. With no stakeholders' perspectives (finance, operations, HR) are considered; no risks and trade-offs clearly discussed.</i>	<i>Report/presentation is organised, professionally formatted, with no visually effective (charts/graphs). With executive summary; no recommendations are innovative, feasible, prioritised, and well-supported by data. With no stakeholders' perspectives (finance, operations, HR) are considered; no risks and trade-offs clearly discussed.</i>

Total – 15 marks



APPENDIX G: MID-SEMESTER EXAMINATIONS

Structure

Cover content from weeks 13-17. Taking into consideration Depth of Knowledge (DOK) levels.

Resources

1. Learning Material
2. Teacher Manual
3. Teacher Assessment Manual and Toolkits
4. Answer booklets

The test should include

Section A- Multiple-choice questions (20 questions)

Time: 30 minutes

Total Score: xx marks to be scaled down to xx marks for submission into STP

Provide a Table of Specification

Assessment Tasks

Multiple Choice Questions (MCQs)

A manufacturing firm wants to ensure optimal inventory levels to balance costs and production continuity. Given the following data:

- Maximum stock level ($Q_{\max}$) is 8,000 units
- Minimum stock level ($Q_{\min}$) is 2,000 units
- Re-order level (ROQ) is 4,500 units
- Re-order quantity (ROQ_{nty}) is 4,000 units
- Annual demand is 40,000 units
- Lead time is 3 weeks
- Average weekly usage is constant

If a sudden supplier disruption extends lead time to 6 weeks, which of the following statements best explains the likely impact on stock control decisions and why?

- A. The company should decrease the maximum stock level to below 8,000 units to avoid extra holding costs during the longer lead time.
- B. The company should decrease the reorder level to 3,000 units to reduce carrying cost, since demand remains constant.
- C. The company should increase the minimum stock level to at least 6,000 units to cover the longer lead time.
- D. The company should increase the reorder quantity to more than 4,000 units to compensate for the longer lead time.

Correct answer: C

How to Administer

1. Provide clear instructions and resources needed for the tasks.
2. Prepare a table of test specifications or blueprints (see table of specification below).
3. Ensure questions are of the varied levels of difficulty.
4. Provide time allocation for the completion of the test and assign marks to each of the questions (Give additional time for learners with SEN).
5. Clarify any doubts about the assessment task.
6. Control the environment to prevent cheating.
7. Mark and record learners result into their transcript and provide feedback.

Providing Feedback

1. Discuss assessment questions with learners after the mid-semester
2. Identify the areas that were answered well and areas that needs improvement
3. Communicate individual results to learners and record into their transcript
4. Ask learners to review their own work and do the corrections, etc.

Table of Specification

Week	Learning Indicator	Type of Question	DoK Level				Total
			Level 1	Level 2	Level 3	Level 4	
13	Explain the process of purchasing, storage and issue of materials and identify the documents used in these processes	Multiple Choice	1	2	1	–	4
		Essay	–	–	–	–	–
14	Explain inventory, inventory control and compute inventory control levels.	Multiple Choice	2	1	1	–	4
		Essay	–	–	–	–	–
15	Explain inventory, inventory control and compute inventory control levels.	Multiple Choice	1	2	1		4
		Essay	–	–	–	–	–
16	Explain labour, the types of labour and identify the methods of labour remuneration (including incentive schemes) and their advantages and limitations	Multiple Choice	–	2	2	–	4
		Essay	–	–	–	–	–
17	Prepare Overhead Analysis sheet and compute overhead absorption rates.	Multiple Choice	2	1	1	–	4
		Essay	–	–	–		
Total			6	8	6		20

Summary

MCQs: 20 questions

SECTION 5: PREPARATION OF COST SHEETS FOR JOBS, CONTRACTS, SERVICES AND PROCESSES

STRAND: COST ACCOUNTING

Sub-Strand: Determining Cost of Operations for Pricing Control

Learning Outcome: *Determine the cost of goods and services using appropriate costing methods.*

Content Standard: *Demonstrate knowledge and understanding to determine the cost of different types of goods, services and activities in society*

HINT



The recommended mode of assessment for week 24 is **End of semester examination**. Refer to **Appendix H** of this section for sample. Refer to the Teacher Assessment Manual and Toolkits pages 66–68, 74–76 and 39–41 for more information on how to use multiple choice, essays and practice assessment as assessment tools.

INTRODUCTION AND SECTION SUMMARY

This section equips learners with the knowledge and skills to prepare cost sheets. Weeks 19 to 22 will develop learners' understanding of how to prepare cost sheets using various methods of operations like jobs, contracts, services and processes, and how profits are determined using these methods of operations. Content in this section will build on previous learning across both the cost and financial accounting strands of the course. The overall performance indicator is the ability to determine costs to inform pricing and control, demonstrating practical application of learned concepts.

By the end, learners will understand costing methods and their importance in profit determination and operational efficiency. The pedagogies used, such as collaborative and problem-based learning, will engage learners actively, helping them apply theoretical concepts to real-world scenarios.

The weeks covered by the section are:

Week 19: Prepare Job Cost sheet to determine the cost of a job and batch.

Weeks 20: Prepare Job Cost sheet to determine the cost of contracts.

Weeks 21: Prepare service cost accounts to determine the cost of services.

Weeks 22: Prepare process accounts to determine the cost of production.

Summary of Pedagogical Exemplars

This section outlines effective teaching methods to ensure all learners achieve the required outcomes. Teachers should use a variety of pedagogical approaches, including think-pair-share, experiential learning and problem-based learning, to actively engage learners and facilitate deep understanding. Differentiation is key; teachers should tailor instruction to meet diverse learning needs, providing additional support for learners with additional or special needs and challenging tasks for gifted and talented learners. To support teachers in their approach to differentiation, this manual sometimes refers to learners as approaching proficiency (AP), proficient (P) or working as a high level of proficiency (HP).

In this section, learners must be equipped to understand costing methods like job /batch costing, contract costing, service costing and process accounts. Again, learners should be able to apply these concepts in real-world scenarios, demonstrating problem-solving and critical-thinking abilities. Teachers are encouraged to assess and evaluate learners on their ability to describe, analyse and implement cost control strategies effectively.

Stretch activities should be used to allow highly proficient, learners to explore advanced topics such as integrating cost control with strategic management and financial forecasting, allowing them to apply their knowledge at a higher level. This approach ensures all learners are adequately challenged and supported.

Assessment Summary

Assessment should align with learning objectives and pedagogy. Teachers should employ various forms of assessments to ascertain learners' performance on the concepts that will be taught under this section. The strategy ensures a balanced assessment approach, fostering continuous improvement and holistic learner development. Teachers must administer these assessments and record them for onward submission into the Student Transcript Portal (STP). The following assessment should be conducted and recorded for each learner:

WEEK 19

Learning Indicator: Prepare Job Cost Sheets to determine the cost of specific job order – Job and Batch Costing

Focal Area 1: Prepare Job Cost Sheets to determine the cost and profits of a job / batch order

Job Costing

Job Costing is a form of specific order costing in which cost are attributed to individual jobs. It involves making a specific order for a piece of work to be done. Each job is unique since it is done to a given specification.

Examples of job costing are building of a house, dress making, food prepared for parties etc. It is necessary that each job is given a job number and job cost card on which all the expenses are recorded.

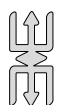
Batch Costing

Batch Costing is a form of costing which applies when quantities of identical products are manufactured in a group or as a batch. An example is where a company manufactures 5,000 identical chairs. Batch production is also common in car manufacturing, clothing, pharmaceuticals, footwear, etc.

Costing

In terms of costing, both batches and jobs are treated in the same way using the procedure below.

1. Determine the cost of materials used for the job/batch.
2. Determine the cost of labour hours used by each department on the job/batch.
3. Determine any direct cost associated with the job/batch
4. Determine the overhead to be absorbed on the job/batch.



Note

For batch costing, the cost per unit is calculated by dividing total cost by the number of units produced in that batch.

Elements of cost

The cost price of a product or service is made up of direct materials, direct labour, direct expenses and overhead cost.

This can be represented on a costs sheet as below:

Direct Material	GH¢	GH¢
Material A	xxx	
Material B	xxx	xxx
Direct Labour		

Dept. Y	xxx	
Dept. Z	xxx	xxx
Direct Expenses		xxx
Prime Cost		xxx
Variable Overheads		
Manufacturing	xxx	
Selling & Distribution	xxx	
Administrative	xxx	xxx
Total Variable Cost		xxx
Fixed Overheads		
Manufacturing	xxx	
Selling & Distribution	xxx	
Administrative	xxx	xxx
Production / Total Cost		xxx
Profit		xxx
Selling Price		xxx

Learning Tasks

1. Discuss the characteristics of job/ batch costing.
2. Discuss the advantages of job / batch costing

Pedagogical Exemplars

Collaborative learning: In a whole class discussion, guide learners to refresh their knowledge on the characteristics and advantages of job/batch costing from year one.

Problem based learning

1. Arrange learners in small groups, ensuring a mix of abilities and gender and present the learning task.
2. Each group to prepare job costs sheets by working through the presented data and analysing the associated materials, labour and overhead costs. Template cost sheets or worked examples could be provided for AP learners.
3. Learners apply their learning to future job cost sheet preparations and related tasks with adjusted sets of data.
4. Facilitate group discussions, offering guidance as learners navigate through the calculations to understand the computations.
5. Each group to present their working to the class for discussion and feedback. Encourage reflection on strengths and areas for improvement.

6. Provide simplified explanations, complete cost sheets or worked examples for approaching proficient learners to support their understanding.
7. Encourage highly proficient learners to lead group discussions.
8. Highly proficient learners and proficient learners should be tasked to support approaching proficient learners where necessary.

Key Assessment

Level 1

1. State three characteristics of job/batch costing
2. State three advantages of job/batch costing.
3. Identify three elements of cost in calculating job or batch costing.

Level 3

1. Details of Job 750.

Cost of materials used	¢182,050
Labour	
Department A	12 hours at GH¢57.50 per hour
Department B	10 hours at GH¢46 per hour
Department C	3 hours at GH¢69 per hour
Machine hours	
Department A	10 hours
Department B	7 hours

Overheads are absorbed in the following ways:

- on machine hour basis in departments A at GH¢34.50 per hour
- on machine hour basis in departments B at GH¢46 per hour
- on labour hours in department C.

Calculate the cost of Job 750. Show all of your workings.

2. Calculate the cost of Job 609 using the following information.

Cost of materials used GH¢165, 500

Labour

Department X 12 hours at GH¢50per hour

Department Y 10 hours at GH¢40per hour

Department Z 3 hours at GH¢60per hour

Machine hours

Department X 10 hours

Department Y 7 hours

Overheads are absorbed on machine hour basis in Departments X & Y at GH¢30 and GH¢40 respectively and on labour hour basis in Dept. Z.

Focal Area 2: Determination of profit using Mark up or Margin

Profit is the excess of revenue over expenses. There are two main ways of calculating profit. Profit is either calculated on cost of goods or on the selling price.

The general formula for calculating profit is:

$$\text{Selling Price} - \text{Cost Price} = \text{Profit}$$

How to calculate Profit Mark - up or Profit on cost.

When profit is calculated on mark- up of cost price or profit on cost, the formula becomes:

$$\text{Profit} = \frac{\text{Percentage profit}}{100 \%} \times \text{Cost price}$$

How to calculate Profit Margin or profit on selling price

When profit is calculated on margin / selling price, the formula becomes:

$$\text{Profit} = \frac{\text{Percentage profit}}{100 \% - \text{Percentage profit}} \times \text{Cost price}$$

For example

The cost price of job is GH¢5,000. If the company makes a profit of 10%:

Calculate the profit mark

Calculate the profit margin.

Solution

Profit on cost / profit mark – up.

$$\text{Profit} = \frac{10}{100} \times 5,000 = \text{GH¢}500$$

Profit on sales / profit margin

$$\text{Profit} = \frac{10}{100-10} \times 5,000$$

$$\text{Profit} = \frac{10}{90} \times 5,000 = \text{GH¢}555.56$$

Learning Tasks

1. Brainstorm the formulae for determining profits.
2. Calculate job and batch costings and profit based on given sets of data

Pedagogical Exemplars

Problem-Based Learning

1. Provide learners with relevant data on materials, labour and overhead costs associated with batch jobs (learning tasks).
2. Divide learners into mixed ability and gender groups and assign each group a batch /job order to work on.
3. Learners work on simulated batch and job orders, tasked with preparing job cost sheets to determine the cost of each job.
4. Encourage collaboration within groups as learners analyse costs and prepare job cost sheets. Group work promotes teamwork, communication and peer learning.

5. Encourage learners to critically analyse the unique aspects of batch or job orders, such as variable production volumes, specialised requirements and long-term jobs.
6. Guide learners in adding profits to cost producing such jobs. Emphasis should be placed on the margin or mark-up added to the cost.
7. Facilitate group discussions, offering guidance as learners navigate through the calculations to understand the computations.
8. Each group to present their work to the wider class for discussion and constructive feedback
9. Provide simplified explanations, template job sheets to complete or worked examples for approaching proficient learners.
10. Encourage highly proficient learners to lead group discussions.
11. Highly proficient learners and proficient learners should be tasked to support approaching proficient learners where necessary.

Key Assessment

Level 3

1. A company manufactures a product for sale and has the following budgeted overheads.

Department: Overhead cost Activity Level

Blanking GH¢180,000 1,500 labour hours

Machining GH¢430,000 2,500 machine hours

Welding GH¢200,000 1,800 labour hours

Assembling GH¢150,000 1,000 labour hours

Selling and administrative overheads are charged at 20% of factory cost.

An order was received to manufacture 250 units of the product as Batch 5931. Costs incurred were as follows:

Materials GH¢31,700

Labour

Blanking 128 hours @ GH¢50.25/hr

Machining 452 hours @ GH¢50.50/hr

Welding 90 hours @ GH¢50.00 /hr

Assembling 175 hours @ GH¢48/hr

GH¢5,250 was paid for the hiring of a special machining to test the product. The time booking in the machine shop was 643 machine hours.

You are required to calculate

- the total cost of batch
 - cost per unit
 - the profit per unit if profit is at 15% mark up.
2. Mildart Shipping Plc has received an order to produce two fishing vessels for Sekondi Fisheries. Each job passes through three departments – Preparatory, Machining and Finishing. Cost incurred in production are as follows.

Preparatory Dept.

45 beams of wood at GH¢30,000 per beam
 16 kg of other materials @ GH¢60,500 per kg
 20 labour hours @ GH¢60,000 per hr.

Machining Dept.

10 machine hours @ ¢120,000 per hr.
 20 labour hours @ ¢80,000 per hr.
 16 kg of materials @ ¢40,000 per kg

Finishing Dept.

15 litres of paint @ ¢450,000 per litre
 26 labour hours @ ¢120,000 per hr.

Overhead at each department is estimated at ¢60,000 per labour hours.

You are required to calculate

- the cost of producing all the 20 boats
- the selling price of one boat if profit margin is 20%.

3. The following could be set as the key assessment for this week (practical activity)

Prepare a job cost sheets for batch A4596, based on the data below.

A company manufactures a product for sale and has the following budgeted overheads.

Department Overhead cost Activity Level

Forming GH¢120,000 1,200 labour hours

Finishing GH¢350,000 2,000 machine hours

Painting GH¢150,000 1,500 labour hours

Packaging GH¢100,000 800 labour hours

Selling and administrative overheads are charged at 25% of factory cost.

An order was received to manufacture 300 units of the product as Batch A4596.

Costs incurred were as follows:

Materials GH¢28,000

Labour

Forming 110 hours @ GH¢45/hr.

Finishing 360 hours @ GH¢55/hr.

Painting 85 hours @ GH¢48.00 /hr.

Packaging 160 hours @ GH¢46/hr.

GH¢4,500 was paid for the rental of additional equipment to test the product. The time booking in the finishing department was 560 machine hours. Profit is calculated at 20% mark up.

Show all of your working.

HINT



The recommended mode of assessment for Week 19 is **computational tasks**. Refer to the Teacher Assessment Manual and Toolkits pages 39 for more information on case study as an assessment strategy.

WEEK 20

Learning Indicator: Prepare Job Cost Sheets to determine the cost of specific job order
– Contracts

Focal Area 1: Explain Contracts and terminologies used in accounting for contracts

In Contract Costing, a contract is made between two parties known as a contractor and a contractee. The person/firm executing the job is the **contractor** while the person/firm for whom the job is done is the **contractee**.

Key terminology

Contract Price: This is the full price agreed to be paid for the job by the contractor to the contractee. It is the amount to be realised when the contract is completed.

Work Certified: This is the value of work done on a contract which has been inspected and approved by a technical person such as an architect or the surveyor acting for the customer. After inspection, a certificate is issued to reflect the value of the work certified.

Work certified can be calculated as:

Work certified = Cost of work to date - (Cost of work uncertified – materials – plant costs)

Work uncertified: Work done but uncertified is that part of a job which has been completed but not certified by a relevant technical person. Work certified and work uncertified are part of work in progress.

Certificate for completed work: A certificate issued by technical personnel shows the value of the work done. It is a warranty to show that the job has been done in accordance with the approved plans and complies with relevant regulations and is of a good standard.

Progress payments: Progress payments refer to monies released by the contractee to the contractor at specific intervals to execute the job. In relation to construction contracts, for example, a contract provides that money is released for the start of the work, when foundation is completed and after completion of the first floor, etc.

Retention Fee: This is the part of the contract price which is withheld or not paid by the customer until the end of a specified period following the completion of the work. This is done to protect the customer from the risk of faulty work that will need rectification. The period for which the money is withheld is known as retention period.

Work – in – progress: In contract accounts, the work-in-progress consists of work completed (both certified and not certified) and work not yet completed.

The value of the work-in-progress consists of the cost of work completed, the cost of work not yet completed and the amount of profit taken as credit.

Notional Profit: Notional profit is an estimate of the potential profits that could be earned from a specific contract. It is a calculated figure used in contract costing formulas to help businesses determine the true cost of a project and decide whether to accept the contract or not.

Notional profit is the difference between the value of work in progress certified and the cost of work in progress certified.

Notional Profit = Value of work certified – (Cost of works to date – Cost of work not yet certified)

Contract Account: In contract cost accounting, a contract account is opened individually for each contract in the contractor's books. For a completed contract, the contract account is debited with all direct and indirect expenses incurred in relation to the contract. The contract account is credited with amount of contract price on completion of the contract. The balance presents profits or loss made on the contract and is transferred to Profit/Loss account. For an uncompleted contract, the contract account is debited with cost incurred on the contract to date and credited with value of work done to determine the apparent profit.

Format for Contract Account

Name of Contract:

Contract Price:

Site of Contract:

Date of Commencement:

Date of Completion:

Contract Account

	GH¢		GH¢
Purchase of materials	xxxx	Materials at site b/f	xxxx
Materials issued from stores	xxxx	Materials transferred to other contracts	xxxx
Direct wages	xxxx	Value of plants & equipment c/d	xxxx
Direct expenses	xxxx	Prepared expenses c/d	xxxx
Overheads	xxxx	Cost of work done c/d	xxxx
Sub contracts costs	xxxx		xxxx
Materials from other contracts	xxxx		xxxx
Plants & Equipment used	xxxx		xxxx
Accrued Expenses c/d	xxxx		xxxx
	xxxx		xxxx
Cost of work done b/f	xxxx	Value of work certified	xxxx
Profit made – Profit /Loss	xxxx	Value of work not certified	xxxx
Profit in suspense	xxxx		xxxx
	xxxx		xxxx
Balances c/d		Balances c/d	
Plants & Equipment	xxxx	All accruals	xxxx
Materials at site	xxxx	Profit	xxxx
Prepayments	xxxx		

Learning Tasks

1. Discuss the characteristics of accounting for contracts.
2. Explain the terminologies used in contract accounts.
3. Discuss the items that appear on both the debit and credit sides of contract accounts.

Pedagogical Exemplars

Collaborative Based learning

1. In a whole class discussion, lead learners to refresh their knowledge on the characteristics and advantages of accounting for contracts.
2. Arrange learners in mixed ability and gender groupings, guide learners to use digital tools such as laptops, mobile phones etc. to define contract terminologies like apparent profit, cost of work certified, cost of work done, architect's certificate, retention money, contract price, etc.
3. In their groups, ask learners to discuss the meaning of these terminologies. Assign proficient learners to lead in the group discussion.
4. Extend group discussions to cover the types of expenditure incurred on contract work. Let learners brainstorm on the types of materials, equipment and items that are needed.
5. Call on each group to contribute their learning and summarise the items and format of contract accounts as part of a whole class discussion.

Problem based learning

1. Present each group with the learning task to calculate the cost of work certified.
2. Move around the groups to ensure active participation of learners as participation develops insight and enhances understanding of principles.
3. Provide simplified explanations or prompt cards with formulas for approaching proficient learners for understanding.
4. Encourage highly proficient learners to lead group discussions.
5. Highly proficient learners and proficient learners should be tasked to support approaching proficient learners where necessary.

Key Assessment

Level 1: State three characteristics of accounting for contracts.

Level 2

1. Explain the importance of the following terms as used in accounting for contracts.
 - a. Apparent/Notional profit,
 - b. Cost of work certified,
 - c. Architect's certificate,
 - d. Retention money,
 - e. Contract price.

Level 3

1. The following data was extracted from the books of Okuyo Plc

Total cost incurred on contract 690,000

Materials on site 97,750

Cost of work done not certified 96,600

Expenses prepaid 17,250

Plant on site 138,000

Calculate the cost of work certified based on this information.

2. The following data was extracted from the books of Swanzy Plc

Total cost incurred on contract 600,000

Materials on site 85,000

Cost of work not certified 84,000

Expenses prepaid 15,000

Plant on site 120,000

Use this information to calculate the cost of work certified.

Focal Area 2: Prepare Contract Accounts to determine the cost of a contract including uncompleted contracts and contractee accounts.

Stage of completion of contracts

Contracts which are started and finished during the same financial year create no accounting problems. But in many cases, contracts take more than one year to complete. The problem which arises is whether profit on long-term contracts should be computed only on the completion of the contract or at the end of each financial year on the partly completed work. If profit is computed only on the completion of the contract, profit will be high in the year of completion of the contract, whereas in other years of working on contract, profit will be nil.

This would result not only in distorted profit pattern but also higher tax liability because income tax at higher rates may have to be paid. Therefore, when contracts extend beyond a year, it becomes necessary to take into account the profit earned (or loss incurred) on the work performed during each year.

The stage of completion is the application of accrual concept where contract revenue is matched against contract cost to the level of completion so that revenue, cost and profits are attributed to the proportion of work done. This helps in avoiding distortion of the year-to-year profit trend of the business.

Also known as the percentage of completion method, the stage of completion is computed as:

$$\text{Stage of completion} = \frac{\text{Contract costs incurred to date}}{\text{Total estimated contract cost}} \times 100\%$$

The percentage arrived at is used to recognise revenue, expenses and profits in the income statement.

Learning Tasks

1. Discuss the stages of completion of a contract.
2. Prepare contract account and contractee account.

Pedagogical Exemplars

Problem-Based Learning

1. Lead a class discussion to review learners' knowledge on the format and calculation of the cost of work certified.
2. Arrange learners in mixed ability and mixed gender groupings and present them with the learning tasks relating to contract costing and accounts. Ask each group to analyse the question presented to them.
3. Guide learners in their groups to prepare a statement showing the stage of completion for each year of the contract.
4. In mixed ability groups, let learners prepare accounts for uncompleted contracts to determine the apparent profit at the end of a period.
5. In their various groups assist learners to prepare a contract and contractee account from given data. Let learners provide the entries in the contract accounts. Templated accounts documents could be used alongside worked examples to scaffold the activity for AP learners.
6. Assign proficient learners to lead in the preparation of statements showing the stage of completion for each year.
7. Highly proficient learners should be assigned to lead in the preparation of contract account and also support approaching proficient learners where necessary.

Key Assessment

Level 3

1. Amoah Enterprises have been contracted to build a community library in Akropong at a cost of GH¢1.5 million. The data below relates to the contract at the end of the first year.

	GH¢
Materials purchased	230,000
Materials returned to stores	40,000
Direct wages paid	110,000
Direct wages accrued	25,000
Plant on site at cost	70,000
Direct expenses paid	22,000
Direct expenses accrued	10,000
Other expenses incurred at site	15,000
Overhead cost	26,000
Cost of work not certified	12,000
Value of plant on site	50,000
Cash received for work certified	500,000

Retention money was agreed at 10% of work certified and money in respect of work certified has been received.

Prepare the

- Contract account
 - Contractee account
2. Barnswaa Plc won a contract to build affordable houses for the government at Low Cost town. The contract amount was GH¢4million in 20x2 but by the end of 20x3, the estimated cost has increased GH¢4.2 million and to GH¢4.4 million in 20x4.

Cost incurred were as follows

20x2 – GH¢1.1million,

20x3 – GH¢3,15million

20x4 -GH¢4.2million.

Use this information to prepare

- a. a statement showing the stage of completion for each year of the contract.
 - b. a statement showing revenue, costs profits as they would be recognised in the income statement for each year.
3. Osei Constructions is put up a sports facility at Nyame Bekyere at a cost of GH¢2.1 million. The data below relates to the contract at the end of the first year.

	GH¢
Materials purchased	321,000
Materials returned to Stores	5,1000
Direct wages paid	148,200
Direct wages accrued	33,000
Plant on site at cost	90,000
Direct expenses paid	27,900
Direct expenses accrued	13,500
Other expenses incurred at site	20,700
Overhead cost	34,500
Cost of work not certified	15,300
Value of plant on site	67,500
Cash received for work certified	675,000

Retention money was agreed at 14% of work certified and money in respect of work certified has been received.

Prepare the contract account and contractee account.

HINT



The recommended mode of assessment for Week 20 is **case study**. Refer to the Teacher Assessment Manual and Toolkits pages 25–27 for more information on case study as an assessment strategy.

WEEK 21

Learning Indicator: Prepare service cost accounts to determine the cost of providing a service

Focal Area 1

1. Explain Service Costing, identify some organisations that use service costing and their units of production.
2. Prepare cost sheets for services organisations to find the cost per unit of a service.

Organisations that use Service costing and units produced

S/N	Type of sector	Cost units
1	Canteens /Restaurants	Plates of meals served
2	Hospitals	Patient days, number of operations done, outpatients treated
3	Schools	Number of students, school days,
4	Consultancy	Client hours/ days
5	Maintenance	Maintenance hours / days
6	Provision of electricity	Kilowatts used
7	Soliciting firms	Courts days/ hours
8	Hotels	Bed occupied/ nights
9	Library	Library hours/ days
10	Transport	Passenger per km, tonnes carried per km

The cost per unit of service is calculated as = $\frac{\text{Total cost per period}}{\text{Number of service units supplied in the period}}$

Learning Tasks

1. Discuss the characteristics of service costing, including advantages and limitations.
2. Identify the cost units of some service organisations.

Pedagogical Exemplars

Collaborative learning

1. In a whole class discussion, guide learners to review their knowledge on the meaning, characteristics and advantages of service costing from year one.
2. Put learners in mixed ability and mixed gender groups, guide them to discuss some organisations that apply service costing.
3. In their various groups task learners to list organisations that provide services. Let the groups list the units of services provided by these organisations.
4. Let each group present its work to the class for discussions.

Problem Based learning

1. Present groups with the learning tasks on service costing. Assign proficient learners to lead in the computation of the cost of service. Examples of formulas could be provided to support accessibility for this activity for AP learners.
2. Let groups exchange their work with another group for constructive feedback.
3. Ensure active participation of learners to develop insights to enhance understanding of service costing principles.
4. Highly proficient learners should be given additional tasks to perform and work as elbow partners to support AP learners in their groups

Key Assessment

Level 1: State three characteristics of service costing.

Level 2: Explain how identification of cost units informs accurate service costings

Level 3

1. AgroStone operates a granite quarry. On 15th March 20X3 the company delivered granite to customers using heavy goods vehicles. The distance covered and deliveries made are as follows:

Delivery	Tonnes carried	Distance covered in kilometres
1	3	25
2	2.8	35
3	7	85
4	6	70
5	5	55

The cost of operation for the day was GH¢650,000. You are required to calculate

- a. cost per tonne
 - b. cost per kilometre
 - c. cost per tonne per kilometre
2. Zimbo Plc operates a stone quarry and delivers stones in cargo truck to clients. The distance covered in various deliveries are as follows:

Delivery	Tonnes carried	Distance covered in km
1	2.5	20
2	3.1	30
3	6.2	90
4	5.5	80
5	4.5	60

The cost of operation for a day was GH¢571,200. Calculate the cost per tonne per kilometer.

3. Holy Saviour Clinic incurred a total cost of Gh¢840,000 in June, 20X1. A total of 2,400 patients were treated during that period. The hospital bills patients by adding a markup of 6%. You are required to calculate
- the number of patients per day
 - cost per patient
 - total revenue for the month

Focal Area 2: Prepare cost sheets for services organisations to find the cost per unit of a service

This lesson will focus on applying learners' understanding of the principles of service costing to more scenarios in order to secure these concepts.

Introduce the lesson with a recap of the previous lesson and the methods of calculating the different elements of service costs.

Learning task

Calculate profit or loss.

Pedagogical Exemplars

Problem-Based Learning

1. Present the learning tasks on service costing to learners.
2. Arrange learners in mixed ability and gender groups and task them to prepare cost sheets using the different scenarios
3. Ensure active participation of learners to develop insights to enhance understanding of service costing principles.
4. Facilitate group discussions, offering guidance as learners navigate through the calculations to understand the computations.
5. Provide simplified explanations for approaching proficient learners for understanding. Worked examples or prompt sheets with the key formulas could be provided to help scaffold the activity.
6. Encourage highly proficient learners to lead group discussions.
7. Highly proficient learners and proficient learners should be tasked to support approaching proficient learners where necessary.

Key Assessment

Level 3

1. A cleaning company provides services to both residential and commercial customers. They have provided the following information:
 - The hourly wage for cleaning staff is GH¢15
 - The cost of cleaning materials per job averages GH¢10
 - Transportation costs GH¢5 per job
 - Overheads are GH¢20 per job

Prepare the cost sheets for services organisations to find the cost per unit of a service.

2. Cozy Hotel is a fifty room facility in an uptown area. Cost of operations for June 2024 was GH¢260,000. 320 guests visited the hotel and spent a total of 1,280 days. The hotel charges GH¢250 per day.

You are required to calculate

- Number of room – days available.
- Room occupancy rate
- Cost per guest per day.
- Profit per room per day.
- Profit for the month of June.

Outline four business decisions that a transport company which plies multiply routes can make from service costing.

3. Sweet Bites Caterers serve jollof rice in their restaurant. The cost of operations for April 2024 was GH¢787,500. During the month, 12,500 customers visited the restaurant and purchased a total of 37,500 plates of jollof. The restaurant sells a plate at GH¢30.

You are required to calculate

- Cost per plate of jollof.
- Average number of plates purchased per customer.
- Profit per plate of jollof
- Profit for the month of April 2024.

4. Bright Child School has an enrolment of 600 learners. The cost of running the school for the year 20X4 was GH¢4,800,000. The school runs two semesters in a year and adds 20% margin to fees paid by learners.

You are required to calculate

- cost per learner per semester
- fees payable per learner per semester
- profit or loss for the school for the year

HINT



The recommended mode of assessment for Week 21 is **Problem Solving**. Refer to the Teacher Assessment Manual and Toolkits for more information on case study as an assessment strategy.

WEEK 22

Learning Indicator: Prepare process accounts to determine the cost of production at the end of each process to make pricing decisions

Focal Area 1

1. Explain terminologies used in accounting for Process Accounts
2. Prepare Process accounts showing cost per unit of a product and the treatment of normal loss, abnormal loss/ gain, scrap value

Terms in Process Costing

Normal Loss: Normal loss refers to any loss of materials which is inherent in the processing operations or in the nature of material. It is an expected reduction in the quantity of materials during the production process. Normal loss may be due to evaporation, shrinkages and other chemical processes. Normal loss is considered to be an integral part of process cost. It is unavoidable but efficient workers can reduce it to some extent.

Abnormal Loss: Abnormal Loss is any unexpected loss caused by abnormal conditions such as accidents or carelessness. It is the excess over the normal loss. For example, if 1,000 units of raw material are introduced in a process subject to wastage of 10 percent, i.e., the output of the process should be 900 units. But the actual output is 830 units; the extra losses of 70 units are abnormal loss. In other words, the excess loss of 70 units over the normal loss of 100 units is the abnormal loss.

Abnormal Gain: Abnormal gain occurs when actual loss is less than the normal expected loss. For example, if 1,000 units of raw material are introduced in a process subject to wastage of 10%, i.e., the output of the process should be 900 units. But if the actual output is 920 units. This means the extra 20 units are abnormal gain. In other words, the excess gain of 20 units over the expected normal output of 900 units is the abnormal gain.

Waste: Waste is defined as the portion of materials lost during production which has no reuse value. It is a complete loss and may be visible or not. Examples are sand in construction and raw dust in furniture industry.

Scrap: Scrap is any incidental material residue which some disposal value. Scrap may occur because of faulty operations, bad supervision or wrong setting of tools or machines. Scrap is recorded in the credit side of a process account and debit side of a profit and loss account.

Spoilage: Spoilage is defined as damaged goods in the manufacturing process which can be disposed of without further processing. It occurs due to some defects in materials, faulty operations or defective machines.

Defective Products: Defective products are imperfect goods which are not up to the standard quality or do not meet the prescribed specification. They can be rectified and turned into normal units by the application of extra materials and labour.

Conversion Cost: this comprises both labour and overhead costs.

Work in progress (WIP): This is the term used to describe units that are not yet complete at the end of the period. Opening WIP is the number of incomplete units at the start of a process and closing WIP is the number at the end of the process.

Learning Tasks

1. Discuss the characteristics and challenges of process costing
2. Explain the terminologies used in contract accounts.

Pedagogical Exemplars

Collaborative learning

1. In a whole class discussion, lead learners to refresh their knowledge on the characteristics and advantages of process costing.
2. Through guided discussions, let learners identify organisations that apply process costing and list the units of products provided by these organisations.
3. In mixed ability and gender groups, assist learners through explanation of terminologies used in process costing; for example – normal loss, abnormal loss, abnormal gain, waste, scrap, defective products, etc.
4. Provide simplified explanations for approaching proficient learners to support their understanding.

Problem based learning

1. Present groups with the questions on process costing (learning tasks) Let learners provide the entries in the process accounts. Guide learners to determine the cost per unit at the end of each process.
2. Where required, support learners to identify the treatment of abnormal loss/gain and scrap.
3. Encourage group collaboration as learners analyse data, identify treatments of cost.
4. Ensure active participation of learners to develop insights and enhancing understanding of process costing principles.
5. Facilitate group discussions, offering guidance as learners navigate through the calculations to understand the computations.
6. Each group to present their work to the wider class for feedback and discussion.
7. Let learners provide simplified explanations for approaching proficient learners for understanding.
8. Highly proficient learners and proficient learners should be tasked to support approaching proficient learners where necessary.

Key Assessment

Level 1

1. State three characteristics of process costing
2. Identify three advantages of process costing.

3. Prepare process accounts.

Level 2: Explain the treatment of normal loss, abnormal loss, abnormal gain, waste and scrap in process costing.

Level 3

1. A product passes through three stages.

Details of costs are given below.

	Process 1	Process 2	Process 3
Materials introduced	6,000 units @ GH3.50		
Additional materials (GH¢)	3,000	2,500	6,000
Direct Wages (GH¢)	2,800	4,000	8,000

Production overheads are absorbed at 75% of direct wages.

Actual output and losses are:

	Output in units	Normal Loss	Scrap value - GH¢
Process 1	5,400	9%	2.50
Process 2	6,300	7%	3.50
Process 3	7,200	6%	4.50

Prepare the process accounts to show the cost per unit at the end of each process

2. Mr Bean produces a product that passes through two processes. The data for the month just ended are:

	Process 1	Process 2
Material units – 4,000	GH¢5,000	
Direct Wages (GH¢)	6,000	6,000
Production Overheads(GH¢)	2,800	3,800
Packaging (GH¢)		10,000

There was no work in progress at the month end.

Prepare the two process accounts and calculate the cost per unit at the end of each process.

3. A product passes through three stages. Details of cost are given below.

	Process 1	Process 2	Process 3
Material cost (GH¢)	2,600	2,000	5,625
Direct Wages (GH¢)	2,250	3,680	7,330

5,000 units of raw materials at a cost of GH¢4 each were also introduced in Process 1. Production overheads are absorbed at 70% of direct wages.

Actual output and losses are:

	Output	Normal Loss	Value of scrap
Process 1	450	10%	GH¢2
Process 2	340	20%	GH¢4
Process 3	270	25%	GH¢5

Prepare the Process Accounts and calculate the cost per unit.

Focal Area 2

1. Explain terminologies used in accounting for Process Accounts
2. Prepare process accounts for joint and by – products and show the treatment of apportionment of costs at split off points

Terms in Process Costing

Joint products

Joint products occur when two or more outputs are produced simultaneously by a single manufacturing process using common input and being substantially equal in value. Joint products are separately unidentifiable and incur the same joint costs until they reach the split-off point. For example, the processing of crude oil can result in joint products like kerosene, gasoline, jet fuel, asphalt as well as other petrochemical derivatives. From milk, one can get butter, cheese and cream. Joint products are two or more products separated in the course of processing, each having a sufficiently **high saleable value** to merit recognition as a main product.

Joint costs are usually apportioned to product on the following bases.

1. sales value of production (also known as market value)
2. production units
3. Net realisable value.

By-products

By-products are outputs of some minimal value produced incidentally in manufacturing a main product. By-products, such as sawdust and bark are secondary products from the timber industry (where timber is the main or principal product from the process). Sawdust and bark have relatively low sales value compared to the timber which is produced and are therefore classified as by-products

The distinction between joint and by-products is important because the accounting treatment of joint products and by-products differs.

Accounting treatment for by-products

By – products have minimal value compared to the main product and can be accounted for as follows:

1. other income method – **the income** from the sale of by – product is treated as other income in the income statement.

2. reduction of cost method – the sales value of the by – product is used to reduce the cost of producing the main product.
3. profit method – when the value of by – product is significant, **the profit** from the sale of the by – product is credited to the income statement.

Joint costs are the total of the raw materials, labour and overhead costs incurred up to the initial split-off point. Joint costs cannot be traced to any individual product.

Separable costs are those costs incurred after the split-off point; they can be easily traced to an individual product.

Learning Tasks

1. Differentiate between joint product and by product.
2. Discuss the accounting treatment of joint products and by products.

Pedagogical Exemplars

Collaborative Learning

1. In a whole class discussion, guide learners to review their knowledge on the computation of process costing.
2. In mixed ability and mixed gender, guide learners to discuss and explain joint and by products and their accounting treatments. Assign proficient learners to lead in the discussion.

Problem-Based Learning

1. Arrange learners in mixed ability and gender groups and lead them to prepare process accounts for joint products and by – products. Let learners provide the entries in the process accounts.
2. Through discussions, guide learners to apportion joints cost to products using various bases of apportionment.
3. Encourage group collaboration as learners analyse data, identify treatments of joint costs.
4. Facilitate group discussions, offering guidance as learners navigate through the calculations to understand the computations.
5. Each group to present their solution to the class on a flip chart for discussion and feedback.
6. Provide simplified explanations or worked examples for approaching proficient learners to support their understanding.
7. Encourage highly proficient learners to lead group discussions.
8. Highly proficient learners and proficient learners should be tasked to support approaching proficient learners where necessary.

Key Assessment

Level 3

1. Ron Chemicals produces three products from a joint process costing GH¢150,000 per month. After leaving the joint process, the products must be further refined before they are sellable. You have been provided with the following information:

Product	Quantity	Further processing cost	Unit selling price
		GH¢	GH¢
A	15,000	350,000	80

B	25,000	100,000	25
C	10,000	250,000	15

You are required to

- Allocate the joint cost using the physical quantity method.
 - allocate the joint cost using the net realisable value method.
2. Talbot Company produces three products (X, Y, and Z) in a joint process costing GH¢100,000. The products can be sold as they leave the process, or they can be processed further and sold. The cost accountant has provided you with the following information

Product	Quantity	Sales price at split off	Further processing cost	Unit selling price after further processing
		GH¢	GH¢	GH¢
X	3,000	10	60,000	25
Y	4,000	15	70,000	30
Z	10,000	20	90,000	35

Assume that all processing costs are variable costs

You are required to

- Allocate the joint cost using the physical method.
- allocate the joint cost using the sales value after production method.
- Which product should Talbot sell at split-off and which products should be processed further?

HINT



The recommended mode of assessment for week 22 is **discussion and presentation**. Refer to the Teacher Assessment Manual and Toolkits page 52 for more information on case study as an assessment strategy.

SECTION REVIEW

This section provided comprehensive coverage of costing methods strategies to determine profits and enhance organisational performance. Over the past four weeks, learners were engaged in various pedagogical approaches like think-pair-share, experiential, collaborative and problem-based learning, facilitating active learning and practical application of theoretical knowledge. In week 19, learners learnt about the preparation of cost sheets for job and batch costing. Week 20 focused on the determination of profits for contracts. Week 21 covered service costing while in Week 22, learners looked at the cost sheets for processes. Differentiation ensured all learners achieved essential outcomes: struggling learners received additional support, while highly proficient learners tackled advanced topics. Learners should have a solid understanding of cost control methods applicable in real-world scenarios.

Additional reading

Any approved Cost and Management Accounting Book by NaCCA can be used as a further reading material.



APPENDIX H: END OF SECOND SEMESTER EXAMINATION

Structure

1. Cover content from weeks 13-22 taking into consideration Depth of Knowledge (DOK) levels.
2. The test should include
 - a. Section A-Objectives (50 MCQs for 50 marks)
 - b. Section B-Essay questions (6 Questions answer 4 for 50 marks)
3. Time: 1h 45minutes
4. Total Score: 100 marks
5. Provide a Table of Specification

Resources

- a. Answer booklets
- b. Scannable sheets
- c. Writing tools, etc.

Refer to the Teacher Assessment Manual and Toolkits pages 49-51, 83-86 and 94-96 for more information on end of semester examination as assessment tools.

How to Administer

1. Provide clear instructions and resources needed for the tasks.
2. Use the table of test specifications or blueprints (see table of specification below).
3. Write the test items.
4. Ensure questions are of varied levels of difficulty.
5. Provide time allocation for the completion of the essay and assign marks to each of the questions (Give additional time for learners with SEN).
6. Control the environment to prevent cheating.
7. Mark and record learners result into their transcript and provide feedback.

Refer to the Teacher Assessment Manual and Toolkits pages 66-68, 74-76 and 39-41 for more information on how to use objectives, essays and practice assessment as assessment tools.

Providing Feedback

1. Discuss assessment questions with learners after the end-of-semester
2. Identify the areas learners did well and areas that needs improvement
3. Communicate individual results to learners and record into their transcript
4. Ask learners to review their own work and do the corrections, etc.

TABLE OF SPECIFICATION

Week	Learning Indicator	Type of Questions	DoK Level				Total
			Level 1	Level 2	Level 3	Level 4	
13	Explain the process of purchasing, storage and issue of materials and identify the documents used in these processes	Multiple Choice	1	2	1	–	4
		Essay	–	–	–	–	–
14	Explain inventory, inventory control and compute inventory control levels.	Multiple Choice	2	2	2	–	6
		Essay	–	–	1	–	1
15	Explain inventory, inventory control and compute inventory control levels.	Multiple Choice	1	2	1		4
		Essay	–	–	–	–	–
16	Explain labour, the types of labour and identify the methods of labour remuneration (including incentive schemes) and their advantages and limitations	Multiple Choice	1	2	2	–	5
		Essay	–	1	–	–	1
17	Prepare Overhead Analysis sheet and compute overhead absorption rates.	Multiple Choice	2	1	1	–	4
		Essay	–	–	1		1
18	Prepare Overhead Analysis sheet and compute overhead absorption rates.	Multiple Choice	2	3	2		7
		Essay	1				1
19	Prepare Job Cost Sheets to determine the cost of specific job order – Job and Batch Costing	Multiple Choice	1	2	1		4
		Essay		1			1
20	Prepare Job Cost Sheets to determine the cost of specific job order – Contracts	Multiple Choice	2	2	2		6
		Essay					
21	Prepare service cost accounts to determine the cost of providing a service	Multiple Choice	1	2	1		4
		Essay		1			1
22	Prepare process accounts to determine the cost of production at the end of each process to make pricing decisions	Multiple Choice	1	2	2		6
		Essay					
Total			16	23	17		56

Summary**Multiple Choice Questions** – 50 questions**Essay** – Six (6) Questions, Answer four (4) questions

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