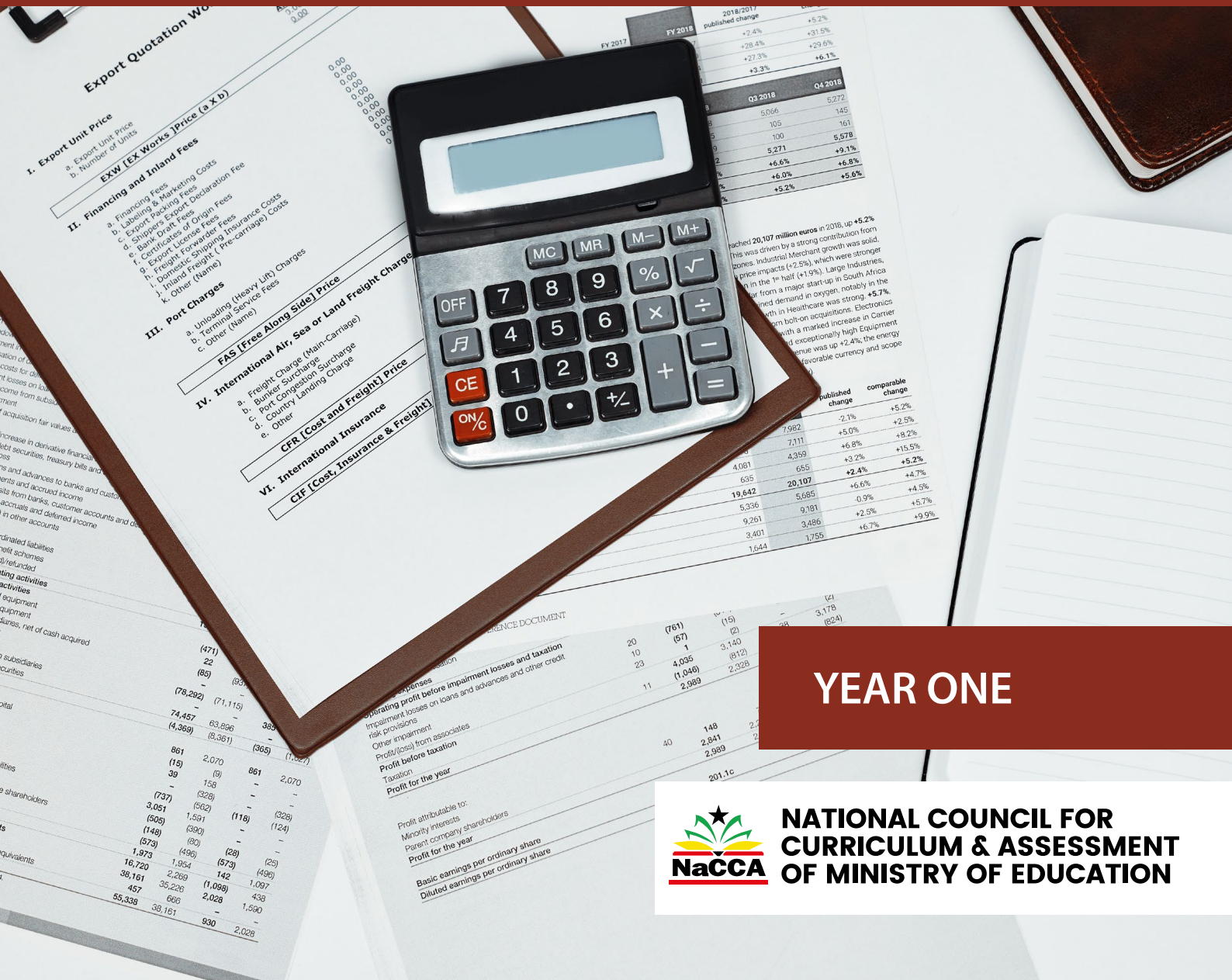




MINISTRY OF EDUCATION

Accounting for Senior High Schools

TEACHER MANUAL

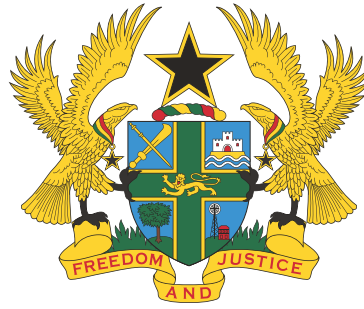


YEAR ONE



**NATIONAL COUNCIL FOR
CURRICULUM & ASSESSMENT
OF MINISTRY OF EDUCATION**

MINISTRY OF EDUCATION



REPUBLIC OF GHANA

Accounting

for Senior High Schools

Teacher Manual

Year One



**NATIONAL COUNCIL FOR
CURRICULUM & ASSESSMENT
OF MINISTRY OF EDUCATION**

ACCOUNTING TEACHER MANUAL

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INTRODUCTION

The National Council for Curriculum and Assessment (NaCCA) has developed a new Senior High School (SHS), Senior High Technical School (SHTS) and Science, Technology, Engineering and Mathematics (STEM) Curriculum. It 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 covers all aspects of the content, pedagogy, teaching and learning resources and assessment required to effectively teach Year One of the new curriculum. It contains this information for Year One, Teachers are therefore to use this Teacher Manual to develop their weekly Learning Plans as required by Ghana Education Service.

Some of the key features of the new curriculum are set out below.

Learner-Centred Curriculum

The SHS, SHTS, and STEM curriculum places the learner at the center of teaching and learning by building on their existing life experiences, knowledge and understanding. Learners are actively involved in the knowledge-creation process, with the teacher acting as a facilitator. This involves using interactive and practical teaching and learning methods, as well as the learner's environment to make learning exciting and relatable. As an example, the new curriculum focuses on Ghanaian culture, Ghanaian history, and Ghanaian geography so that learners first understand their home and surroundings before extending their knowledge globally.

Promoting Ghanaian Values

Shared Ghanaian values have been integrated into the curriculum to ensure that all young people understand what it means to be a responsible Ghanaian citizen. These values include truth, integrity, diversity, equity, self-directed learning, self-confidence, adaptability and resourcefulness, leadership and responsible citizenship.

Integrating 21st Century Skills and Competencies

The SHS, SHTS, and STEM curriculum integrates 21st Century skills and competencies. These are:

- **Foundational Knowledge:** Literacy, Numeracy, Scientific Literacy, Information Communication and Digital Literacy, Financial Literacy and Entrepreneurship, Cultural Identity, Civic Literacy and Global Citizenship
- **Competencies:** Critical Thinking and Problem Solving, Innovation and Creativity, Collaboration and Communication
- **Character Qualities:** Discipline and Integrity, Self-Directed Learning, Self-Confidence, Adaptability and Resourcefulness, Leadership and Responsible Citizenship

Balanced Approach to Assessment - not just Final External Examinations

The SHS, SHTS, and STEM curriculum promotes a balanced approach to assessment. It encourages varied and differentiated assessments such as project work, practical demonstration,

performance assessment, skills-based assessment, class exercises, portfolios as well as end-of-term examinations and final external assessment examinations. Two levels of assessment are used. These are:

- Internal Assessment (30%) – Comprises formative (portfolios, performance and project work) and summative (end-of-term examinations) which will be recorded in a school-based transcript.
- External Assessment (70%) – Comprehensive summative assessment will be conducted by the West African Examinations Council (WAEC) through the WASSCE. The questions posed by WAEC will test critical thinking, communication and problem solving as well as knowledge, understanding and factual recall.

The split of external and internal assessment will remain at 70/30 as is currently the case. However, there will be far greater transparency and quality assurance of the 30% of marks which are school-based. This will be achieved through the introduction of a school-based transcript, setting out all marks which learners achieve from SHS 1 to SHS 3. This transcript will be presented to universities alongside the WASSCE certificate for tertiary admissions.

An Inclusive and Responsive Curriculum

The SHS, SHTS, and STEM curriculum ensures no learner is left behind, and this is achieved through the following:

- Addressing the needs of all learners, including those requiring additional support or with special needs. The SHS, SHTS, and STEM curriculum includes learners with disabilities by adapting teaching and learning materials into accessible formats through technology and other measures to meet the needs of learners with disabilities.
- Incorporating strategies and measures, such as differentiation and adaptative pedagogies ensuring equitable access to resources and opportunities for all learners.
- Challenging traditional gender, cultural, or social stereotypes and encouraging all learners to achieve their true potential.
- Making provision for the needs of gifted and talented learners in schools.

Social and Emotional Learning

Social and emotional learning skills have also been integrated into the curriculum to help learners to develop and acquire skills, attitudes, and knowledge essential for understanding and managing their emotions, building healthy relationships and making responsible decisions.

Philosophy and vision for each subject

Each subject now has its own philosophy and vision, which sets out why the subject is being taught and how it will contribute to national development. The Philosophy and Vision for Accounting is:

Philosophy: Every learner will be equipped with the skills and competencies to apply core accounting principles and financial management processes within the economic environment, enabling them to effectively create, manage and sustain businesses. Through the acquisition of critical thinking, problem-solving, creative, innovative, managerial and digital literacy skills, learners will engage in hands-on, experiential learning. This will prepare them to succeed in accounting profession, contribute to business growth and economic transformation and pursue further studies in the dynamic field of accounting and finance.

Vision: A learner equipped with the skills applicable in the creation and management of modern-day businesses, as well as analysing and interpreting financial information in accordance with best practices in the world of work and for further studies.

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SUMMARY SCOPE AND SEQUENCE

S/N	STRAND	SUB-STRAND	YEAR 1			YEAR 2			YEAR 3		
			CS	LO	LI	CS	LO	LI	CS	LO	LI
1	Financial Accounting	Conceptual Framework	1	1	4	1	1	2	1	1	2
		Financial Data Analysis	1	1	4	3	3	6	1	1	2
		Financial Reporting	1	1	3	2	2	5	2	2	6
2	Cost Accounting	Controlling Cost to Improve Organisational Performance	1	1	5	1	1	5	1	1	5
		Determining Cost of Operations for Pricing and Controlling	1	1	5	1	1	4	1	1	2
		Analysing Information for Control and decision making	1	1	7	1	1	2	1	1	2
Total			6	6	28	9	9	24	7	7	19

Overall Totals (SHS 1 – 3)

Content Standards	22
Learning Outcomes	22
Learning Indicators	71

SECTION 1: NATURE AND FUNCTIONS OF ACCOUNTING

Strand: FINANCIAL ACCOUNTING

Sub-Strand: CONCEPTUAL FRAMEWORK

Learning Outcome: Apply personal financial activities to demonstrate an understanding of the concepts, purposes and characteristics of accounting

Content Standard: Demonstrate knowledge and understanding of the concepts, purposes and applications of accounting.

Hint



Assign **Group Project** for the semester by Week 2. The project should be submitted by Week 7. See **Appendix A** at the end of this section and **Teacher Assessment Manual and Toolkit** pages 27 and 125 for more information on how to organise a group project.

INTRODUCTION AND SECTION SUMMARY

The focus of this section will be on the conceptual framework of accounting. Learners will delve into the fundamental aspects of accounting, and its importance in both personal life and business contexts. The central objective is to equip students with the ability to use personal financial activities as a lens to understand the purpose and application of accounting. Teachers should foster an inclusive learning environment by promoting respect and tolerance among learners, encouraging active listening and constructive feedback.

The successful outcome will be the students' capacity to articulate the conceptual framework of accounting, apply it to personal financial scenarios and exhibit proficiency in discussing the various facets of accounting, including standards and financial statement components.

The weeks covered by the section are:

Week 1: Explain accounting as a system and its purpose in daily life and examine the major steps in processing accounting information and its characteristics.

Week 2: Examine the informational needs of users of accounting information and discuss the need for accounting standards.

SUMMARY OF PEDAGOGICAL EXEMPLARS

In teaching the Conceptual Framework of Financial Accounting, effective pedagogical exemplars play a crucial role. Initiating Talks for Learning involves employing the think-pair-share method, prompting learners to reflect on personal financial transactions and understand the practical applications of accounting concepts in daily life. Collaborative Learning is

emphasised through mixed-ability and gender groups, encouraging discussions on the major steps in processing accounting information, characteristics and information needs of stakeholders.

The pedagogical strategy ensures inclusive learning, accommodating shy learners and those with reading difficulties. Particular attention should be paid to learners with special education needs, making relevant accommodations to ensure their full participation in all activities. To support teachers in their approach to differentiation, this manual sometime refers to learners as approaching proficiency, proficient or working at a high level of proficiency.

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).

WEEK 1

Learning Indicators

1. *Explain Accounting as a system and its purpose in daily life*
2. *Examine the major steps in processing Accounting Information and its characteristics*

FOCAL AREA 1: FINANCIAL ACCOUNTING SYSTEM

Accounting as a system

Accounting is the art of recording, classifying, summarising, analysing and interpreting financial data to aid users in decision making. It is a system that a business uses to collect, store, manage, process, retrieve and report its financial data.

Note on terminology

Recording: Capturing all business transactions or keeping track of all business transactions (bookkeeping).

Classifying: Organising transactions into categories (e.g., assets, liabilities etc).

Summarising: Preparing financial statements such as the income statement and balance sheet.

Analysing: Examining financial information to understand a business' performance, financial health and prospects

Interpreting: Analysing data to support decision-making.

Example

Opanyin Asante owns a small grocery shop where he keeps a record of all income, expenses and the profit made at the end of the month to support decision making related to his business.

Recording: Opanyin Asante keeps detailed records of all financial transactions, including income (sales revenue), expenses (cost of goods sold, utilities, wages, etc.), and other financial activities.

Classification: He categorises income and expenses, which helps in understanding different sources of revenue and types of costs. Proper classification is essential for accurate financial reporting.

Summarising: At the end of each month, he calculates the profit by subtracting total expenses from total income. This process involves compiling the recorded data into meaningful financial statements, such as the income statement (profit and loss account).

Analysing and interpreting: The profit calculation and financial records enable him to make informed decisions about his shop, such as whether to increase stock, reduce expenses, or adjust prices.

In summary, Opanyin Asante's practice of keeping records of income, expenses, and profit is a practical example of an accounting system in action, which helps in tracking financial performance and guiding business decisions.

Purpose of accounting

The purpose of accounting is to systematically record, summarise, and analyse financial transactions to provide relevant and reliable financial information. This information helps stakeholders such as management, investors, creditors, and regulators make informed decisions regarding the allocation of resources, financial planning, and assessing the financial health of an organisation.

Ultimately, accounting facilitates transparency, accountability, and effective financial management within an entity.

For learners, accounting is a useful tool to organise or record their finances and support the development of financial literacy.

The importance of accounting

1. It serves as a tool for planning by managers and provides management with the right information for decision- making.
2. It helps companies and the government in calculating the tax of organisations
3. It helps to evaluate the performance of managers of a business
4. It is used to compare the performance of a company over a number of years.
5. It helps in comparing the performance of two or more organisations.

Branches of Accounting

There are different branches of accounting which include: financial accounting, management accounting, cost accounting, auditing, forensic accounting, tax accounting.

Financial accounting is a branch of accounting that focuses on recording, summarising, and reporting a company's financial transactions over a specific period. Its primary goal is to provide accurate and timely financial information to external stakeholders such as investors, creditors, regulators, and management.

Careers in accounting

Accounting offers varied career opportunities. These include:

1. Teaching/ Lecturing
2. Auditors – in public and private practice
3. Tax consultants/ Advisors
4. Financial Analyst/ Consultants
5. Accountants in both public and private organisations
6. Insurance brokers

Learning Tasks

1. Explain accounting as a system.
2. Discuss the importance of accounting.

Pedagogical Exemplars

Initiating Talk for Learning

1. Begin the lesson with a guided discussion using Opanyin Asante’s case. This helps learners relate abstract accounting concepts (recording, classifying, summarising, analysing, and interpreting) to real-life scenarios. Scaffolding should be considered to support AP learners to secure definitions of key terminology.
2. Ask open-ended questions such as: Why do you think Opanyin Asante records all his income and expenses? How does classifying expenses help him in decision-making?
3. Lead learners in a whole class discussion on the meaning of accounting, accounting as a system and purpose of accounting.

Think-Pair-Share Activity

1. Pose a thought-provoking question related to the case (e.g., “What would happen if Opanyin Asante didn’t summarise his records monthly?”).
2. Students write their responses and share with their partners.
3. Encourage all learners to participate, enhancing communication and reflective thinking.
4. In their pairs, guide learners to discuss the purpose and importance of accounting in daily life and share with the wider class..

Key Assessment

DoK Level 1

1. What is accounting?
2. Provide two reasons why accounting is important.
3. State two careers in accounting.

DoK Level 2

1. Explain the concept of accounting as a system.
2. Explain the purpose of accounting in organisations and in personal life.

FOCAL AREA 2: ACCOUNTING PROCESS

Accounting process

The accounting process is the systematic series of steps involved in recording, classifying, summarising, and interpreting financial transactions to provide accurate and meaningful financial information about an organisation. It typically includes the following key stages:

1. Identification and Recording of Transactions

The first step is to identify and analyse all transactions made during the accounting period using source documents such as invoices, receipts, and bills. These include expenses, debt payments, sales revenue and cash received from customers.

2. Record transactions in a journal

Record the details of all financial transactions in chronological order as journal entries (whether in an actual book or in an accounting programme). With double entry system, each transaction is recorded as a debit and a corresponding credit in two ledger accounts.

3. Post transactions to a general ledger

Once a transaction is recorded as a journal entry, using double entry system, it should post to an account in the general ledger. The general ledger provides a breakdown of all accounting activities by accounts.

4. Prepare the trial balance

The closing balances of all the accounts in the general ledger at the end of an accounting period are reflected in a trial balance. The trial balance is used to check for errors and ensure that all transactions are recorded in the general ledger.

5. Analyse the work books

The fifth step is to identify errors that may have occurred in the books of accounts. This involves checking the books of accounts to identify entries that need to be adjusted. Any error corrected and non-cash transaction can be recorded as an adjusting journal entry. As every transaction is recorded as a credit or debit, it ensures that the total credit balance and debit balance are equal.

6. Prepare financial statements

Once account balances have been corrected and adjustments made, financial statements can be prepared. Financial statements are accounting reports that summarise a business' activities and performance for a defined period of time, such as monthly, quarterly or annually. The three key financial statements that businesses prepare are the income statement, the balance sheet (statement of financial position) and the cash flow statement.

7. Close the books

Finally, a business ends the accounting process by closing its books at the end of a financial year. The closing statements provide a report for analysis of performance over the period.

The accounting cycle starts over again from the beginning of a new reporting period.

Below is the diagram showing the major steps in accounting

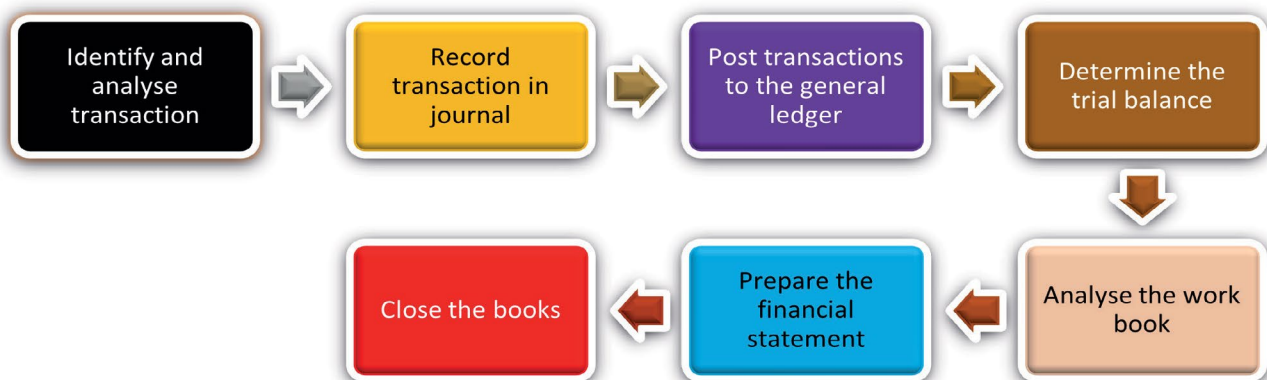


Figure 1.1: *The Accounting Process*

Characteristics of Accounting Information

Accounting information should satisfy the following principles:

1. Understandability

The information should be presented clearly and concisely, making it easy for users with reasonable knowledge of business and accounting to comprehend.

2. Relevance

The information should be capable of influencing users' decisions. It must be timely and appropriate to the specific needs of users, helping them evaluate past, present, or future events.

3. Consistency

The same accounting methods and principles should be applied over time to ensure comparability and reliability of financial statements. It seeks to ensure that transactions or events are recorded in the same way, from one accounting year to the next in order to prevent manipulation of financial statements, so that the business reports are accurate and comparable.

4. Comparability

Users should be able to compare financial statements over different periods and between different entities. Consistent accounting policies and standards facilitate meaningful comparisons

5. Reliability (Faithful Representation)

The data should be free from significant errors and bias. It must accurately reflect the economic events and transactions it intends to represent, providing a trustworthy basis for decision-making.

6. Objectivity

This implies that accounting information is prepared and reported in a “neutral” way. In other words, the financial information should be unbiased and free from any kind of internal and external influence.

7. Timeliness

To be of maximum benefit, accounting information must be presented at the appropriate time. That is, accounting information should be ready when it is needed and should not be out of date.

The diagram below depicts the characteristics of accounting information

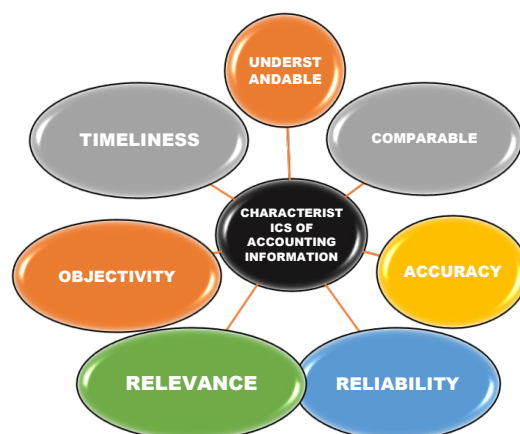


Figure 1.2: Characteristics of accounting information

Learning Tasks

1. Discuss the various steps involved in processing accounting information.
2. Explain the various characteristics of accounting information.

Pedagogical Exemplars

Collaborative learning

1. Present the steps in processing of accounting information using diagrams or flow charts to support learners' understanding of the principles of this process.
2. In mixed-ability and gender groups, learners should review and discuss the steps in processing accounting information. Visual aids such as flow charts should be available to support learners' discussions.
3. Teachers move around the room to target learners who may need more support. This may be through direct questioning or instructions.
4. Ask groups to write at least three steps in processing accounting information on flash cards and share these with another group in the class. Those who exhibit clear or a high level of understanding may be provided with prompt sheets to support the discussion process. This activity could also be carried out in pairs. Learners should be encouraged to provide feedback to their peers on the explanations they have provided.

Structuring Talks for Learning

1. In pairs, ask learners to list the characteristics of accounting information.
2. Teachers move around the room to target learners who may need more support. This may be through direct questioning or instructions.
3. Guide learners towards explaining the characteristics of accounting information.
4. HP learners can be invited to share their group's characteristics with the class.
5. Teachers should ensure participation of all learners in each group and that learners respect the views of other learners.

Key Assessment

DoK Level 2

1. Discuss the steps in processing accounting information.
2. Explain five characteristics of accounting information.

DoK Level 3: Prepare a flow chart to demonstrate the stages involved in processing accounting information.

Hint



*The Recommended Mode of Assessment for Week 1 is **Homework**. You may refer to the Key Assessment above for sample questions to assign the homework. Learners should return their work for review in the following lesson.*

WEEK 2

Learning Indicators

1. Examine the information needs of users of accounting information
2. Discuss the need for Accounting Standards

FOCAL AREA 1: ACCOUNTING INFORMATION

Users of Accounting Information

Users of accounting information are those persons or businesses who use financial statements to make decisions. Basically, there are two types of users of accounting information – internal and external users.

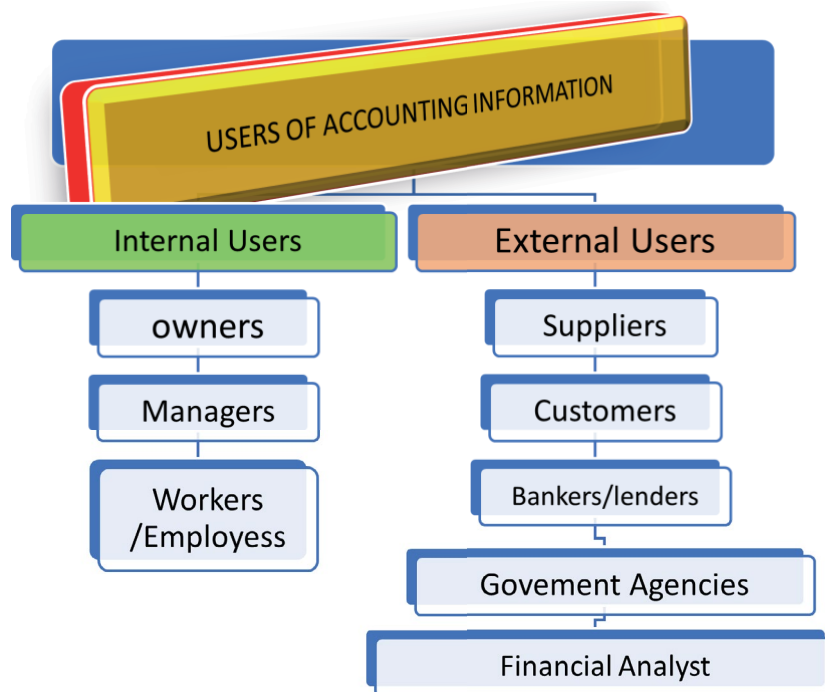


Figure 1.3: Users of accounting information

Informational needs of internal users of accounting information

1. **Shareholders/Owners:** These are people who have invested capital into the business and are the owners of the business. The shareholders need the following:
 - a. Timely information regarding the financial performance, economic position and changes in financial position of their organisation.
 - b. Accounting information in assessing the level of stability of the business over the years and the extent to which changes in economic factors have affected profits.
 - c. Information on whether to invest more capital into the business or withdraw existing capital from the business.

2. **Employees:** Employees are people who work in the business and are interested in the following:
 - a. Information on their job security and income. They are interested in the profitability of the business to ensure payment of salaries, health benefits, other allowances and continuous employment.
 - b. Employees use the accounting information to check payment of statutory obligations by the business. They need to check payment of their SSNIT contributions and PAYE to government agencies.
 - c. Moreover, potential employees are also interested to learn about the financial health of the organisation they aspire to join in the future.
3. **Managers:** Managers are people who plan, organise, direct and control the activities of the business. Managers need accounting information to:
 - a. monitor the performance of business. They need to compare current performance against past performance. By this, they monitor sales, expenses and profits and compare them against the set targets / budgeted plans.
 - b. access or evaluate the business' performance and manage risks. Preparing and monitoring budgets effectively requires reliable accounting data relating to the various activities, processes, products, services, segments and departments of the business.
 - c. assess their performance against industry benchmarks. They need to compare their performance with competitors in the industry.

Informational needs of external users of accounting information

1. **Suppliers:** These are the parties who supply the business with products or services. Their supplies may range from raw materials, finished goods and other services.
 - a. Suppliers need to assess the ability of the business to repay goods/services supplied on credit.
 - b. They need the assurance that the business will continue to buy their goods.
2. **Customers:** Customers are the parties who buy goods/ services produced by the business.
 - a. Customers need assurance that the business will continue to produce goods/services for them to buy.
 - b. Customers need assurance that the business will produce quality and standardised goods for them.
3. **Lenders/Banks:** Lenders/Banks are parties who have provided funds to the business and expect repayment of their monies with interest. Investors want to know about the financial stability of the business to determine the debt servicing and interest service coverage.
4. **Government /Regulatory Agencies:** It is a statutory requirement for businesses to send copies of their financial statements to government agencies. Government agencies and departments use accounting information for various reasons.
 - a. The Registrar of Companies need a business' financial statements to ensure its existence.

- b. Ghana Revenue Authority (GRA) needs the financial information to assess the tax liability of the business.
 - c. SSNIT needs the financial statements to ensure the payment of workers' SSNIT contributions.
5. **The Financial Analyst and Advisors:** Financial analysts are persons who study the financial statements of various businesses. Financial analysts go through the available statements in accordance with accounting principles and industrial standards. Financial analysts;
- a. measure the financial stability of a business to determine its continuous existence.
 - b. establish industrial indicators which help to measure performances of businesses in the same industry.

Learning Tasks

1. Identify users of accounting information.
2. List five users of accounting information and their informational needs.

Pedagogical Exemplars

Collaborative learning

1. Teachers introduce a discussion with an example of a user of accounting information. Teachers should scaffold their presentation by defining new terminology as it is introduced.
2. In mixed-ability groups, teacher guides learners to discuss the different users of accounting information.
3. Teachers move around the room to target learners who may need more support. This may be through direct questioning or instructions.
4. Ask groups to explain the users of accounting information to the class as part of a wider feedback and discussion.

Structuring Talks for Learning

1. In pairs, ask learners to discuss the informational needs of the users of accounting information.
2. Groups share their thoughts and use charts to summarise ideas to the other learners.
3. Teachers move around the room to target learners who may need more support. This may be through direct questioning or instructions, or to scaffold discussions by providing simplifying definitions or terminology.
4. Higher level learners could be provided with a stretch question to explain the effects of poor accounting information to the users of accounting information.
5. Learners with clear understanding, or high proficiency should be given the opportunity to explain the users of accounting information and their informational needs.
6. Teachers should ensure participation of all learners in each group and that learners respect the views of other learners.

Key Assessment

DoK Level 1

1. Identify the types of users of accounting information.
2. State at least one informational need of three users of accounting information.

DoK Level 2: Explain the importance of accounting information to both internal and external users.

DoK Level 3

1. Analyse at least two informational needs of four users of accounting information.
2. Deliver a presentation on the informational needs of both internal and external users of accounting information.

DoK Level 4: Create a memo explaining the effect of poor accounting information on a business's decision making.

FOCAL AREA 2: ACCOUNTING STANDARDS

Accounting standards

An accounting standard is a set of principles, rules, guidelines and procedures that define the basis of financial accounting policies and practices.

Accounting standards ensure the financial statements from multiple companies are comparable, consistent and transparent. Accounting standards ensure that all entities follow the same rules, which will make the financial statements credible and allow for more economic decisions based on accurate and consistent information.

Types of accounting standards

Generally Accepted Accounting Principles (GAAP)

Generally Accepted Accounting Principles (GAAP) is the primary set of accounting standards that public and private organisations use within the United States of America.

GAAP compliance is mandatory for all publicly traded companies. These standards help create clarity in financial reporting and allow for comparison between the financial situations of different companies. GAAP standards also ensure that regulatory bodies can effectively monitor private companies and that investors and banks can make informed decisions about their business interactions.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards is the primary set of accounting standards that international companies use. They aim to provide consistency in accounting and reporting processes throughout various countries.

Importance of accounting standards

Accounting standards allow multiple companies and institutions to operate as part of the same financial system. These are some of the most important benefits of accounting standards:

- 1. Clarity:** Accounting standards help to rule out ambiguities in recording of transactions. Accounting standards provide common ways for all organisations to record their transactions. By this, transactions are treated in the same manner by all organisations. This provides transparency to accountants, banks, investors, government regulators and the public.
- 2. Comparability:** Any investor would essentially want the financial statements to be comparable with others. Without any standardised regulation, it becomes difficult to compare financial statements of businesses within the same industry. Accounting standards ensure the use of one standard for treating similar transactions in different organisations.
- 3. Guidance:** Accounting standards are very helpful in providing daily guidance to accountants in the recording of transactions. It is the sole responsibility of an accountant to provide financial information which is reliable, relevant, neutral and comparable. These characteristics are achieved through the use of accounting standards.
- 4. Uniformity:** Accounting standards provide a means of achieving uniformity within the accounting profession. The use of accounting standards provides a uniform method of recording and reporting for all institutions. This can facilitate transactions between businesses and allow comparisons between companies nationally or internationally.
- 5. Reliability:** Accounting standards help ensure that companies, non-profit organisations and government agencies provide accurate analysis of their financial operations. Any business concern has a large number of stakeholders and they rely on the information to make an informed decision on the company. Many stakeholders determine their next course of action based on the information provided by these financial statements. Moreover, potential investors rely on the financial statements to make decisions.
- 6. Reducing Fraud:** Accounting standards provide the accounting principles, procedures and methods that every entity must use. With the use of common principles, the manipulation of data is minimised or eliminated. By this, it becomes difficult to commit any fraud.
- 7. Assist Auditors:** The accounting standards lay down all the necessary policies, regulations and guidelines pertaining to recording of transactions to be followed by businesses. This helps auditors to check and follow prescribed procedures. Thus, all the financial statements presented are true and justified.

Learning Tasks

1. Define accounting standards.
2. Explain the types of accounting standards with examples.
3. Discuss the importance of accounting standards.

Pedagogical Exemplars

Initiate Talk for Learning / Collaborative Learning

1. Guide learners in a whole class discussion on the need for rules and regulations in the school.
2. In mixed-ability groups, ask learners to write at least three reasons why rules and regulation are important in the school.
3. Groups share their thoughts and their responses with other learners.
4. Guide learners to link the importance of school rules and regulation to accounting standards.
5. Guide learners in a whole class discussion to define the meaning of accounting standards.
6. In groups, guide learners in discussing the types accounting standards.
7. Move around the room to target learners who may need more support. This may be through direct questioning or instructions, or to scaffold discussions by providing simplifying definitions or terminology.
8. Groups present their thoughts and their responses with other learners.
9. Ask learners to think-pair and share the importance of accounting standards in the accounting profession.
10. Encourage participation from all members of the groups/pairs and constructive critique of presentations and guide learners to tolerate views of others.

Key Assessment

DoK Level 1

1. What do accounting standards mean to you?
2. Name the two main types of accounting standards.

DoK Level 2

1. Explain two ways in which accounting standards improve the comparability of financial statements between companies.
2. Differentiate between GAAP and IFRS by stating one main characteristic of each and where it is used.

DoK Level 3

1. Analyse how the absence of accounting standards could affect investors' decisions in Ghana. Give at least two points.
2. A company's accountant wants to record a large loan differently from how similar companies record theirs so that the company's debts look smaller. Discuss how accounting standards would address this situation and why this is important for transparency.

Hint

Assign **Group Project** for the semester by Week 2. The project should be submitted by Week 7. See **Appendix A** at the end of this section and **Teacher Assessment Manual and Toolkit** pages 27 and 125 for more information on how to organise a group project.

SECTION 1 REVIEW

The section outlined the major steps in processing accounting information, characteristics of accounting information, discerning the diverse information needs of users and appreciating the key role and importance of accounting standards.

The efficacy of differentiation strategies is evident in the individualised progress of each learner. Shy students and those grappling with reading difficulties have actively participated in collaborative activities, dynamic discussions and received tailored support, ensuring their comprehension and engagement. The implementation of varied assessment levels caters to learners across the spectrum of abilities and backgrounds, allowing each student to showcase their unique understanding and skills. The review process serves not only as a recap but also as an assessment of how well differentiation strategies have catered to the diverse learning needs within the class, promoting inclusivity and comprehensive understanding.

Summary of Teaching/Learning Resources

Exercise books, markers, copies of financial statements/reports from newspapers, projector, computer, internet sources, school handbook, textbooks.



APPENDIX A: GROUP PROJECT

Task: Exploring the Accounting System

You and your group will work together over the next five weeks to explore and apply the principles of accounting in a practical, hands-on way. Your task is to create a detailed report that demonstrates your understanding of how accounting works as a system and how it impacts everyday life.

Begin by explaining accounting as a system and describing its purpose in daily life. Use real-life examples from your own community, home, or school to show how accounting helps individuals and organisations make better decisions.

Next, examine the major steps involved in processing accounting information. Explain each step clearly and discuss the key characteristics that make accounting information reliable, relevant, and useful. Then, identify the different types of people who use accounting information — such as business owners, managers, investors, government agencies, and the public — and describe the kind of information they each need.

In your report, discuss the importance of accounting standards and explain why they are needed to ensure fairness, consistency, and comparability of financial reports.

Move on to explain the accounting equation ($\text{Assets} = \text{Liabilities} + \text{Capital}$) and demonstrate how different transactions affect the equation. Use examples to show changes step-by-step.

You should also calculate the value of assets, liabilities, and capital for at least three different fictional or real-life small businesses using the accounting equation. Present your calculations in neatly labelled tables so your group's working process is clear.

Finally, compile all your findings into a well-structured project report. Include an introduction, main body, and conclusion. Your work should include explanations, tables, and examples. Be creative—use charts, diagrams, or photographs if they help make your work more engaging. Your report should reflect teamwork, clear communication, and a deep understanding of accounting concepts from basic recall to real-life application.

Duration: 5 Weeks

Total Marks: 20

ACTIVITIES

Week 1: Understanding the Basics & Planning the Project

1. **Group Formation:** Agree on group roles — e.g., Leader, Writer, Data Collector, Designer, Presenter.
2. **Research & Discussion**
 - What is accounting as a system?
 - Why is it important in daily life?
 - Examples from home, school, or community.
3. **Planning**
 - Create a project outline (decide who will work on each section).

- Identify real-life examples to include in your project.
4. **Output for Week 1:** A one-page group plan + initial notes on the meaning and purpose of accounting.

Week 2: Accounting Information Process & Users

Activities

1. Research & Explain

- The main steps in processing accounting information (from identifying transactions to preparing reports).
- Key characteristics of good accounting information (reliable, relevant, timely, understandable).

2. Identify & Describe

- Different users of accounting information (owners, managers, investors, government, public).
- The type of information each user needs.

3. **Output for Week 2:** 2–3 pages explaining the process and listing users + their needs, with examples.

Week 3: Accounting Standards & The Accounting Equation

Activities

1. Discuss & Record

- What are accounting standards?
- Why are they important (fairness, consistency, comparability)?

2. Explain & Demonstrate

- The accounting equation (Assets = Liabilities + Capital).
- Show at least two worked examples of how transactions affect the equation step-by-step.

3. **Output for Week 3:** A section with explanation + examples of the accounting equation in action.

Week 4: Applying the Equation to Businesses

Activities

1. Choose 3 fictional or real small businesses.
2. Calculate their assets, liabilities, and capital using the accounting equation.
3. Present results in neat, labelled tables.
4. Add any charts or diagrams to make it visually clear.
5. **Output for Week 4:** Tables showing calculations for all three businesses.

Week 5: Final Report Compilation & Presentation

Activities

1. Put all sections together: Introduction, main body, conclusion.
2. Check for clarity, spelling, neatness, and logical flow.
3. Add charts, diagrams, and photos (if available) to make the work engaging.
4. Prepare a short oral presentation (5–7 minutes) summarising your findings.
5. Submit the written report and present to the class.
6. **Output for Week 5:** Final report + presentation.

Rubric (Total 20 Marks)

Criteria	Description	Marks
Content Accuracy	Information is correct, concepts are explained clearly, examples are relevant.	5
Application of Concepts	Shows clear understanding by applying accounting principles to real or fictional cases.	5
Organisation & Structure	Report has clear sections (intro, body, conclusion) (1 mark) , logical flow (1 mark) , headings, and subheadings. (1 mark)	Up to 3
Presentation & Creativity	Use of tables, charts, diagrams, photos (1 mark); neatness (1 mark); visually engaging (1 mark).	Up to 3
Teamwork & Participation	Evidence of equal participation, good communication, and collaboration.	2
Timely Completion	Met weekly deadlines and submitted on time.	2
TOTAL		20

SECTION 2: APPLICATION OF THE ACCOUNTING EQUATION AND DOUBLE ENTRY PRINCIPLES IN RECORDING FINANCIAL TRANSACTIONS

Strand: FINANCIAL ACCOUNTING

Sub-Strand: FINANCIAL DATA ANALYSIS

Content Standard: Demonstrate knowledge and understanding of the application of double-entry principles to record financial transactions.

Learning Outcome: Analyse and record financial transactions in the books of accounts using double-entry principles and extract a Trial Balance

Hint



Assign **Portfolio Assessment** for the academic year by Week 3. Portfolio should be submitted by Week 23. See **Appendix B** at the end of this Section and Teacher Assessment Manual and Toolkit pages 22 and 119 for more information on how to organise a portfolio assessment.

The Recommended Mode of Assessment for Week 6 is **Mid-semester Examination**. Refer to **Appendix C** at the end of Section 2 for further information on how to go about the mid-semester examination.

INTRODUCTION AND SECTION SUMMARY

This section focuses on financial data analysis, with an emphasis on the application of double entry principles and the accounting equation to accurately record financial transactions. Learners will develop essential skills in analysing business transactions, determining the values of assets, liabilities, and capital, and understanding their effects on the accounting equation. From Weeks 3 to 9, learners will be guided through practical activities involving the recording of transactions in various day books and ledgers, balancing accounts, and extracting trial balances. Teachers are expected to emphasise the rules of double entry and guide learners in analysing and recording transactions in sales, purchases, returns day books, general journal, single, double, and triple column cash books, and petty cash books. The section culminates in the preparation and interpretation of trial balances. This foundational knowledge is critical for further studies in financial reporting and links closely with broader concepts in business management and decision-making

SUMMARY OF PEDAGOGICAL EXEMPLARS

To effectively teach this section — covering the accounting equation, double entry principle, daybooks, ledgers, and trial balance — teachers should adopt varied instructional strategies that cater to the diverse needs of learners. Learners should work in groups to compute values

using the accounting equation and apply the double entry principle to record transactions in daybooks, post to ledgers, and extract trial balances. Differentiated instruction should be employed to ensure inclusive participation. Collaborative and problem-based learning approaches are encouraged, where learners analyse and compute financial data in groups. Additionally, structuring talk for learning through interactive class discussions using trial balance templates enhances engagement and understanding. These diverse teaching strategies foster an inclusive and dynamic learning environment, promoting a solid grasp of key financial accounting concepts for all learners. 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).

WEEK 3

Learning Indicator: *Compute the value of assets, liabilities and capital using the accounting equation*

FOCAL AREA 1: COMPONENTS OF ACCOUNTING EQUATION

Asset

An asset is any resource owned or controlled by a business or an economic entity that has a monetary value. It is anything that can be used to produce positive economic value. Assets represent the value of ownership that can be converted into cash.

Types of assets

1. Current Assets

Assets that are expected to be converted into cash or used up within one year or within the company's normal operating cycle. Examples:

- a. Cash and cash equivalents – bank accounts, cash in hand, treasury bills.
- b. Accounts receivable – amounts owed to the company by customers.
- c. Inventory – goods or materials held for sale or in production.
- d. Prepaid expenses – rent prepaid, insurance prepaid, etc.

2. Non-current Assets (Fixed Assets)

Assets that are not expected to be converted into cash or used up within one year or within the company's normal operating cycle. Example:

- a. Property, plant and equipment (PPE) – buildings, machinery, vehicles.
- b. Intangible assets – patents, trademarks, copyrights, etc.

3. Tangible Assets

Assets that have a physical form or substance. Examples: buildings, machinery, vehicles, inventory (stock)

4. Intangible Assets

Assets that do not have a physical form or substance but have future economic value. Examples: patents, trademarks, copyrights, goodwill, etc.

Calculating Total Assets

The total assets of a business entity can be calculated as follows:

Total Assets = Current assets + Non-current assets

Example

A company has the following assets:

- cash GH¢100,000,

- account receivables GH¢200,000,
- inventory GH¢300,000,
- prepaid expenses GH¢50,000,
- value of building GH¢500,000,
- investments GH¢300,000
- intangible assets GH¢200,000.

These can be categorised as either current or non-current assets with the total value being the sum of each category added together.

Current assets (GH¢)	Non-current assets (GH¢)
Cash 100,000 Account receivables 200,000 Inventory 300,000 Prepaid expenses 50,000 Total = 650,000	Building 500,000 Investments 300,000 Tangible assets 200,000 Total = 1,000,000
Value of total assets = 650,000 + 1,000,000 = GH¢1,650,000	

Liability

A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Liability is a company's obligation to pay money to other people or businesses in the future. It is the amount a business entity or company owes to other people.

Types of liability

1. Current liabilities (Short term liabilities)

Liabilities that are expected to be settled within one year or within the company's normal operating cycle. Examples:

- Accounts payable – amounts owed to suppliers
- Short term loans – loans that are due within one year
- Accrued expenses – expenses that have been incurred but not yet paid
- Taxes payable- taxes that are owed to the government.

2. Non-current liabilities (Long term liabilities)

Liabilities that are not expected to be settled within one year or within the company's normal operating cycle. Example:

- Long term loans – loans that are due in more than one year.
- Bonds payable – long term debt

Capital

Capital (owners' equity) is the amount of resources supplied by the owners of a business entity. It is the residual interest in the assets of a business after deducting its liabilities.

Learning Tasks

1. Explain the types of assets with two examples each.
2. Analyse the importance of liabilities in a business.

Pedagogical Exemplars

Initiate Talk for Learning / Collaborative Learning

1. In a whole class discussion, ask learners to list items they own and those they borrow from friends and family; and the importance of these things to them.
2. Guide learners to link these items to assets and liabilities in the context of business.
3. Guide learners in a whole class discussion to define the meaning of asset, capital and liability.
4. In mixed-ability and gender groups, teacher guides learners in discussing the types of asset and liability, and how business resources are financed.
5. Move around the room to target learners who may need more support.
6. Groups share their thoughts and their responses with other learners.
7. Ensure participation of all learners in each group.

Key Assessment

DoK Level 1: Define what is meant by an asset.

DoK Level 2

1. Discuss the types of assets, giving examples.
2. Discuss the importance of assets, liability and capital to a business entity.

FOCAL AREA 2: THE ACCOUNTING EQUATION AND ITS IMPORTANCE

Accounting Equation

The accounting equation is a formula that shows that, the sum of a company's liabilities and owner's equity should be equal to its total assets:

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

Before a business starts its operations, it needs resources. These resources will either be supplied by its owners or other people. When the owner of a business or firm supplies all the resources, then the accounting equation is expressed as:

$$\text{Assets} = \text{Capital (Owner's equity)}$$

However, where the owners' and other person(s), supply the resources, the accounting equation is expressed as:

$$\text{Assets} = \text{Capital} + \text{Liabilities}$$

When all the resources needed by a business are supplied by other persons or people other than the owners, then the accounting equation is expressed as:

$$\text{Assets} = \text{Liabilities}$$

Therefore, the accounting equation can be written as:

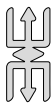
1. Assets = Capital + Liabilities
2. Liability = Assets – Capital
3. Capital = Assets – Liabilities

ACCOUNTING EQUATION



$$\text{Total assets} = \text{liabilities} + \text{equity}$$

Figure 2.1: Accounting equation



Note

The Accounting Equation is a vital formula to understand and consider the financial health of a business. The accounting equation is a factor in almost every part of business accounting.

Importance of the Accounting Equation

1. **Fundamental principle:** The accounting equation is fundamental in accounting because it serves as a basis for the double entry principle. It ensures that every financial transaction maintains the balance between a company's assets and its liabilities.
2. **Decision making:** It provides insight into a company's financial position, aiding in decision making process such as budgeting, investment and strategic management.
3. **Financial analysis:** By keeping the equation in balance, it helps stakeholders such as investors, creditors and management to analyse the financial health and stability of a company.
4. **Error detection:** Any imbalance in the accounting equation indicates an error in recording, making it a valuable tool for identifying accounting mistakes.
5. **Accountability:** It facilitates transparency and accountability by clearly showing how assets are financed through equity and liabilities and how resources are allocated within the business.

Learning Tasks

1. Identify the items in the accounting equation.
2. Analyse the importance of the accounting equation.
3. Complete the table below using the accounting equation

	Asset	Capital	Liabilities
A	?	GH¢1,500	GH¢900
B	GH¢3,250	?	GH¢1,500
C	GH¢10,950	GH¢6,400	?
D	?	GH¢7,500	GH¢6,400
E	GH¢1,700	?	GH¢600
F	GH¢4,900	GH¢3,250	?

Pedagogical Exemplars

Structuring Talk for Learning

1. Guide learners in a whole class discussion to introduce the accounting equation and how it is applied.
2. In mixed-ability and gender groups, teacher guides learners in discussing the importance of the accounting equation.
3. Ask learners in pairs to write at least two reasons why the accounting equation is important and share with another group.
4. Move around the room to target learners who may need more support. This may be through direct questioning or instructions, or to scaffold discussions by providing simplifying definitions or terminology.

Problem-Based Learning

1. Guide learners in a whole class discussion, to use the accounting equation in finding its elements (learning task).
2. Let learners work in pairs, considering abilities, gender and SEL to solve a given task.
3. Teachers move around the room to target learners who may need more support. This may be through direct questioning or instructions, or to scaffold discussions by providing simplifying definitions or terminology. Approaching proficiency learners should be provided with a simplified explanation on the elements is the accounting equation, the importance and how the accounting equation operates.
4. Teachers may provide different problems for learners to solve to reflect whether they are approaching proficiency, proficient or highly proficient
5. Learners with clear understanding, should be given the opportunity to explain the elements is the accounting equation, the importance, how the accounting equation operates and solve tasks using the accounting equation.

6. Learners with high level of understanding of concepts, should be given the opportunity to discuss the elements is the accounting equation, the importance, how the accounting equation operates and solve tasks using the accounting equation and present to the larger class.
7. Teachers should ensure the participation of all learners in each group and that learners respect the views of other learners.

Key Assessment

DoK Level 1

1. Write at least one way of presenting the accounting equation.
2. State at least two reasons why the accounting equation is important.

DoK Level 2

1. Discuss the following as used in the accounting equation; assets, liabilities and capital.
2. Explain at least three reasons why the accounting equation is important.

DoK Level 3: Complete the table below using the accounting equation.

	Asset	Capital	Liabilities
A	?	GH¢2,300	GH¢2,200
B	GH¢5,500	?	GH¢3,000
C	GH¢4,600	GH¢3,100	?
D	?	GH¢9,200	GH¢8,800
E	GH¢7,100	?	GH¢1,600
F	GH¢6,400	GH¢5,900	?

Hint



Assign **Portfolio Assessment** for the academic year by Week 3. Portfolio should be submitted by Week 23. See **Appendix B** at the end of this Section and *Teacher Assessment Manual* and *Toolkit* pages 22 and 119 for more information on how to organise a portfolio assessment.

WEEK 4

Learning Indicator: Analyse the effects of business transactions on assets, capital and liabilities

FOCAL AREA 1: EFFECTS OF TRANSACTIONS ON THE ACCOUNTING EQUATION

Learners have been introduced to the accounting equation and its importance. This lesson will delve into the effect of transactions on the accounting equation.

Effect of business transactions on assets, capital and liabilities

Whenever there is a business transaction, it affects the accounting equation and for that matter, the statement of financial position.

An illustration is shown below in Table 2.1.

Table 2.1 Effect of business transactions on assets, capital and liabilities

	Transactions	Effect on the Accounting Equation		
		Assets	Liabilities	Capital
1	Started business with cash	Increase in assets (cash)		Increase in capital
2	Bought machinery on credit from APC	Increase in asset (machine)	Increase in liability to APC	
3	Deposited cash at bank	Increase in asset (Bank) Decrease in asset (Cash)		
4	Bought motor van paying in cash	Increase in asset (motor van) Decrease in asset (Cash)		
5	Owner takes money out of business bank account for his own use	Decrease in assets (bank)		Decrease in capital
6	Owner pays suppliers from personal accounts		Decrease in liability (creditors)	Increase in capital
7	Pays suppliers by cheque	Decrease in assets (bank)	Decrease in liabilities (creditors)	
8	Owner pays more personal money into the business bank accounts	Increase in assets (bank)		Increase in capital
9	Withdraw cash from bank and placed it in cash box	Increase in asset (cash) Decrease in asset (bank)		
10	Obtained loan from bank	Increase in asset (bank)	Increase in liability (loan)	

Learning Tasks

1. Identify and explain the effect of transactions on assets, capital and liabilities and make presentations on it.
2. Show effect (increase or decrease) of financial transactions on assets, capital and liabilities, using given transactions. For example:

Ama has a small business running a food stall at a local market. She:

- Buys ingredients for GH¢150, paying cash
- Purchases goods from suppliers for GH¢250 on credit to be repaid the following week
- Pays business expenses of GH¢20 in cash
- Earns GH¢400 in sales for the week in cash
- Repays her supplier GH¢100 in cash

Pedagogical Exemplars

Collaborative Learning

1. Guide learners to review their knowledge on how the accounting equation operates and its importance.
2. Guide learners in a whole class discussion, on the effect of transactions on the accounting equation.
3. Let learners work in pairs, considering abilities, gender and SEL to discuss and present on the effect of transactions in the learning task on the accounting equation.
4. Move around the room to target learners who may need more support. This may be through direct questioning or instructions, or to scaffold discussions by providing simplifying definitions or terminology.
5. AP should be given additional attention in analysing the effects of transactions on the accounting equation
6. Learners with clear understanding, should be asked to analyse the effects of transactions on the accounting equation
7. Learners with high level of understanding of concepts, should be asked to analyse the effects of transactions on the accounting equation in a business.
8. Groups share their thoughts and their responses with other learners.
9. Teachers should ensure the participation of all learners in each group and that learners respect the views of other learners.

Key Assessment

DoK Level 1: Identify the effect of transactions on assets, capital and liabilities.

DoK Level 2: Explain the effect of business transactions on capital, assets and liabilities and make a presentation.

DoK Level 3

1. Deliver a presentation to explain the effects of business transactions on capital, assets and liabilities, using examples to illustrate each effect.
2. Show the effect (increase or decrease) of financial transactions on assets, capital and liabilities, using the transactions below:
 - a. Bought goods on credit GH¢2,100 from Hanson.
 - b. Repaid Hanson by cash.
 - c. One of the receivables gave a cheque for GH¢3,000.
 - d. Bought office equipment paying by cheque GH¢1,800.
 - e. Sold goods for GH¢4,500 and the money banked.

FOCAL AREA 2: EFFECTS OF TRANSACTIONS ON THE ACCOUNTING EQUATION IN PRACTICE

This lesson will allow learners to practise applying their knowledge to additional and more complex scenarios to embed their understanding of the accounting equation and how a business's transactions affect their financial position.

Teachers to develop scenarios that learners can work through in this. Scenarios should represent different levels of difficulty to ensure that they are accessible to AP learners and that there are examples to provide stretch for HP learners.

Learning Task

Perform calculations on effects of transactions and explain the reasons.

Pedagogical Exemplars

Collaborative learning

1. Teachers to introduce lesson and recap the principles of the accounting equation and how assets, liabilities and capital are effected by business transactions.
2. Arrange learners in small groups with mixed genders and abilities and present them with a scenario based on the learning tasks.
3. Groups to work through the scenarios and discuss how assets, liabilities and capital are affected in each of the examples.
4. Teachers to move around groups to target learners who may need more support. This may be through direct questioning or instructions or to scaffold discussions by providing simplified explanations on the components of the accounting equation and reminders of the formula.
5. Each group to present their responses to the wider class for discussion and feedback.
6. Participation of all learners should be encouraged and for learners to listen and engage respectfully.
7. Teachers may provide different scenarios for learners to reflect whether they are approaching proficiency, proficient or highly proficient.

Key Assessment

DoK Level 3

1. The Shea Butter Cooperative has ten members who have come together to produce and sell high quality shea butter.

At the start of July, the Cooperative had the following:

Cash in hand: GH¢2,000

Equipment (processing tools): GH¢3,000

Loan from a microfinance bank: GH¢1,500

Member's capital contribution: GH¢3,500

In July, the Cooperative recorded the following transactions:

- New grinding machine purchased in cash for GH¢1,200
- Raw shea nuts bought from a local farmer with a value of GH¢800 - GH¢500 was paid in cash and agreed that the remaining GH¢300 would be paid in August.
- Sold shea butter to a cosmetics company for GH¢2,500. The company paid immediately in cash.
- Purchased new packaging and labelling materials for GH¢400.
- Repayment on loan of GH¢250, paid in cash.
- A member of the cooperative invested GH¢500 of their own money in to the business.
- Sold shea butter worth GH¢900, paid in cash.
- Monthly wages of GH¢600 paid to members of the cooperative

For each transaction, determine the effects on the cooperative's assets, liabilities and capital. Explain your reasoning.

2. Kofi is a weaver who runs a small business producing kente cloth. For each of the following transactions, explain how and why it affects Kofi's assets, liabilities and capital;
 - a. Kofi uses GH¢1,000 of his own savings to buy a new loom
 - b. He purchases a large quantity of thread from a supplier for GH¢70, under the agreement to pay for it in 30 days.
 - c. A customer buys a large kente cloth for GH¢1,500 which is paid for in cash.
 - d. Kofi pays a relative GH¢100 in cash for helping to tidy his business premises

Hint



The Recommended Mode of Assessment for Week 4 is **Computations**. You may Refer to the Key Assessment above for sample questions to assign the tasks.

WEEK 5

Learning Indicator: Apply the double-entry principle or rule to record financial transactions in the ledgers

FOCAL AREA 1: THE LEDGER AND THE DOUBLE-ENTRY PRINCIPLE

Ledger

This is a book of accounts into which all summarised bookkeeping transactions are recorded. The ledger is mainly divided into two - personal and impersonal.

1. Personal ledger

This contains accounts that stand in the name of individuals, companies and partnerships. The personal ledger is subdivided into two – receivables and payables.

- a. **Receivables:** These are the persons, companies or partnerships that owe the business. That is, the firm has sold goods to these people on credit, and they have not paid.
- b. **Payables:** They are the persons, companies or partnerships to whom the business owes. That is, they are the suppliers of the firm. The firm has purchased goods from them on credit and has not paid.

2. Impersonal ledger

This contains all accounts that do not stand in the name of persons, companies and partnerships. The impersonal ledger is also divided into two - real and nominal accounts.

- a. **Real accounts:** These contain transactions in property and material objects that are tangible. It includes the accounts of buildings, cars, cash, machines, etc.
- b. **Nominal accounts:** They are used to record items of an intangible nature such as losses, expenses, income and gains. For example, rent and rates, salaries and wages, insurance, etc.

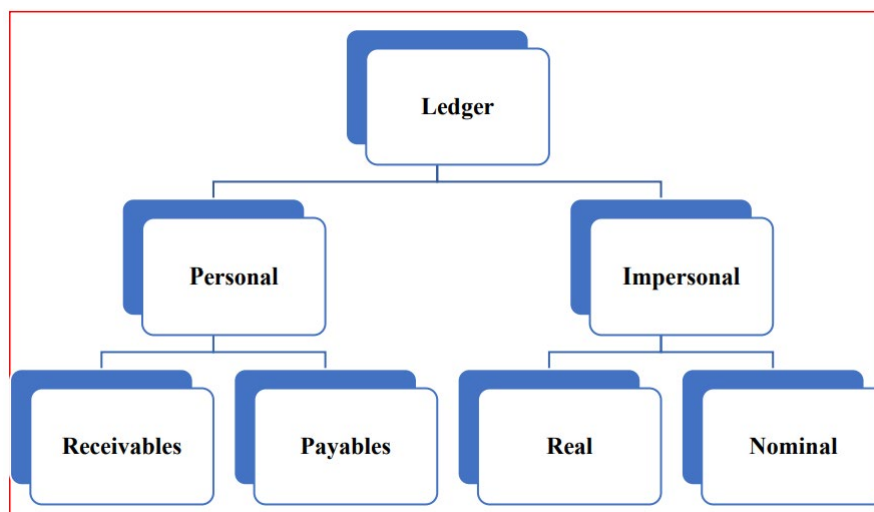


Figure 2.2

Account

An account is a historical record of economic transactions undertaken by a business. For example, it is records of electricity paid, rent paid, goods sold to a customer, cheques received, etc.

The Double-Entry Principle

The double-entry principle is an accounting rule which states that every business transaction must be recorded twice. That means for every debit entry, there must be a corresponding credit entry, and for every credit entry, there must be a corresponding debit entry. The Double-Entry principle is also referred to as the ‘Golden Rule of Accounting’.

If at any point, the sum of debits of all accounts is not equal to the sum of corresponding credits, then an error has occurred.

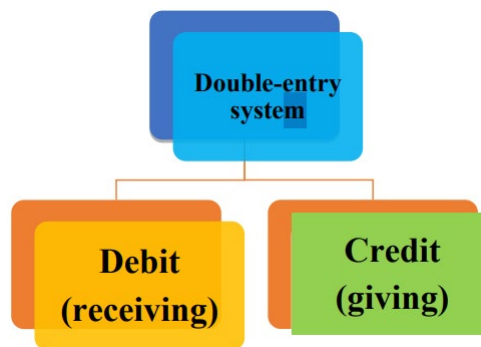


Figure 2.3

Rules of Entry in the Ledger

An account is divided into two parts. The left part is called the **debit side** while the right part is called the **credit side**.

Below is a sample of a ledger (T – Account)

Date	Details	Amount-GH¢		Date	Details	Amount - GH¢
01/07/20X1	Sales	XXX		01/08/20X1	Cash	XXX

A debit entry represents

1. an increase in the value of an asset
2. an item of expenditure
3. a decrease in the amount of liability

A credit entry represents

1. a decrease in the value of an asset
2. an item of income
3. an increase in the amount of liability

For personal accounts, the rule is

DEBIT – THE RECEIVER OF VALUE

CREDIT – THE GIVER OF VALUE

For example, cash paid to Ruby: debit Ruby account, credit cash account.

For real accounts, the rule is

DEBIT- WHAT COMES INTO THE BUSINESS

CREDIT- WHAT GOES OUT OF THE BUSINESS

For example, purchase of a building by cheque: debit building account, credit bank account.

For nominal accounts, the rule is

DEBIT- ALL EXPENSES AND LOSSES

CREDIT- ALL INCOMES AND GAINS

For example, discount received from Baba Company Ltd: debit Baba, credit discount received account.

Learning Tasks

1. Explain the meaning of ledger, including the different types.
2. Define the double entry principle.
3. Record financial transactions in the ledger accounts manually.

Pedagogical Exemplars**Collaborative Learning**

1. Guide learners in a whole class discussion on the meaning and types of ledgers with examples.
2. In mixed-ability groups, the teacher guides learners to discuss specific examples of receivable and payable accounts.
3. Let learners work in pairs, considering abilities, gender and SEL to write specific examples of real and nominal ledgers and share them with other learners.
4. Guide learners to explain the meaning of an account with specific examples.
5. Guide learners to discuss the double-entry principle rules.
6. In mixed-ability groups, teachers guide learners with examples of how the double-entry principle operates.

Problem-Based Learning

1. Following an example by the teacher, learners work in pairs, considering abilities, gender and SEL, to record transactions in ledger accounts manually and electronically (e-bookkeeping) from a given task.
2. Learners approaching proficiency should be given additional attention to help them record the transactions in the appropriate ledgers. For example, through the provision of templated examples, one-to-one support or simplified instructions.

3. Learners with a clear understanding of recording transactions can be given additional tasks with minimum guidance from the teacher.
4. Learners with a high level of understanding are encouraged to analyse the transactions recorded in the appropriate ledgers.
5. Teachers should ensure the participation of all learners in each group and that learners respect the views of other learners.

Key Assessment

DoK Level 1

1. What is a ledger?
2. Explain an account?
3. Identify at least one type of ledger and give an example.

DoK Level 2

1. Explain the rules for double-entry bookkeeping.
2. Identify which type of account (nominal, real or personal) each of the following transactions should be debited or credited to.

<ol style="list-style-type: none"> a. Rent paid by cash. b. Machinery sold for cash. c. Salaries paid by cash. d. Telephone bill paid by cheque. e. Interest received by cheque. 	<ol style="list-style-type: none"> f. Cash paid to Sammy. g. Dividend received by cheque. h. Received cash from the proprietor. i. Furniture purchased on credit. j. Light bill paid by cheque.
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FOCAL AREA 2: RECORDING FINANCIAL TRANSACTIONS IN THE LEDGERS FOLLOWING DOUBLE ENTRY PRINCIPLES

The double entry principle, structure of ledgers and allocation of transactions within them is foundational to learners' understanding of financial accounting.

This lesson should be dedicated to allowing learners to practice recording financial transaction in ledgers following the double entry principle.

Learning Tasks

1. Kwame is starting a new business. Record the following transactions in the appropriate accounts for his venture:
 - a. Started business with GH¢1,000 cash.
 - b. Bought a motor van with cash GH¢200.
 - c. Purchase of raw materials GH¢100 by cash.
 - d. Bought inventory by cheque GH¢3,500.
 - e. Sold goods worth GH¢780 by cash.

2. Ama starts a new mobile money vending business and has listed the following transactions for her first month:
 - a. Starts **the business by depositing** GH¢5,000 of savings in to her bank account
 - b. Purchase a small kiosk from which she can run her business for GH¢2,000. She paid by cheque.
 - c. Bought GH¢1,500 worth of inventory on credit
 - d. A customer withdrew GH¢300 on which Ama received GH¢5 commission in cash.
 - e. Paid a supplier GH¢500 by bank transfer

Pedagogical Exemplars

Problem-Based Learning

1. Arrange learners in pairs considering abilities, gender and SEL, to record transactions in ledger accounts manually and electronically (e-bookkeeping) from a given task.
2. Learners approaching proficiency should be given additional attention to help them record the transactions in the appropriate ledgers. For example, through the provision of templated examples, one-to-one support or simplified instructions.
3. Learners with a clear understanding of recording transactions can be given additional tasks with minimum guidance from the teacher.
4. Learners with a high level of understanding are encouraged to analyse the transactions recorded in the appropriate ledgers.
5. Each group to present their work to the wider class for discussion and feedback,

Teachers should ensure the participation of all learners in each group and that learners respect the views of other learners.

Key Assessment

DoK Level 3: Record the following transactions in the appropriate accounts.

- a. Started business with GH¢1,000 cash.
- b. Bought a motor van with cash GH¢200.
- c. Purchase of raw materials GH¢100 by cash.
- d. Bought inventory by cheque GH¢3,500.
- e. Sold goods worth GH¢780 by cash.

Hint



*The Recommended Mode of Assessment for Week 5 is **Group Discussions and Presentations**. You may Refer to the Key Assessment above for sample questions to assign the tasks.*

WEEK 6

Learning Indicator: Analyse and record financial transactions in the various daybooks, post to the ledgers and extract a trial balance

FOCAL AREA: DAY BOOKS

Meaning of a Day book

A daybook refers to a book in which daily financial transactions are initially recorded in chronological order. The daybook, also known as a book of original entries or prime book, captures important information about each transaction, including the date, description and amount involved. It serves as a source document for the recordings in the ledgers.

Types of day books

1. Sales day book

Sales daybooks, also known as the sales journal, are used to record all credit sale transactions made by the business. The source document used in recording transactions in the sales daybook is the sales invoice.

Format: Sales day book

S/N	Date	Particulars	Ledger Folio	Invoice number	Amount – GH¢	
					Details	Net amount
1	Date of sale	Name of customer and details of goods sold	Reference number		Detailed calculations	Net amount of the invoice
2						
3						
4						

2. Purchases day book

The purchases daybook, also known as the purchases journal, is used to record all credit purchase transactions made by the business. The source document used in recording transactions in the purchases daybook is the purchase invoice.

Format: Purchases day book

S/N	Date	Particulars	Ledger Folio	Invoice number	Amount – GH¢	
					Details	Net amount
1	Date of purchase	Name of supplier and details of goods bought	Reference number		Detailed calculations	Net amount of the invoice

2						
3						
4						

3. Return inwards day book

The return inwards daybook is also known as the sales returns journal. It is used to record the goods which are returned to the business by a customer. The source document used in recording transactions in the sales return (return inwards) daybook is the credit note.

Format: Return inwards day book

S/N	Date	Particulars	Ledger Folio	Credit note number	Amount – GH¢	
					Details	Net amount
1	Date of sale	Name of customer who returned the goods	Reference number		Detailed calculations	Net amount on the invoice
2						
3						
4						

4. Return outwards day book

The return outwards daybook is also known as the purchases return journal. It is used to record the goods which are returned to a supplier by the business. The source document used in recording transactions in the purchase return (return outwards) daybook is the debit note.

Format: Return outwards day book

S/N	Date	Particulars	Ledger Folio	Debit note number	Amount – GH¢	
					Details	Net amount
1	Date of purchase	Name of supplier to whom goods were returned	Reference number		Detailed calculations	Net amount on the invoice
2						
3						
4						

5. General journal

The general journal is used to record any transaction which does not pass through a book of prime entry. This is a book in which entries are made before their postings into the ledgers. Examples of transactions which are recorded in the journal are the correction of errors and the recording of non-cash transactions.

Format: General journal

Date	Particulars/ Details of transaction	Debit GH¢	Credit GH¢

Learning Tasks

1. Explain the following day books with two importance each:
 - a. Sales day book
 - b. Purchases day book
 - c. General ledger
2. Differentiate between a sales return day book and a purchases return day book.
3. A business located in Accra, is a wholesaler of electronic appliances. You are required to record the following credit transactions for the month of July 20X4 in the appropriate books of original entry.

Transactions for July 20X4:

- **July 2:** Sold 10 smartphones at GH¢1,500 each. A trade discount of 5% was allowed on the invoice.
- **July 8:** Bought 200 boxes of charging cables for GH¢40 per box on credit.
- **July 12:** Sold on credit: 20 laptops at GH¢2,200 each and 40 printers at GH¢500 each. A 15% trade discount was granted on the total invoice amount.
- **July 18:** 2 of the laptops bought on July 12 were returned due to incorrect specifications.
- **July 30:** Purchased on credit: 100 computer mice at GH¢50 each, 80 keyboards at GH¢90 each, and 20 monitors at GH¢600 each.

Prepare the following books of original entry for this business:

- a) Sales Day Book
- b) Purchases Day Book
- c) Sales Returns (Returns Inwards) Day Book
- d) Purchases Returns (Returns Outwards) Day Book

Pedagogical Exemplars**Collaborative Learning**

1. Guide learners in a whole class discussion to explain the day book and its uses.
2. Guide learners to work in pairs, considering abilities, gender and SEL to discuss the types of daybooks. Teachers to move around the room to monitor discussion and provide additional support if required; this may be through direct questioning or to scaffold discussions by providing simplifying definitions or terminology.

3. Guide learners to explain the types of day books and their purpose.
4. Ask learners to note the format of the various day books.

Problem-Based Learning

1. Guide learners to work in groups, considering abilities, gender and SEL to record financial transactions in the various day books (learning task).
2. Move around the room to target learners who may need more support. For example, through the provision of templated examples, one-to-one support or simplified instructions
3. Learners with a clear understanding of the recording of transactions can be given additional tasks in the recording of transactions in the various day books.
4. Learners with a high level of understanding are encouraged to analyse the transactions recorded in the appropriate day books.
5. Groups prepare the various day books on cards and share them with the larger class.
6. Teachers should ensure the participation of all learners in each group and that learners respect the views of other learners.

Key Assessment

DoK Level 1

1. What is a day book?
2. State at least two types of day books.
3. State the purpose of at least two day books.

DoK Level 2: Explain at least three types of day books.

DoK Level 3: ABC PLC is a dealer in general merchandise. Their transactions for the month of June, 20X1 are listed below.

June 1: Sold goods to Mensah for GH¢20,000 less 10% trade discount.

June 4: Purchased from Kwasi the following:

200 iron rods at GH¢20 each, 100 filters at ¢30 each; invoice subject to 10% trade discount.

June 6: Purchased from Asante Ltd. 10 bottles of gin at GH¢30 each.

June 7: Returned 60 iron rods purchased on 4th June, to Kwesi.

June 9: Sold the following to Kojo: 300 bags of cement at GH¢15 each, less 15% trade discount; 150 tins of targets at GH¢10 per ton.

June 18: Kojo returned 10 bags of cement bought on the 9th of June.

June 20: Sold to Jones: 80 iron rods at GH¢50 each. 110 bags of cement at GH¢16 each, 250 filters at GH¢35 each; invoice subject to 15% trade discount.

June 21: Jones was allowed a 50% reduction on the total invoice price for goods damaged in transit.

June 30: Purchased from Femi: 100 bags of cement at GH¢15 each, 50 gallons of oil paint at GH¢20 each, and 300 metal sheets at GH¢18 each.

Write up the following:

- a. Sales day book.
- b. Sales returns daybook.
- c. Purchases day book.
- d. Purchases return day book

Hint



*The Recommended Mode of Assessment for Week 6 is **Mid-Semester Examination**. Refer to **Appendix C** at the end of Section 2 for further information on how to go about the mid-semester examination.*

WEEK 7

Learning Indicator: Analyse and record financial transactions in the various day books, post to the ledgers and extract a trial balance

FOCAL AREA: CASH BOOK

Learners have been introduced to the purpose of day books. Five of the types have been covered in the previous week. This week, learners will be introduced to cash books.

Cash book

A cash book 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. The source documents for the recording of transactions in the cash book are receipts, pay-in slips, cheques, etc.

The four types of cash books are:

- a. Single column
- b. Double column
- c. Three or Triple column
- d. Petty cash book

a. Single column cash book

A single column cash book has only one column for the recording of transactions. It is either a cash column only or a bank column only. This form of cash book has only one amount column on each of the debit and credit sides. All receipts are entered on the debit side and all payments are entered on the credit side.

Format of the single column cash book

Date	Details	Ledger Folio	Amount GH¢	Date	Details	Ledger Folio	Amount GH¢

b. Double column cash book

The double-column cash book (also known as a two column cash book) has two columns on both the debit and the credit sides. One to record cash transactions and the other to record bank transactions.

Format of the double column cash book

Date	Details	Ledger Folio	Cash GH¢	Bank GH¢	Date	Details	Ledger Folio	Cash GH¢	Bank GH¢

Learning Tasks

1. Define what a cash book is and its purpose.
2. Identify and explain the different types of cash book.
3. Explain the difference between a cash book and a cash account.
4. Mama Lucy started a business with GH¢50,000 cash on January 2, 20X3.

The following transactions took place during the month of January.

	GH¢
Jan 3. Paid rent by cash	2,000
Jan 5. Made cash purchases of	20,000
Jan 6. Sold goods for cash	25,000
Jan 8. Obtained a cash loan from Abena Manu	40,000
Jan 9. Paid transport expenses by cash	1,000
Jan 10. Bought a motor vehicle on credit from Nimako Motors	150,000
Jan 12. Paid motor expenses by cash	3,000
Jan 12. Made cash sales	33,000
Jan 20. Cash purchases	25,000
Jan 22. Paid electricity bill by cash	1,000
Jan 23. Paid wages and salaries by cash	2,500
Jan 24. Took cash for personal use	1,500
Jan 25. Cash sales made	15,000

Prepare a single column cash book for Mama Lucy.

Pedagogical Exemplars

Collaborative Learning

1. Teachers guide learners in a whole class discussion to explain the meaning of cash books and use and identify their source documents.
2. Teachers guide learners to work in pairs, considering abilities, gender and SEL to discuss the types of cash books and their purpose. Teachers to move around the room to monitor discussion and provide additional support if required; this may be through direct questioning or to scaffold discussions by providing simplifying definitions or terminology.
3. Ask learners to note the format of the single and double column cashbooks.

Experiential learning

1. Guide learners to work in groups, considering abilities, gender and SEL to record financial transactions in the single and double cashbooks.
2. Move around the room to target learners who may need more support, for example through the provision of templated examples, one-to-one support or simplified instructions.
3. Learners with a clear understanding of the recording of transactions can be given additional tasks in recording transactions in both single and double cashbooks.

4. Learners with a high level of understanding are encouraged to analyse the transactions recorded in the appropriate cash books.
5. Groups prepare single, double or triple column cashbooks on cards and share them with the larger class.
6. Teachers should ensure the participation of all learners in each group and that learners respect the views of other learners.

Key Assessment

DoK Level 1

1. What is a cashbook?
2. List two source documents for recording transactions in the cash book.
3. State the uses of a double column cashbook.

DoK Level 2: Record financial transactions in the single and double column cash books.

DoK Level 3: Record financial transactions in the double column cash book, post them to the ledgers.

Mr. Osei started business on July 1, 20X5 with a capital of GH¢16,000 cash.

July 2. He opened a bank account with GH¢8,000

July 2. Bought goods costing GH¢5,000 with cheque

July 3. Purchased shop fittings on credit from Jupiter Furniture at GH¢5,000

July 5. Bought motor van by cheque GH¢4,000

July 8. Purchased stationery GH¢1,000 and goods GH¢3,000 by cash

July 17. Paid insurance GH¢1,000 by cash

July 18. Cash sales made GH¢25,500

July 20. Sent cash of GH¢20,000 to the bank

July 22. Withdrew GH¢1,000 from the bank for personal use

July 25. Paid motor expenses GH¢3,000 by cheque

July 28. Sales sent to the bank GH¢15,400

Prepare a double column cash book for Mr. Osei for the month of July 20X5.

Hint



*The Recommended Mode of Assessment for Week 7 is **Case Study**. Refer to **Appendix D** at the end of Section 2 and Teacher Assessment Manual and Toolkit pages 25 and 150 for further information on how to go about the case study.*

WEEK 8

Learning Indicator: Analyse and record financial transactions in the various daybooks, post to the ledgers and extract a trial balance

FOCAL AREA: CASH BOOK

Three or Triple column

A three column cashbook is one in which there are three columns on each debit and credit side. The first is used to record cash transactions, the second is used to record bank transactions and the third is used to record discounts received and discounts allowed.

Sample Format of three column cash book

Date	Details	Ledger Folio	Cash GH¢	Bank GH¢	Discount allowed GH¢	Date	Details	Ledger Folio	Cash GH¢	Bank GH¢	Discount received GH¢

Petty cash book

Petty cash books are used for recording payment of minor expenses, which are of smaller value such as postage, stationery, refreshments, etc. A person who maintains a petty cash book is known as a petty cashier and these small expenses are termed as petty expenses.

The petty cashier usually has a fixed sum of money. The amount of money given to a petty cashier periodically to pay for all petty or recurring expenses is known as imprest or cash float. The system is known as the petty cash system.

At the beginning of a period, the petty cashier is given an amount of money known as the cash float or imprest. The petty cashier is reimbursed the amount of money spent within the period.

The individual expenses in the analysis column are posted to the appropriate accounts in the general ledger to complete the double entry.

Advantages of Petty Cash Book

1. It saves the main cashier's time so as to concentrate on other financial activities.
2. It provides a training opportunity for young and inexperienced cashiers that enables them to take up higher cash responsibilities.
3. It minimises delays in cash disbursements.
4. It reduces the burden on the main cashier.

5. It decongests the main cashbook.
6. It provides support for internal checks and detection of errors.
7. It enables the petty cashier to analyse expenditure as they occur.
8. It also helps to classify petty expenses for easy identification.

Disadvantages of Petty Cash Book

1. It is time consuming to maintain petty cash book.
2. The cash float may not be enough to meet the petty expenses for the period.
3. There is a higher risk of theft or loss since it involves keeping physical cash.
4. It is tedious to record repetitive small expenses.

Sample format of petty cash book

Receipt	Date	Details	Folio	Total	Postage	Stationery	Travelling	Cleaning	Ledger

Learning Tasks

1. Define the three column cash book.
2. Explain the importance of maintaining a petty cash book.
3. Discuss the imprest system.

Pedagogical Exemplars

Collaborative Learning

1. Teachers guide learners in a whole class discussion to identify the uses of the three column cash book, as well as the petty cashbook.
2. Teachers guide learners through the format of the three column cash book and the petty cash book.
3. Teachers guide learners to work in groups, considering abilities, gender and SEL to record financial transactions in the three column and the petty cash book.
4. Teachers move around the room to target learners who may need more support. This may be through direct questioning or instructions, or to scaffold the activity by providing template examples or simplified instructions.
5. Groups prepare three column cash books and petty cash books on cards and share them with the larger class.

6. Teachers should ensure the participation of all learners in each group and that learners respect the views of others.

Key Assessment

DoK Level 1

1. State the use of the petty cash book.
2. State the use of the three column cash book.

DoK Level 2

1. Discuss the difference between the two-column cash book, three-column cash book and petty cash book.
2. Explain the imprest system of petty cash.

DoK Level 3: Mrs Anaman operates a petty cash system with a float of GH¢1,200. Reimbursement is made as and when necessary.

The transactions below took place in the month of March, 20X5

March 1: Petty cashier was given her first imprest.

	<u>GH¢</u>
March 2: Postage	50
March 3: Wages	200
March 5: Cleaning	50
March 5: Stationery	100
March 7: Postage	100
March 8: Electricity expenses	500
March 10: Registered letters	120
March 12: Cleaning	900
March 13: Fees for post office box	500
March 14: Paid for wages	600
March 16: Electricity expenses	600
March 18: Cleaning	200
March 20: Stationery	400
March 20: Electricity expenses	500
March 21: Wages	500
March 24: Cleaning	100
March 25: Cleaning	400
March 26: Stationery	270
March 27: Postage	100

March 27: Stationery 100

March 30: Wages 900

You are required to prepare the petty cashbook for the month of March, 20X5.

Hint



*The Recommended Mode of Assessment for Week 8 is **Class Exercise (individual)**. Refer to the key assessment for sample questions for the exercise.*

WEEK 9

Learning Indicator: Analyse and record financial transactions in the various daybooks, post to the ledgers and extract a trial balance

FOCAL AREA: THE TRIAL BALANCE

The Trial Balance

A trial balance is a financial statement showing the closing balances of all accounts in the general ledger at a point in time.

It is a statement drawn to list out debit and credit balances in the individual ledger accounts at a given time. It is the list of all ledger balances that exist in the book when all accounts have been balanced.

The trial balance has two columns: a debit column and a credit column. The debit column shows all the debit balances and the credit column indicates all credit balances. The totals of each of the two columns should be equal. That is the total of the debit column should be equal to the total of the credit column.

NAME OF THE BUSINESS

TRIAL BALANCE AS AT 31st DECEMBER, 20XX

DETAILS	Ledger folio	DR GHç	CR GHç
Capital			xxx
Purchases		xxx	
Sales			xxx
Rent & Rates		xxx	
General Expenses		xxx	
Drawings		xxx	
Receivables		xxx	
Payables			xxx
Motor Vehicle		xxx	
Furniture & Fittings		xxx	
Allowance for receivable			xxx
Bank		xxx	
Cash		xxx	
Stationery		xxx	
Discount Allowed		xxx	
Discount Received			xxx
Total		xxx	xxx

Uses of the Trial Balance

1. It tests the arithmetical accuracy of all entries made in the ledgers.
2. It provides a summary of all the balances in the ledgers.
3. It ensures that the double-entry principle has been correctly applied.

Learning Tasks

1. Define what a trial balance is.
2. Explain the importance of preparing a trial balance.
3. Kofi started a business on 1st March, 20X5, with a capital of GH¢120,000. During March, the following transactions took place:

March	GH¢
2nd: Purchased office equipment by cash	18,000
3rd: Paid for business registration by cash	1,500
5th: Purchased goods on credit	45,000
10th: Bought goods for cash	28,000
16th: Cash sales	55,000
20th: Sold goods on credit	32,000
22nd: Paid for transportation by cash	2,500
26th: Paid supplier by cash	30,000
29 th : Paid electricity bill by cash 1,800	8,000
31st: Paid salaries by cash	

Open ledger accounts to record the transactions and extract a trial balance as of 31st March, 20X5 manually.

Pedagogical Exemplars

Collaborative Learning

1. Teachers guide learners in a whole class discussion on the meaning and uses of a trial balance.
2. Let learners work in pairs, considering abilities, gender and SEL to identify the uses of a trial balance.

Problem-Based Learning

1. Guide learners to work in groups, considering abilities, gender and SEL to record financial transactions in different ledgers and extract a trial balance. (learning task)
2. Learners approaching proficiency must be given additional attention to help them record the transactions in the appropriate ledgers during the extraction of a trial balance; for

example, through the use of a templated example, one-to-one support or simplified instructions.

3. Learners with a clear understanding of the recording of transactions can be given additional tasks in the extraction of a trial balance.
4. Learners with a high level of understanding are encouraged to analyse the transactions recorded in the appropriate ledgers and the trial balance.
5. Groups prepare the trial balance on cards and share their responses with the larger class.
6. Teachers ensure full participation of all learners in each group and that they respect and tolerate the views of other learners.

Key Assessment

DoK Level 1

1. What is a trial balance?
2. Identify at least three uses of a trial balance.

DoK Level 2: Discuss the uses of a trial balance.

DoK Level 3: XZY started business on 1st January, 20X1, with a capital of GH¢160,000. The following transactions took place during the month of January:

January	GH¢
1st: Purchase of furniture by cash	24,000
2nd: Purchase of stationery by cash	2,000
3rd: Bought goods on credit from ABC	50,000
5th: Bought goods for cash	35,000
15th: Sold goods for cash	60,000
18th: Sold goods to EFG on credit	2,000
20th: Paid advertising expenses by cash	2,000
25th: Paid ABC by cash	35,000
28th: Paid rent by cash	3,000
31st: Paid salaries by cash	6,000

Open ledger accounts to record the transactions and extract a trial balance as of 31st January, 20X1 manually.

Hint



The Recommended Mode of Assessment for Week 9 is **Critiquing**. Refer to the Teacher Assessment Manual and Toolkit page 58 for further information on how to go about this assessment mode.

SECTION 2 REVIEW

This section focused on developing learners' core accounting skills, particularly in applying the accounting equation and the double entry principle to record transactions in daybooks, post to ledgers, and extract trial balances. Practical exercises enhanced learners' proficiency through calculating values and recording transactions. A variety of teaching strategies—including problem-based learning, structured discussions, teamwork, and multimedia tools—were employed to support diverse learning styles. Comprehensive assessment approaches combined recall, conceptual understanding, and strategic reasoning tasks to ensure a well-rounded grasp of financial concepts. As the section concludes, a review phase will summarise each learner's progress, strengths, and areas for improvement. Transcript records will provide valuable insights into learners' achievements and challenges throughout their financial accounting journey.



APPENDIX B: SAMPLE PORTFOLIO ASSESSMENT

Task: Compile and submit a comprehensive portfolio that represents your work for the entire academic year. The portfolio should include a selection of exercises/assignments, project work, reflective pieces, and both mid-semester and end of semester examination papers.

Structure and Organisation of the Portfolio

As part of the structure of the portfolio assessment, make sure the following information has been provided:

1. **Cover Page with:**
 - a. learner's name
 - b. class
 - c. subject
 - d. period/date, etc.
2. Table of Contents which has the list of items included with page numbers.
3. Brief description/background of items such as background information for each included artefact, etc.

Learners' works to be included in the Portfolio

1. Class Exercises/Assignments
2. Project works
3. Reflective Pieces
4. Mini-research work
5. Mid-semester examination papers
6. End of semester examination papers, etc.

Mode of Administration for Portfolios

1. Clearly explain the purpose of the portfolio and its various components to the learners. Provide examples and templates for each section to guide them in their work.
2. Set up regular review sessions, every 4 weeks, to monitor learners' progress. During these checkpoints, they offer feedback and guidance to help them improve their portfolios.
3. Share the scoring rubrics with the learners and thoroughly explain how their work will be evaluated.
4. Set the final due date for portfolio submission in Week 23 of the academic calendar. Offer a grace period for learners to make revisions based on the final feedback they receive.

Mode of submission/presentation

1. Clearly inform all learners of the final deadline for portfolio submission to ensure that all work is completed and submitted on time.
2. Learners should organise their portfolios in a clear and logical manner, with each section clearly labelled and easy to access.

3. Learners may submit their portfolios either in physical form or via the school's online submission system.
4. For digital submissions, learners should upload their portfolios either as a single file or in well-organised folders within the online platform.
5. Ensure the portfolio contains all required components: assignments, projects, quizzes, tests, reflective pieces, mini-research work, as well as mid-semester and end of semester examination papers.

Feedback strategy

1. Schedule regular meetings to review learners' progress, set new goals, and make any necessary adjustments to their learning strategies.
2. Provide helpful comments throughout the learning process to support learners' development. Ensure that learners clearly understand how to use this feedback to continually improve their work and achieve better results.

Example of a Scoring rubric/ Marking scheme

<i>Learner's pieces of work</i>	<i>Items</i>	<i>Marks per Item</i>	<i>Total Marks</i>
<i>Assignments/Exercises</i>	<i>2</i>	<i>1 mark each</i>	<i>2 marks</i>
<i>Projects works (Individual/ Group)</i>	<i>2</i>	<i>2.5 marks each</i>	<i>5 marks</i>
<i>Mini-project work</i>	<i>1</i>	<i>2 marks</i>	<i>2 marks</i>
<i>Reflective Piece</i>	<i>1</i>	<i>2 marks</i>	<i>2 marks</i>
<i>Mini-research Work</i>	<i>1</i>	<i>2 marks</i>	<i>2 marks</i>
<i>Mid-semester Examination Papers</i>	<i>2</i>	<i>2 marks each</i>	<i>4 marks</i>
<i>End of semester Examination Paper</i>	<i>1</i>	<i>3 marks</i>	<i>3 marks</i>
<i>Total Marks</i>			<i>20 marks</i>



APPENDIX C: MID-SEMESTER EXAMINATION

Structure

Multiple Choice Questions 20 (20 marks)

Essay Questions 4 Answer 2 (20 marks)

Note: Scale marks to 20 marks

Sample Table of Specification for Mid – Semester Examination

Below is a Table of specification that provides the number of items to be constructed on the various indicators as well as the DoK levels. Please ensure to follow it to construct your items.

WEEK	LEARNING INDICATOR	TYPES OF QUESTION	DOK LEVEL				TOTAL
			1	2	3	4	
1	Explain Accounting as a system and its purpose in daily life.	Multiple Choice	1	1		-	2
	Examine the major steps in processing Accounting Information and its characteristics.	Essay	-	1	-	-	1
2	Examine the information needs of users of accounting information.	Multiple Choice	2	2	-	-	4
	Discuss the need for Accounting Standards	Essay		1			1
3	Compute the value of assets, liabilities and capital using the accounting equation.	Multiple choice	1	2	2	-	5
		Essay	-	-	1		1
4	Analyse the effects of business transactions on assets, capital and liabilities.	Multiple Choice	1	1	- 2	-	4
5	Apply the double-entry principle or rule to record financial transactions in the ledgers.	Multiple Choice	2	2	1	-	5
		Essay	-		1		1
Total			7	10	7		24

Total Number of Questions

Multiple choice question	20
Essay	4



APPENDIX D: CASE STUDY-RECORDING AND POSTING TRANSACTIONS USING THE CASH BOOK

Scenario

You are the newly appointed accounts clerk for *Akosua's Grocery*, a small retail business in Kumasi. Your job is to record the business's cash and bank transactions for the first week of operations in **January 2025**.

The business uses a **double column cash book** (Cash & Bank). You are provided with the following transactions and source documents:

Transactions for January 2025

Date	Details	Amount (GH¢)	Payment/Receipt Type
Jan 2	Started business with cash	5,000	Cash Receipt
Jan 3	Deposited cash into bank	2,000	Bank Deposit
Jan 4	Bought goods from Kwame on credit	1,500	Credit Purchase
Jan 5	Received cheque from a customer, Ama	1,200	Bank Receipt
Jan 6	Paid electricity bill by cash	300	Cash Payment
Jan 7	Paid supplier Kojo by cheque	1,000	Bank Payment
Jan 8	Withdrew cash from bank for office use	500	Bank Withdrawal
Jan 9	Received cash sales	2,400	Cash Receipt

Tasks

1. Identify and Explain

Briefly explain the purpose of the cash book and why the business is using a double column cash book instead of a single column cash book. (3 marks)

2. Record Transactions

Using the double column cash book format, record all the transactions for January 2025. (8 marks)

3. Post to Ledger Accounts

Open and post the relevant transactions from the cash book into the ledger accounts for:

- Cash
- Bank
- Electricity Expense
- Wages Expense

(4 marks)

4. Extract a Trial Balance

From the ledger accounts prepared, extract a trial balance as at 10 January 2025. (3 marks)

5. Reflection

Write one short paragraph (3–4 sentences) on what you learned from preparing the cash book and trial balance. (2 marks)

SCORING RUBRIC – Total 20 Marks

Criteria	Description	Marks
Understanding of Concept	Clear explanation of what a cash book is (1 mark) and why a double column cash book is used (2 marks)	Up to 3
Accuracy of Recording	Correctly enters transactions into the double column cash book using proper format and headings (1 mark per transaction)	Up to 8
Ledger Posting	Correct posting of entries from the cash book into the appropriate ledger accounts with correct balances (1 mark for each account)	Up to 4
Trial Balance	Correct preparation of trial balance (1 mark) with accurate totals (1 mark) and balancing (1 mark)	Up to 3
Reflection	Shows personal understanding, relevance, and learning outcome from the activity	Up to 2
TOTAL		20

SECTION 3: FINAL ACCOUNTS OF A SOLE PROPRIETORSHIP: CONCEPTS, ADJUSTMENTS AND FINANCIAL STATEMENTS

Strand: FINANCIAL ACCOUNTING

Sub-Strand: FINANCIAL REPORTING

Content Standard: Demonstrate knowledge and understanding in the preparation of financial statements of sole proprietorship.

Learning Outcome: *Prepare financial statements of sole proprietorship*

Hint



The recommended Mode of Assessment for Week 12 **End of Semester Examination**. Refer to **Appendix E** for a sample table of Specifications on areas for End of Semester Examination. This should be recorded in the student's Transcript Portal.

INTRODUCTION AND SECTION SUMMARY

In this section, focus is placed on the preparation of the financial statements of a sole proprietorship within the broader strand of financial accounting. The primary learning outcome centres on demonstrating knowledge and understanding in the preparation of financial statements for a sole proprietorship. Therefore, learners will be engaged in the practical application of financial reporting principles, developing their ability to prepare statements for sole proprietorships while navigating the complexities of the various adjustments such as accruals, prepayments, depreciation and provision for doubtful debts. The overarching goal is to support learners to develop the expertise needed to articulate an entity's financial health through comprehensive statements. Teachers are encouraged to highlight the interconnected nature of this section with other sub-strands, emphasising its relevance to broader financial literacy. The weeks covered by this section span from Week 10 to Week 12, providing a structured timeline for the acquisition and mastery of these crucial financial skills.

Week 10: Explain sole proprietorship as a form of business, its features, advantages and disadvantages.

Week 11: Discuss the meaning and the treatment of adjustment used in the preparation of financial statement of sole proprietorship*

Week 12: Prepare income statement and statement of financial position of sole proprietorship*

*Weeks 11 and 12 will cover adjustments including accruals, prepayments, depreciation, bad debts and allowance for receivables

SUMMARY OF PEDAGOGICAL EXEMPLARS

Teachers are encouraged to use Problem-Based Learning (PbL) and Structuring Talks for Learning (TfL) to teach financial statements. In PbL, mixed-ability and mixed-gender groups collaboratively prepare statements manually or electronically, sharing their work for class feedback. TfL can include videos and pictures to explore sole proprietorship and its accounts. Discussions should focus on understanding final accounts and adjustments like accruals, prepayments, depreciation and provision for doubtful debts. Teachers must ensure inclusivity, making accommodations for visual, hearing-impaired and special needs learners. Differentiation strategies should address learners at approaching proficiency (AP), proficient (P) or high proficiency (HP) levels. Teachers should document performance, provide feedback and recognise gifted learners to foster collaboration and develop strong financial reporting skills.

ASSESSMENT SUMMARY

The assessment strategy covers three key areas to evaluate learners' understanding of the final account of a sole trader. First, **recall questions** check knowledge of sole trader advantages, local examples and adjustments like accruals, prepayments, depreciation and provision for doubtful debts, focusing on accuracy. Second, **conceptual understanding questions** ask learners to explain the final account and reasons for keeping sole proprietorship accounts, assessed for depth and clarity. Third, **strategic reasoning questions** require applying theory to prepare income statements and statements of financial position with relevant adjustments. Teachers must document learners' recall, understanding and problem-solving abilities, providing feedback that highlights strengths and areas for improvement. This comprehensive approach ensures effective assessment of learners' grasp of the preparation of the final account of a sole trader.

Teachers are entreated to administer these assessments and record them for onward submission into the Student Transcript Portal (STP).

WEEK 10

Learning Indicator: *Explain sole proprietorship as a form of business, its features, advantages and disadvantages*

FOCAL AREA: FINANCIAL STATEMENT OF A SOLE PROPRIETOR

Learners have been introduced to the concept of sole proprietorship in Business Management. They were introduced to the benefits, challenges and sources of funds available to a sole proprietor.

Sole Proprietorship (recap)

A sole proprietorship is a business entity, which is owned, controlled and financed by one person. The liability of the sole proprietor is unlimited which means that in the case where there is a loss in the business, the owner (sole proprietor) will bear all the losses. When the capital of the sole proprietor cannot cover all the losses incurred, his or her personal or private properties would be sold to pay the losses. However, if there is any profit, the sole proprietor enjoys all of it.

Financial statements of sole proprietors

Final accounts: Final accounts refer to the accounts prepared by a business entity at the end of every financial year. The final accounts represent a clear and true financial position of the entity. This information is beneficial to the management, investors, owners, shareholders and also to other users of such information. The trial balance forms the basis for the preparation of the final accounts. The final accounts of a sole proprietor include the income statement (Trading, profit or loss) and statement of financial position (the balance sheet.)

Trading account: This is an account prepared to ascertain the gross profit or gross loss of the entity. Opening inventory, closing inventory and any direct expenses such as purchases made, carriage inwards, returns outwards and wages are recorded in the trading account. All these are recorded on the debit side of the trading account. Net sales are recorded at the credit side of the trading account. Net sales are the amount ascertained when the value of return inwards is deducted or subtracted from the value of total sales. Net sales is an income. Gross profit is the excess of net sales or sales over the cost of goods sold. The excess cost of goods sold over the net sales or sales is the gross loss.

Profit and loss account: This account is an extension of the trading account prepared at the end of a financial year, to ascertain the net profit or net loss. The net profit is the actual or true profit of the firm. All incomes are added to the gross profit or gross loss (if any) and all expenses are deducted from the gross profit. Gross profit is credited to the profit or loss account as revenue. Some expenses that form part of the profit or loss account are sales tax, provisions, maintenance, administrative expenses, selling and distribution expenses, depreciation, freight and carriage on sales, wages and salaries. Some revenues that appear on the credit side of the income statement account are commission received, rent receivable, discount received, profit obtained on the sale of assets, etc.

Example of profit or loss account for the year ended 31st December, 20X1

	GH¢	GH¢	GH¢
Sales			xxx
Less: Sales returns			xxx
Net sales			xxx
Less: Cost of Sales			
Opening stock		xxx	
Add: Purchases	xxx		
Add: Carriage inwards	xxx		
Less: Return outwards	xxx		
Net purchase		xxx	
COGAS		xxx	
Less: Closing stock		xxx	
Cost of goods sold		xxx	
Add: wages		xxx	
Cost of sales			(xxx)
Gross profit c/d			xxx
Add: other incomes			
Commission received		xxx	
Discount received		xxx	
Rent received		xxx	
Decrease in provision for bad debts		xxx	
Interest received		xxx	xxx
			xxx
Less: Operating expenses			
Wages and salaries		xxx	
Insurance		xxx	
Bad debts		xxx	
Electricity		xxx	
Advertisement		xxx	
Increase in provision for bad debts		xxx	
Depreciation		xxx	xxx
Net profit/loss			xxx

Statement of financial position (the balance sheet): The balance sheet shows the company's total assets, liabilities and capital and how the assets are financed, either through debt or equity. It can also be referred to as a statement of net worth or a statement of financial position.

The balance sheet is based on the fundamental equation: **Assets = Liabilities + Equity**. A statement of financial position (balance sheet) is a list of ledger balances arranged according to whether they are assets, capital or liabilities and also depicts the financial position on a specific date.

Fixed Assets	Cost	Acc. Dep.	NBV
Motor Van	xxx	xxx	xxx
Building	xxx	xxx	xxx
Fixtures & Fittings	xxx	xxx	xxx
Premises	xxx	xxx	xxx
Land	xxx	xxx	xxx
Goodwill	xxx	xxx	xxx
Current Assets			
Stock		xxx	
Receivable	xxx		
Less prov. for doubtful debts	xxx	xxx	
Bank		xxx	
Cash		xxx	
Expense prepaid		xxx	
		xxx	
Less Current Liabilities			
Payables	xxx		
Expenses owing	xxx		
Income prepaid	xxx	xxx	
Working capital			xxx
Net Assets			xxx
Financed by			
Capital			xxx
Add Net profit			xxx
			xxx
Less Drawings			(xxx)
			xxx
Long-term liabilities			
5% Debentures			xxx
Capital employed			xxx

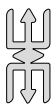
Learning Tasks

1. Define what is meant by “sole proprietorship” as a the type of business entity.
2. Discuss the advantages of being a sole proprietor.
3. Use given trial balance extracts to prepare income statement.

The following trial balance was extracted from the books of Apex Traders for the year ended 31st December, 20XX

Trial balance as at 31st December, 20XX.

	Dr - GH¢	Cr - GH¢
Capital		200,000
Receivables and Payables	35,000	25,000
Return inwards	3,000	
Sales		150,000
Discount allowed	2,500	
Discount received		1,800
Inventory (1st January, 20XX)	28,000	
Purchases	80,000	
Carriage inwards	1,500	
Return outwards		5,000
Bank Overdraft		18,000
Insurance	6,000	
Rates	1,200	
Electricity	5,800	
Bad debt	2,000	
Cash in hand	8,000	
Drawings	50,000	
Total	400,000	400,000



Note

Closing inventory at 31st December, 20XX, Gh¢40,000

You are required to prepare:

- a. Income statement for the year ended 31st December, 20XX
- b. Statement of Financial Position as at 31st December, 20XX.

Pedagogical Exemplars

Collaborative learning

1. Learners watch a video/pictures on sole proprietorship.
2. Teachers guide learners to review their knowledge of sole proprietorship in section one of business management – forms of business entities.
3. Teachers guide learners to explain the final accounts (income statement and statement of financial position) of a sole trader. Learners are encouraged to practice the preparation of the final accounts of a sole trader. This is to let the learners familiarise themselves with the items in the format of the income statement and statement of financial position of a sole trader.

Problem-based learning

1. Teachers guide learners to work in groups, considering abilities, gender and SEL to prepare financial statements from trial balances or account balances manually and electronically (E-reporting).
2. Learners approaching proficiency (AP), should be given additional attention to help them in the preparation of final accounts of a sole proprietor from a trial balance (learning task). This can be achieved with the teachers moving around the room to question learners, through simplified instructions or the provision of templated examples.
3. Learners with a clear understanding (P) of the preparation of final accounts of a sole proprietor can be given additional tasks.
4. Learners with a high level (HP) of understanding in the preparation of final accounts of a sole proprietor are encouraged to analyse the transactions in the trial balance, which is used in the preparation of the accounts.
5. Groups prepare the final account of a sole proprietor on cards and share it with the larger class.
6. Teachers ensure the participation of all learners in each group and that learners respect the views of others.

Key Assessment

DoK Level 1

1. What is a sole proprietorship?
2. State at least two advantages of sole proprietorship.

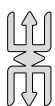
DoK Level 2: Explain the purpose of the income statement and the statement of financial position.

DoK Level 3

1. Prepare the income statement and statement of financial position of a sole trader from a given trial balance.
2. The following trial balance was extracted from the books of Bolga Enterprise for the year ended 30th June, 20XX

Trial balance as at 30th June, 20XX.

	Dr - GH¢	Cr - GH¢
Capital		150,000
Receivables and Payables	20,000	15,000
Return inwards	2,000	
Sales		90,000
Discount allowed	7,000	
Discount received		1,500
Inventory (31st May, 20XX)	20,000	
Purchases	50,000	
Carriage inwards	1,000	
Return outwards		12,000
Land and building	40,000	
Furniture and fitting	35,000	
Equipment	31,500	
Bank Overdraft		20,000
Insurance	4,800	
Rates	500	
Electricity	4,500	
Bad debt	2,200	
Cash in hand	30,000	
Drawings	40,000	
Total	288,500	288,500

**Note**

Closing inventory at 30th June, 20XX, Gh¢30,000

You are required to prepare:

- c. Income statement for the year ended 30th June, 20XX
- d. Statement of Financial Position as at 30th June, 20XX.

Hint

The Recommended Mode of Assessment for Week 10 is **Essay**. Refer to the Teacher Assessment Manual and Toolkit page 74 for further information on how to go about this assessment mode.

WEEK 11

Learning Indicator: Discuss the meaning and the treatment of adjustment used in the preparation of financial statement of sole proprietorship

FOCAL AREA 1: ADJUSTMENTS IN FINAL ACCOUNTS

Learners have been introduced to the final accounts of a sole proprietor and have dealt with transactions in the previous weeks. Learners prepared an income statement and statement of financial position (without adjustments) of a sole proprietor from a given trial balance.

Adjustments

Adjustments refer to the necessary modifications to financial statements to ensure accuracy and compliance with accounting principles. These adjustments are made at the end of an accounting period. The purpose of an adjustment is to ensure that the final accounts reveal the true profit or loss and the true financial position of a business.

Types of adjustment in a final account

1. Closing inventory
2. Outstanding or accrued expenses
3. Outstanding or accrued income
4. Prepaid expenses
5. Prepaid income
6. Bad debts
7. Allowance for receivable (Provision for doubtful debt)
8. Depreciation

1. Closing inventory

Closing inventory is defined as the total value of inventory items that have remained unsold in the store or warehouse at the end of a given period. Closing inventory includes raw materials, finished goods, work in progress, etc.

Example: Assuming sole proprietor A has goods worth GH¢10,000 and sells goods amounting to GH¢7,500 at the end of the accounting period, then goods worth GH¢2,500 will be the closing inventory.

Treatment of closing inventory

- a. Closing inventory is subtracted from the cost of goods available for sale (in the income statement).
- b. Closing inventory is added to current assets in the statement of financial position.

2. Outstanding or accrued expenses

These are expenses that a business incurred, but have not been paid. It is an expense that is

recognised in the books before it is paid. The expense is recorded in the accounting period in which it is incurred.

Example: Sole proprietor A has unpaid electricity of GH¢1,000 at the end of the accounting period.

Treatment of outstanding or accrued expenses

- a. Outstanding or accrued expenses are added to the expense paid in the income statement.
- b. Outstanding or accrued expenses are added to the current liabilities in the statement of financial position.

3. Outstanding or accrued income

Income that has been earned by the business but has not yet been received.

Example: Sole proprietor A invested GH¢120,000 into treasury bills at an interest rate of 10%. By 31st December, they had earned an interest of GH¢12,000 but the bank had not credited their accounts.

Treatment of outstanding or accrued income

- a. Outstanding or accrued income is added to the other incomes in the income statement.
- b. Outstanding or accrued income is added to the current assets in the statement of financial position.

4. Prepaid expenses

This is an amount of expenses paid in excess of what has been incurred.

Example: Sole proprietor B paid an amount of GH¢12,000 as rent within an accounting period, but the total amount that they were supposed to pay for rent for the period was GH¢ 9,000; therefore, GH¢ 3,000 is a prepaid expense.

Treatment of prepaid expense

- a. Prepaid expense is deducted from the expense paid in the income statement.
- b. Prepaid expense is added to the current assets in the statement of financial position.

5. Prepaid income

This is an amount of income received in excess of the amount earned.

Example: Sole proprietor C received an amount of GH¢200,000 from a tenant for a period of five years. They charge an amount of GH¢40,000 for a year. The prepaid income is GH¢160,000 for the next 4 years.

Treatment of prepaid income

- a. Prepaid income is deducted from the amount received in the income statement.
- b. Prepaid income is added to the current liabilities in the statement of financial position.

6. Bad debt

Bad debt is an amount that is not recoverable or collectible. This occurs after all attempts have been made to collect the amount. Bad debt usually occurs when the debtor goes into bankruptcy, becomes untraceable, through death, or when the additional cost of pursuing the debt is more

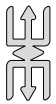
than the amount the creditor could collect. This debt, once considered to be bad, will be written off by the company as an expense.

Example: A customer, who owed the business GH¢5,000, was declared bankrupt and the amount was subsequently written off as bad debt.

In this example, the debt of GH¢5,000 should be treated as bad debt (expense) in the income statement and deducted from the total receivables figure.

Treatment for bad debt

- a. Bad debt is treated as an expense in the income statement.
- b. Bad debt is deducted from the total receivables.



Note

If the bad debt figure is in the trial balance, do not deduct it from the receivables. However, if there is additional bad debt in the footnote, the bad debt figure in the footnote must be added to the bad debt figure in the trial balance and treated as an expense and then deducted from the receivables (debtors) before calculating provision for bad debts if there is any

7. Allowance for receivables or provision for doubtful debt

Provisions are amounts set aside out of profit and other surpluses to provide for depreciation, renewal, uncollectible debts, etc.

Doubtful debts are those debts which a business is unlikely to collect. The reasons for potential non-payment include disputes over quantity supplied, delivery, the conditions of the item, or the financial stress of a customer's operations.

Allowance for receivables is an estimation of part of receivables that will need to be written off during a given period.

Treatment for allowance for receivables (provision for doubtful debt)

- a. An increase in provision for doubtful debt is treated as an expense in the income statement.
- b. A decrease in the provision for doubtful debt is treated as an income in the income statement.
- c. Provision for doubtful debt is deducted from the receivables figure in the current asset in the statement of financial position.

Learning Tasks

1. Explain the concept "adjustment".
2. State the purpose of adjustment in the final account.
3. State various types of adjustment in final accounts.
4. Analyse the purposes of adjustment in the final account of a sole proprietor.

Pedagogical Exemplars

Structuring Talks for Learning

1. Teachers guide learners to review their knowledge on the final account of a sole proprietor.
2. In a whole class discussion, teachers guide learners on the meaning and purpose of adjustment.
3. Teachers guide learners to work in groups, considering abilities, gender and SEL to discuss the types of adjustments and their treatments.
4. Learners who are approaching proficiency (AP) should be provided with a simplified explanation of adjustment and the purpose of adjustment, focusing on core concepts. Use clear and concise language.
5. Learners with clear understanding (P) should be given the opportunity to explain adjustments, the purpose of adjustment and the types of adjustments in the final account for a sole proprietor.
6. Learners with a high level (HP) of understanding of concepts should be allowed to discuss adjustments, the purpose of adjustment, the types of adjustments and how they are treated in the final account for a sole proprietor.
7. Ask learners to note how each type of adjustment is treated.
8. Teachers ensure the participation of all learners in each group while respecting the views of other learners.

Key Assessment

DoK Level 1

1. What is an adjustment?
2. State the purpose of adjustment in the final account.
3. State at least three types of adjustment in the final account.

DoK Level 2

1. Analyse at least two purposes of adjustment in the final account of a sole proprietor.
2. Explain how the following adjustments are treated in the final accounts.
 - a. Bad debt
 - b. Accrued expense
 - c. Allowance for receivable

FOCAL AREA 2: ADJUSTMENTS IN FINAL ACCOUNTS

Depreciation

Depreciation is the decrease in the value of a non-current asset resulting from wear and tear and the passage of time.

Reasons/advantages for depreciation

1. It helps to spread the cost of an asset over its estimated useful life.
2. It helps to determine the realistic value of an asset at its disposal. That is, to show the net book value of the non-current asset in the balance sheet.
3. Depreciation will provide a good basis for pricing the asset if it is to be disposed of.
4. It helps to determine the true net profit of the business for each accounting year. That is, in order not to overstate the profit for any year of operation to comply with the prudence concept.
5. It helps to ascertain the profit or loss on the disposal of non-current assets.
6. To preserve the capital of the business, preventing the amount of depreciation from being available for distribution as a dividend.
7. Depreciation is provided to serve as a basis for assessing insurance claims.
8. It serves as a guide in determining when to replace the fixed/non-current asset.

Causes of depreciation

The causes of depreciation may be classified under physical deterioration, economic factors, time factors and depletion.

1. Wear and tear when the assets are in use.
2. Erosion, rust, rot and decay from being exposed to wind, rain, sun and other elements of nature.
3. Obsolescence – This refers to the process of a non-current asset becoming out of date. Obsolescence is caused by technological advancement.
4. Superfluity (inadequacy) – This is where an asset is not able to meet the required capacity of the business. It refers to the inability to use an asset because of growth in demand and changes in the size of the firm.
5. Effluxion of time – This applies to assets with a fixed period of legal life such as leases, patents and copyrights.
6. Depletion – This is associated with assets of a wasting nature due to extraction like natural resources. Examples are mines, stone quarries, oil refineries, etc.

Methods of depreciation

The most common methods of depreciation are straight line, reducing balance, revaluation and sum of the year's digit method.

1. Straight line method/ Fixed instalment method

With this method, a fixed rate (percentage) is always applied to the cost of the asset to determine the depreciation charge. It makes provision for an equal or fixed amount to be charged as depreciation for each year of the useful life of an asset. It is calculated as follows:

Cost – Residual (scrap) value ÷ Estimated Useful Life = Depreciation charge

Example

On 1st January, 20XX Jeff purchased a Motor Van at GH¢2,000. The estimated useful life was 5 years with a residual value of GH¢200.

$$\text{Depreciation} = \text{GH¢}2,000 - \text{GH¢}200 / 5 \text{ years} = \text{GH¢}360$$

Therefore, depreciation charged for year 1 is GH¢360

2. Reducing balance method/ Diminishing balance method

Under this method, the depreciation charge is determined by applying a fixed rate on the book value of the asset. The depreciation charge declines every year.

Example

J.K. bought new equipment for GH¢8,000 on 1st January, 20X1. The machine was expected to have a four-year life at the end of which it is expected to be sold for GH¢1600. The rate of depreciation is 20% per annum. Calculate the depreciation charge for years 1 and 2.

YEAR 1

$$\text{Depreciation} = 20\% * \text{GH¢}8,000 = \text{GH¢}1,600$$

YEAR 2

$$\text{Net book value of the equipment} = \text{GH¢}8,000 - \text{GH¢}1,600 = \text{GH¢}6,400$$

$$\text{Depreciation} = 20\% * \text{GH¢}6,400 = \text{GH¢}1,280$$

3. Revaluation method

With this method, the asset is revalued at the end of every year. At the end of the year, the new value is compared with that of the last value. The difference between the asset's values for two years is taken as depreciation.

Example

An asset cost GH¢1,000 at 1st January 20X5. As at 31st December, 20X5 the value placed on the asset was GH¢800. What is the depreciation charge for the year?

$$\text{Depreciation} = \text{GH¢}1,000 - \text{GH¢}800 = \text{GH¢}200$$

4. Sum of the years' digits

This method involves calculating a depreciation expense by summing up all the digits in the projected lifespan of the asset. The digits are added together as a basis for arriving at the amount of depreciation for each year. The early years of the assets have a higher depreciation charge than later years. The first year's depreciation is calculated by using the digit of the last year as a proportion to the total digits and multiplying by the cost of the asset. The process continues until all the years are exhausted.

Example

Kwaku Mankani has provided you with the information below on a production machine with a cost of GH¢210,000 and an estimated lifespan of five years. You are required to calculate the depreciation charge for the first three years using the sum of the years' digits.

$$\text{Sum of years' digits} = 1+2+3+4+5 = 15$$

Depreciation for year 1

Depreciation for year 2

Depreciation for year 3

Learning Tasks

1. Discuss the meaning of depreciation and its causes.
2. Discuss the advantages of charging depreciation.
3. Discuss and apply the methods for charging depreciation of non-current assets.
4. Calculate depreciation for non-current assets using the straight line, reducing balance, revaluation and sum of years digit method and show its treatment in the final accounts.

Pedagogical Exemplars

Structuring Talks for Learning/ Collaborative Learning

1. Teachers guide learners in a whole class discussion, the meaning and reasons for depreciation.
2. Teachers guide learners to discuss the causes of depreciation of non-current assets.
3. Teachers guide learners to work in groups, considering abilities, gender and SEL to discuss the methods of charging depreciation with examples.
4. Learners approaching proficiency (AP) should be provided with a simplified explanation of depreciation, advantages, causes and methods of charging depreciation, focusing on core concepts. Use clear and concise language. (Include additional real-world examples relevant to the learners' context, for example, show images of rickety or old banger cars). Completed examples or templated workings would help scaffold the activities.
5. Learners with a clear understanding (P) should have the opportunity to explain depreciation, advantages, and causes and calculate depreciation using various methods.
6. Learners with a high level (HP) of understanding of concepts should have the opportunity to discuss depreciation, advantages, and causes and calculate depreciation using various methods and how they are treated in the final account for a sole proprietor.
7. Teachers ensure the participation of all learners in each group and learners respect the views of other learners.

Key Assessment

DoK Level 1

1. What is the depreciation of non-current assets?
2. State at least two reasons for charging depreciation.
3. List at least two causes of depreciation.
4. Identify at least two methods used in charging depreciation.

DoK Level 2: Explain at least two methods for charging for depreciation.

DoK Level 3

1. Akua Enterprise has provided you with information on a machine on 1 January, 20X1. The cost of the machine is GH¢10,000. Accumulated depreciation GH¢2,000. The machine is depreciated at 10% per annum. Calculate the depreciation charge for the year using a reducing balance method.

2. The cost of a motor vehicle is GH¢30,000. The rate of depreciation is 5% per annum. Calculate the depreciation charge for the first five years of the asset using a straight line method.
3. An asset costs GH¢18,000 as at 1st January, 20X5. As at 31st December 20X5, the value placed on the asset was GH¢15,000. What is the depreciation charge for the year using the revaluation method?
4. An asset has a cost of GH¢20,000 and its estimated useful life is four years with a scrap value of GH¢4,000. Calculate the depreciation charge for each year of the four years using
 - a. Sum of years digit
 - b. Straight line method

Hint

The Recommended Mode of Assessment for Week 11 is **Group Discussion**. Refer to the Teacher Assessment Manual and Toolkit page 52 for further information on how to go about this assessment mode.

WEEK 12

Learning Indicator: *Prepare income statement and statement of financial position of sole proprietorship*

FOCAL AREA: ADJUSTMENTS IN FINAL ACCOUNTS

Learners have been introduced to adjustments like closing inventory, accrued expenses, accrued income, prepaid expenses, prepaid income, provision for bad and doubtful debts and depreciation. In this section, learners will be introduced to the preparation of the final accounts of a sole trader, including treatments for all adjustments taught in the previous weeks.

Learning task: Prepare the income statement and statement of financial position from a given trial balance (including all adjustments).

For example,

	Debit-GH¢	Credit-GH¢		
Capital		630,000		
Drawings	69,000			
Opening inventory	300,000			
Purchases and sales	1,050,000	1,200,000		
Returns	15,000	18,600		
Receivables and Payables	29,400	21,000		
Allowance for receivables		2,400		
Salaries	90,000			
Rates	18,000			
Insurance	93,000			
Telephone	3,000			
Furniture at cost	120,000			
Machinery at cost	90,000			
Provision for depreciation				
Furniture	30,000			
Machinery	15,000			
Bad debts	600			
Bank balance	39,000			
	1,917,000		1,917,000	

Provision for depreciation

Additional information

- | | |
|---|------------|
| a. Closing inventory 31/12/20X3 | GH¢360,000 |
| b. Rates prepaid | GH¢1,500 |
| c. Telephone outstanding | GH¢660 |
| d. Accrued salaries | GH¢15,000 |
| e. Allowance for receivables is to be increased to 10% of debtors | |
| f. Depreciation on furniture at 10% on book value | |
| g. Depreciation of machinery at 20% on cost. | |

You are required to prepare the income statement for the year ended 31st December, 20X3 and a statement of financial position as at 31st December, 20X3

Pedagogical Exemplars

Problem-Based Learning and Collaborative Learning

1. Teachers guide learners in a whole class discussion, on the treatment of the various adjustments in the task for practice.
2. Teachers guide learners to work in groups, considering abilities, gender and SEL to prepare the Income Statement and Statement of Financial Position of a sole proprietor.
3. Learners approaching proficiency (AP) must be given additional attention to help them in the treatment of the various adjustments in final accounts of a sole proprietor, for example, through the provision of templated examples, one-to-one support or simplified instructions.
4. Learners with a clear understanding (P) of the treatment of adjustments should be allowed to solve more tasks in the preparation of final accounts of a sole proprietor, including the various adjustments.
5. Learners with a high level (HP) of understanding in the treatment of adjustments in the final accounts of a sole proprietor are encouraged to analyse the various adjustments and their treatment in the final accounts.
6. Groups prepare the final account of a sole proprietor and share their responses with the larger class for discussion and feedback.
7. Teachers ensure the participation of all learners in each group while respecting the views of other learners.

Key Assessment

DoK Level 1: Identify at least three types of adjustments to be treated in the final accounts in a given task.

DoK Level 2: Explain how at least two types of adjustments will be treated in the income statement and statement of financial position of the sole proprietor.

DoK Level 3

1. The trial balance of Enterprise A as at 31st December, 20X2 is shown below

	GH¢	GH¢
Inventory 1/1/20X2	3,400	
Capital		22,000
Motor Vehicles	3,000	
Purchases	36,367	
Sales		46,003
Allowance for receivables		81
Receivables	5,287	
Payables		5,800
Drawings	1,500	
Freehold Premises	8,250	
Cash	4,763	
Insurance	711	
Returns Inwards	314	
Returns Outwards		511
Discount Allowed	342	
Discount Received		509
Interest on Deposit Account		537
Carriage Inwards	118	
Salesman's salary and commission	1,228	
Wages	1,601	
Transport Expenses	130	
General Expenses	1,506	
Office Salaries	2,500	
Furniture and Fittings	1,000	
Rates	212	
Advertisement	1,421	
Bank Deposit	1,800	
	75,441	75,441

You are given the following additional information:

- Inventory on hand on 31st December, 20X2, was GH¢4,318.
- Insurance of GH¢130 is outstanding.
- An employee took a salary advance of GH¢110
- The allowance for receivables should be increased to GH¢255.

- e) Depreciate motor vehicles at 10% on cost and furniture and Fittings at 10% per annum on reducing balance method.

You are required to prepare the income statement of Enterprise A for the year ending 31st December, 20X2 and a Statement of Financial Position as at 31st December, 20X2

Hint



The recommended Mode of Assessment for Week 12 **End of Semester Examination**. Refer to **Appendix E** for a sample table of Specifications on areas for End of Semester Examination. This should be recorded in the student's Transcript Portal.

SECTION 3 REVIEW

This section focused on preparing financial statements for sole proprietors using approaches like problem-based learning and structuring talks for learning. It aimed to develop learners' proficiency in accounting through inclusive, collaborative activities and diverse assessment strategies. Assessments included recall questions for basic knowledge, conceptual understanding of adjustments such as accruals, prepayments, depreciation and bad debts, and strategic reasoning to apply theory to practice. Emphasising guided teaching and differentiation, the goal was to ensure all learners gained a strong foundation in preparing final accounts for sole proprietors. By the end of the section, learners are expected to have the essential financial accounting skills needed for further study and the workplace, with the ability to solve real-world problems confidently.



APPENDIX E: STRUCTURE OF THE EXAMINATION

PART 1- 40 MULTIPLE-CHOICE QUESTIONS FOR 40 MARKS.

PART 2

SECTION A - 4 THEORY QUESTIONS. ANSWER 2 FOR 30 MARKS, 15 MARKS EACH.

SECTION B - 4 PRACTICAL QUESTIONS. ANSWER 2 FOR 30 MARKS, 15 MARKS EACH.

TOTAL – 100 MARKS

Sample Table of Specification for End of First Semester Examination

Below is a Table of specification that provides the number of items to be constructed on the various indicators as well as the DoK levels. Please ensure to follow it to construct your items.

WEEK	LEARNING INDICATOR	TYPES OF QUESTION	DOK LEVEL				TOTAL
			1	2	3	4	
1	Explain Accounting as a system and its purpose in daily life.	Multiple Choice	1	1	-	-	2
	Examine the major steps in processing Accounting Information and its characteristics.	Essay	-	1	-	-	1
2	Examine the information needs of users of accounting information.	Multiple Choice	1	2	-	-	3
	Discuss the need for Accounting Standards	Essay	-	1	-	-	1
3	Compute the value of assets, liabilities and capital using the accounting equation.	Multiple Choice	2	2	1	-	5
		Essay	-	-	1	-	1
4	Analyse the effects of business transactions on assets, capital and liabilities.	Multiple Choice	1	1	1	-	3
5	Apply the double-entry principle or rule to record financial transactions in the ledgers.	Multiple Choice	1	2	-	-	3
		Essay	-	-	1	-	1
		Practical	-	-	1	-	1
6	Analyse and record financial transactions in the various daybooks, post to the ledgers and extract a trial balance.	Multiple Choice	1	-	1	-	2

7	Analyse and record financial transactions in the various day books, post to the ledgers and extract a trial balance.	Multiple Choice	1	1	1	-	3
		Essay	-	1	-	-	1
8	Analyse and record financial transactions in the various daybooks, post to the ledgers and extract a trial balance.	Multiple Choice	1	2	1	-	4
		Essay	-	1	-	-	1
		Practical	-	-	1	-	1
9	Analyse and record financial transactions in the various daybooks, post to the ledgers and extract a trial balance.	Multiple Choice	1	1	-	-	2
		Essay	-	-	1	-	1
		Practical	-	-	1	-	1
10	Explain sole proprietorship as a form of business, its features, advantages and disadvantages.	Multiple Choice	1	1	-	-	2
11	Discuss the meaning and the treatment of adjustment used in the preparation of financial statement of sole proprietorship.	Multiple Choice	2	1	1	-	4
		Essay	-	-	1	-	1
		Practical	-	-	1	-	1
12	Prepare income statement and statement of financial position of sole proprietorship.	Multiple Choice	1	2	-	-	3
Total			14	20	14		48

Total Number of Questions

Multiple choice questions	40
Theory	4
Practical	4

SECTION 4: INTRODUCTION TO COST ACCOUNTING

Strand: COST ACCOUNTING

Sub-Strand: CONTROLLING COST TO IMPROVE ORGANISATIONAL PERFORMANCE

Learning Outcome: Explain the importance of managing and controlling costs in organisations and everyday life

Content Standard: Demonstrate knowledge and understanding of the purpose of Cost Accounting.

Hint



Assign **Individual Project** for the semester by Week 15. The project should be submitted by Week 20. See **Appendix F** at the end of this section and *Teacher Assessment Manual and Toolkit* pages 27 and 125 for more information on how to organise an individual project.

INTRODUCTION AND SECTION SUMMARY

In this section, learners will delve into the fundamental concepts of Cost Accounting, which is integral to effective management and decision-making within organisations. This section focuses on explaining the purpose and basic terminologies of Cost Accounting, such as direct costs, indirect costs, fixed costs and variable costs essential for understanding cost management strategies. Furthermore, learners will classify costs based on their common characteristics to gain a comprehensive understanding of cost structures. Additionally, learners will explore the composition of costs of services and operations to recognise the elements contributing to overall costs in various business contexts. At the end of this section, learners should grasp the significance of managing and controlling costs to improve organisational performance. Moreover, teachers should emphasise the interrelationship of Cost Accounting with other subjects, such as Managerial Accounting and Financial Accounting, to provide a holistic understanding of business operations and decision-making processes.

The weeks covered by the section are:

Week 13: Explain the nature of Cost Accounting, its scope and its functions and the basic terminologies used in Cost Accounting.

Week 14: Identify the factors to consider when installing a cost accounting system and type of information produced and differentiate between Cost Accounting and Financial Accounting

Week 15: Explain the basis of cost classification and discuss its importance, and explain the composition of cost of products, services and operations.

SUMMARY OF PEDAGOGICAL EXEMPLARS

Teaching Cost Accounting effectively requires a pedagogical approach centred on initiating discussions and fostering collaborative learning. Through brainstorming sessions, learners delve into the essence of cost accounting, enhancing their understanding of its principles. Paired work facilitates interaction, allowing learners to share their perspectives on common terminologies in the field. This collaborative process not only deepens comprehension but also cultivates essential communication skills. Mixed-ability groups create an inclusive environment where learners support each other in grasping complex concepts.

Teachers provide tailored support and scaffolding to ensure all learners are able to engage effectively. Particular attention should be paid to learners with special education needs, making relevant accommodations to ensure their full participation in all activities.

Learning objectives encompass understanding fundamental concepts, mastering terminologies and explaining cost components. Assessment methods evaluate comprehension through participation, discussions and group activities. Through this approach, educators create an inclusive learning environment catering to diverse needs while providing enrichment for high-achieving learners.

ASSESSMENT SUMMARY

Assessment plays a pivotal role in evaluating learners' understanding and mastery of cost accounting concepts. To effectively assess learners' comprehension, a combination of recall, skills building, strategies and extended questions can be employed. Recall questions, categorised as Level 1, focus on basic understanding and memory recall. Conceptual understanding questions, categorised as Level 2, delve deeper into learners' understanding and analytical skills. These tasks aim to assess learners' ability to apply cost accounting principles in real-world scenarios and to think about their importance and implications. Strategic reasoning questions categorised as Level 3, task learners to make an analysis, evaluate and provide a detailed description of concepts taught in the section. To administer these questions, teachers can use written assessments, quizzes or oral questioning, recording learners' responses and understanding in the transcript. Throughout the assessment process, it's essential to provide clear instructions, varied assessment formats and constructive feedback to guide learners' learning progress. By incorporating assessment into teaching and learning, educators can comprehensively evaluate learners' knowledge and skills in Cost Accounting, ensuring a thorough understanding of the subject matter.

WEEK 13

Learning Indicator: Explain the nature of Cost Accounting, its scope and its functions and the basic terminologies used in Cost Accounting

FOCAL AREA 1: NATURE, SCOPE AND FUNCTIONS OF COST ACCOUNTING

Meaning of cost accounting

Cost accounting is a form of management accounting and is the process by which all the costs of a business activity or production are examined to support effective decision-making.

It is the process of accounting for cost from the point at which expenditure is incurred or committed, to the establishment of its ultimate relationship with cost centres and cost units.

It involves the collection, classification, and analysis of cost data to provide useful information for management decision making.

Scope of cost accounting

Cost accounting include:

- a. Cost classification and analysis
- b. Cost estimation and forecasting
- c. Cost control and reduction
- d. Budgeting and variance analysis
- e. Decision making and performance

Cost accounting can be applied to various industries and sectors, including manufacturing, service and construction.

Functions of cost accounting

1. **Cost determination:** it helps to determine the cost of goods or services, which is essential for pricing, budgeting and decision making.
2. **Cost control:** Cost accounting provides information that helps management to control costs, reduce waste, and improve efficiency.
3. **Decision making:** it provides relevant and timely information that helps management to make informed decisions about investments, pricing, and resources allocation.
4. **Performance Evaluation:** it helps to evaluate the performance of different departments, products, and managers, which is essential for accountability and improvement.
5. **Budgeting and forecasting:** Cost accounting helps prepare budgets and forecasts, which are essential for planning and decision making.

Learning Tasks

1. List the scope of cost accounting.
2. Explain cost accounting.
3. Discuss four functions of cost accounting.

Pedagogical Exemplars

Initiating Talk for Learning

1. Teachers facilitate a whole class discussion where learners list the cost of items they buy on paper and share with other learners.
2. Teachers guide learners to explain the nature of cost and link this to cost accounting.
3. Let learners work in pairs, considering abilities, gender and SEL to discuss the scope and functions of Cost Accounting.
4. Teachers move around the room to target learners who may need more support. This may be through direct questioning or instruction or to scaffold discussions by providing simplified definitions or terminology.
5. Groups share their thoughts and their responses with another pair for discussion.

Key Assessment

DoK Level 1: What is cost accounting?

DoK Level 2

1. Explain the scope of cost accounting.
2. Discuss three functions of cost accounting.

FOCAL AREA 2: BASIC TERMINOLOGIES USED IN COST ACCOUNTING

To understand cost accounting, it is necessary to explain the terminology used in the process. Some basic terms are defined below:

Cost

Cost is the measurement of expenses incurred in the production of goods or services. It represents the monetary valuation of resources used or consumed in the manufacturing or provision process. Cost helps in determining the total expenditure involved in producing a product or offering a service, which is essential for pricing, budgeting, and financial analysis.

Cost centre

A cost centre is defined as a person, location or an item of equipment for which cost may be ascertained and used for the purpose of control.

It may be a;

- location, e.g., a department or a sales area of the business;

- a person e.g., a salesman or machine operator;
- an item of equipment e.g., a delivery van or a machine;
- or a group of these.

Cost unit / Cost object

A cost unit is defined as a product, service or time in relation to which cost may be expressed. Cost unit refers to the product or service that a company produces. For example: a tin of milk, a car, a bag of rice, etc.

Unit cost

A unit cost is the cost incurred per unit of output. It is the cost price of a product. It is measured as the total cost divided by the total number of units produced.

Cost Sheet

A statement that summarises all the costs associated with manufacturing a product, including materials, labour, and overhead.

Profit centre

A profit centre is a distinct unit or division within an organisation that is responsible for generating its own revenue and controlling its own costs. Its performance is measured based on its profitability, meaning the difference between its revenues and expenses.

By treating different parts of a company as profit centres, organisations can better assess the financial contribution of each segment, encourage accountability, and facilitate more targeted strategic decision-making. Examples of profit centres include individual stores within a retail chain, departments within a manufacturing firm, or regional offices in a multinational corporation.

Direct Cost

Costs that are directly attributable to the production of specific goods or services, such as raw materials and direct labour.

Indirect Cost (Overhead)

Costs that cannot be directly linked to a specific product or service, such as rent, utilities, and administrative expenses.

Prime Cost

The sum of direct material cost and direct labour cost involved in production.

Standard Cost

A predetermined or estimated cost of producing a product or service, used for comparison with actual costs to analyse variances.

Budget

A financial plan that estimates the expected costs and revenues over a specific period, helping in cost control and planning.

Learning Tasks

1. Explain the concept cost.
2. Discuss the difference between:
 - a. direct cost and indirect cost.
 - b. cost unit and unit cost
 - c. cost centre and profit centre

Pedagogical Exemplars

Initiating Talk for Learning

1. In an all-inclusive class discussion, learners brainstorm on the basic terminologies used in cost accounting.
2. Write the terms on the board.
3. Arrange learners in mixed ability groups, to explain the meaning of each of the terms listed on the board.
4. Prepare cards with terms and their meaning for the groups to match the term cards with their correct meanings.
5. Groups present their matching to the whole class and to reflect on how the provided definitions compared with their own. Reinforce understanding of each word through active participation.
6. Task HP learners to lead group discussions and provide simplified definitions with examples for learners who may need more support (AP).

Key Assessment

DoK level 1

Define the following terminologies

- a. Cost centre
- b. Cost unit
- c. Budget
- d. Standard cost
- e. Cost sheet

DoK Level 2: Differentiate between cost centre and profit centre.

Hint



The Recommended Mode of Assessment for Week 13 is **Class Exercise**. You may Refer to the Key Assessment above for sample questions to assign the tasks.

WEEK 14**Learning Indicators**

1. *Identify the factors to consider when installing a cost accounting system and type of information produced*
2. *Differentiate between cost accounting and financial accounting*

FOCAL AREA 1: FACTORS TO CONSIDER WHEN INSTALLING A COST ACCOUNTING SYSTEM**Factors necessary for a Cost Accounting System**

An effective cost accounting system should suit the needs of the business and be simple to use, economical and practical.

Factors to consider when planning to implement a cost accounting system:

1. Organisational objectives and needs

Understand the specific information required for decision-making, control, and planning. Determine whether the system should support product costing, pricing, budgeting, or performance evaluation.

2. Nature of products or services

Consider the diversity and production processes of the products or services offered.

Batch production may require different cost allocation methods than mass production.

3. Cost structure and types of costs

Identify fixed, variable, direct, and indirect costs to determine appropriate cost classification and allocation methods.

4. Cost data availability and accuracy

Assess the existing data collection systems for completeness, accuracy, and timeliness. Ensure that the data sources can support the desired level of detail in cost reporting.

5. Choice of costing method

Decide on suitable costing techniques such as job costing, process costing, activity-based costing, or standard costing based on operational needs.

6. Integration with existing systems

Evaluate how the new cost accounting system will integrate with financial accounting, inventory management, and other systems.

7. Cost of implementation and maintenance

Analyse the resources (time, personnel, financial) required to implement and sustain the system. Balance the benefits against the costs involved.

8. Organisational structure and responsibilities

Define roles and responsibilities for data collection, processing, and analysis. Ensure staff are trained to use the system effectively.

9. Management support and commitment

Secure buy-in from top management to facilitate smooth implementation and utilisation.

10. Flexibility

Ensure the system can adapt to changes in production processes, product lines, or organisational growth.

Type of information produced by a cost accounting system

A good cost accounting system produces various types of valuable information essential for effective management and decision-making. These include:

1. **Cost of Goods Sold (COGS):** Accurate calculation of the direct costs attributable to production help assess profitability.
2. **Product costing data:** Detailed information on direct materials, direct labour, and manufacturing overhead for each product or service.
3. **Work-in-Progress and finished goods inventory values:** Valuation of inventory at different stages, aiding in financial reporting and inventory management.
4. **Budget variance reports:** Comparison of actual costs versus budgeted costs to identify variances and control expenses.
5. **Cost control data:** Insights into areas where costs can be minimised or optimised.
6. **Profitability analysis:** Data on the profitability of individual products, departments, or segments.
7. **Pricing information:** Data to support setting or adjusting product prices based on cost structures.
8. **Cost behaviour patterns:** Understanding fixed and variable cost relationships to forecast and plan effectively.
9. **Decision-making data:** Information supporting decisions like product discontinuation, process improvements, or investment opportunities.

Learning Tasks

1. Explain factors to consider when implementing a cost accounting system.
2. Discuss types of information produced by a cost accounting system.

Pedagogical Exemplars

Initiating Talk for Learning

1. In an all-inclusive class discussion, learners brainstorm to identify the factors to consider when implementing a cost accounting system.

2. Teachers to use call out strategies to draw contributions from learners with differing levels of ability and to assess understanding.
3. Arrange learners in pairs to think and share the type of information that a cost accounting system will produce.
4. Guide learners respect and tolerate the view of others.
5. Move around the room to target learners who may need more support. This may be through direct questioning or instructions.
6. Ensure participation of all learners.

Key Assessment

DoK level 1: Discuss five factors to consider when installing a cost accounting system.

DoK level 2: Explain how a cost accounting system can affect the information produced by a business.

FOCAL AREA 2: RELATIONSHIP BETWEEN COST ACCOUNTING AND FINANCIAL ACCOUNTING

Teachers to revisit the definitions of both types of accountancy and summarise the differences between the two in terms of target audience, focus, level of detail and regulatory frameworks.

The main areas of comparison are as follows:

1. **Legal requirements:** Financial accounting reports, for many organisations are subject to accounting regulations which try to ensure that they are produced in conformity with a standardised format. These regulations are imposed by law and accounting profession (e.g GAAP, IFRS). Cost accounting reports are not guided by any such regulations from external sources dictating the form and content. Management reports are for internal use only and can be tailored to meet the needs of a particular audience. In effect, financial accounting information is determined by concepts, standards and legal provisions, whereas cost accounting information is determined by management on the basis of relevance and cost benefit considerations.
2. **Nature of the reports produced:** Financial accounting reports tend to be general-purpose reports. That is, they contain financial information that can be useful for a wide range of accounting users as well as decisions rather being specifically developed for the needs of a particular group or set of decisions. Cost and management accounting reports, on the other hand, are often designed for specific purpose. They are designed either with a particular decision in mind or for a specific level of management.
3. **Level of details:** Financial accounting reports provide users with a broad overview of proposition and operational performance of the business for defined period with information generally presented at a high level. Cost accounting reports, however, often provide management with considerable details to help them with a particular operational decision.
4. **Reporting intervals and frequency:** For most businesses, financial accounting reports are produced on an annual basis. However, large companies may produce semi-annual reports and a few also produce quarterly reports. Cost and management accounting reports may be produced as frequently as required by management. In most businesses, management

teams are provided with certain reports on a weekly or monthly basis which permit constant review of operational performance.

5. **Time horizon:** Financial accounting reports reflect the operational performance and financial health of the business for an agreed past period. In short, financial accounting reports are historical information or derived from past activities. Management accounting reports, on the other hand, often provide information concerning future costs and revenues as well as past activities. Financial accounting statements do not incorporate future expectations. Occasionally, businesses do issue financial forecast reports to other users in order to raise additional capital or to fight off possible take-over bid.
6. **Range and quality of information:** Financial accounting reports concentrate on information which can be quantified in monetary terms. Cost accounting reports also produce such reports, but it is also more likely to include information of a non-financial nature such as measures of physical quantities of stocks and output. Financial accounting reports places much premium on the use of objective, verifiable evidence when preparing annual reports. Cost accounting reports may use information which is less objective and verifiable in order to provide managers with information which they require.
7. **Precision of information:** Financial accounting information must be more precise. There is usually an audit by independent external auditors to confirm the reliability of information. In cost and management accounting, approximations are permitted due to uncertainties in making estimates, but must be precise and accurate.
8. **Objectives** Financial accounting information is required to satisfy the stewardship function of management i.e. account for the use of resources entrusted to management (Principal-Agency relationship) whereas cost and management accounting information is meant to aid planning, control, decision making and performance evaluation.

Learning Task

Explain the differences between cost accounting and financial accounting.

Pedagogical Exemplars

Collaborative Learning

1. Arrange learners in mixed gender and ability groups and assign them with roles such as a manufacturing manager, external investor, accountant, and auditor to discuss the differences between financial and cost accounting.
2. Present learners with a scenario (e.g., deciding on a new production process) and task them to discuss the uses of cost and financial accounting information in that scenario.
3. Move around the groups highlighting the different uses and audiences of each accounting type through learners' assigned role perspectives.
4. In their groups, task learners to discuss the differences between cost accounting and financial accounting.
5. Each group presents its work to the class while respecting and tolerating the views of others.
6. Encourage active participation and respectful discussion and feedback.

Key Assessment

DoK Level 1

1. What is the primary purpose of cost accounting compared to financial accounting?
2. Who are the main users of financial accounting and cost accounting reports?

DoK Level 2: Explain how cost accounting contributes to cost control within an organisation.

Hint



*The Recommended Mode of Assessment for Week 14 is **Group Discussions and Presentations**. You may Refer to the Key Assessment above for sample questions to assign the tasks.*

WEEK 15

Learning Indicators

1. Explain the basis of cost classification and discuss its importance
2. Explain the composition of cost of products, services and operations

FOCAL AREA 1: COST CLASSIFICATION AND ITS IMPORTANCE

Cost classification

Cost classification refers to the process of grouping costs according to their common features or characteristics. This ensures effective reporting and communication of costs.

Cost classification include:

1. Classification according to nature of cost

Under this, the cost can be described as direct or indirect.

- a. **Direct costs** are those costs that can be traced to or conveniently identified with a particular cost centre or cost unit. For example, the cost of wood used in making a table.
- b. **Indirect costs** are those costs which cannot be traced to any particular cost centre. They are general costs that are incurred for the benefit of a number of cost centres. Examples are insurance, rent and managerial salaries.

2. Classification according to behaviour

Here, cost is classified as fixed or variable.

- a. **Fixed costs** are those costs that remain constant in total over a range of activities for a period of time. That is, a fixed cost does not change as output changes. For example, rent, depreciation and insurance on vehicles.
- b. **Variable costs** are those costs that tend to vary in direct proportion to output. That is, as output rises, variable cost also increases and vice versa. E.g. cost of raw materials.

3. Classification according to function

A cost item can be described based on the functional areas of the business. In this regard, cost may be classified as:

- a. **Production cost:** these are the indirect cost of manufacturing a cost unit. It comprises of indirect materials consumed in the factory, indirect factory wages and other indirect expenses incurred in connection with production. E.g. cost of raw materials, indirect labour.
- b. **Administration cost:** these are the costs of formulating policy, directing and controlling operations not related directly to production, selling, distribution or research and development. E.g. salaries of management, stationery.
- c. **Distribution cost:** these are the costs incurred in making the finished goods ready for dispatch and the delivery of the product to customers, e.g. cost of carriage outwards.

- d. **Selling cost:** these are marketing costs incurred in securing orders, e.g. sales promotion cost, salaries of salesmen.

4. Classification according to profit determination

Under this, a cost can be classified as a product cost or a period cost.

- a. **Product costs** are costs that are necessary for the production of goods. These costs are not incurred when there is no production. They include the cost of raw materials and direct labour.
- b. **Period costs** are those costs that are made even when there is no production. They include rent, insurance, salaries of management, etc. Period costs are written off as expenses in the period in which they are incurred.

5. Classification according to element of cost

Costs can be classified by element. There are three basic elements of cost: material, labour and Expenses/ Overheads.

- a. **Material Costs:** These are the costs of materials introduced into product or consumed in the operations of an organisation. In other words, they are the cost of materials input into the production of goods and services.

For example, the cost of: raw materials, component parts, work in progress, primary packing materials, lubricating oil, consumable tools, stationary, cleaning materials.

- b. **Labour Cost:** These are the cost of employee remuneration. In other words, payments made to and on behalf of employees for offering labour services in the production function.
- c. **Expenses:** These are all other costs other than material cost and labour costs. For example, the cost of: hiring special equipment and maintaining such equipment, royalty payments, copyrights and patent payments, utilities such as electricity and water, rent, etc.

Apart from the above cost classifications, costs may also be seen as follows:

1. **Relevant cost** refers to any cost that can be changed by a management decision. It is a cost that differs among decisions. Such costs are necessary for a particular decision.
2. **Irrelevant cost** is any cost that does not change in the decision-making process. For example, in deciding to increase the number of goods in the warehouse, the salary of the storekeeper is an irrelevant cost but the price of the product is relevant.
3. **Sunk cost** is a past or previous cost that cannot be changed by any decision. It refers to the cost of resources already acquired and the total cost shall be unaffected by the choice between two alternatives. For example, the cost of a machine purchased five years ago.
4. **Opportunity cost** values the cost of a forgone alternative or a sacrificed choice of action. Where there is no alternative use for a resource, then the opportunity cost is zero.
5. **Avoidable cost** is any cost that management can choose not to incur. Management can decide to do away with such expenses. Examples are advertising, overtime allowances, medical bills of staff, etc.

6. **Incremental /differential cost** is the difference in total relevant cost between two alternatives. It is a cost that differs as a result of changing levels of activities.
7. **Marginal cost** refers to the additional cost of producing one extra unit of a product.
8. **Conversion cost** is the cost of transforming raw materials, direct labour and overheads into finished goods. It is the amount of direct labour and overheads that are required to turn raw materials into finished products.

Importance of cost classification

The importance of cost classification lies in its ability to enhance managerial decision-making, control, and planning within an organisation. Importance of cost classification include:

1. Facilitates cost control

Classifying costs helps management identify and monitor different expense categories, enabling better control over spending and resource allocation.

2. Aids in cost analysis and decision-making

Understanding which costs are fixed, variable, or semi-variable allows managers to analyse profitability, forecast profits, and make informed decisions regarding pricing, production, and budgeting.

3. Enables accurate costing and pricing

Proper classification ensures that products or services are accurately priced by considering the relevant costs, leading to competitive and profitable pricing strategies.

4. Supports budgeting and planning

Cost classifications assist in preparing detailed budgets, setting financial targets, and planning for future activities.

5. Assists in cost control and reduction

By identifying specific cost components, organisations can focus on reducing or controlling unnecessary expenses in targeted areas.

6. Enhances financial reporting

Cost classification aligns with accounting standards, providing clear and meaningful financial reports to stakeholders.

7. Facilitates performance evaluation

Enables performance measurement of departments, products, or projects, fostering accountability and efficiency.

Learning Tasks

1. Identify various means of cost classification.
2. Explain the importance of cost classification.
3. Discuss ways by which costs can be classified.

Pedagogical Exemplars

Collaborative Learning

1. Teachers begin lesson with recap on the meaning of cost.
2. Arrange learners in mixed ability and mixed gender groups to explain the basis of cost classification and discuss its importance.
3. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions or to scaffold discussions by providing simplified definitions or terminology (AP). AP should be given additional attention in explaining the meaning and purpose of cost classification.
4. Learners with clear understanding (P) should be allowed to discuss cost classification and its importance.
5. Learners with a high level (HP) of understanding of concepts might lead the groups' discussion on the meaning of cost classification, and the importance of cost classification or work as elbow partners with less able learners within the group.
6. Groups share their thoughts and their responses with the wider class for discussion and feedback.

Key Assessment

DoK Level 1: Outline cost classification give three reasons why it is important.

DoK Level 2

1. Explain the purpose of cost classification.
2. Discuss three reasons why cost classification is important to businesses and informs decision making and planning.

FOCAL AREA 2: COMPOSITION OF COST OF PRODUCTS, SERVICES AND OPERATIONS

Elements of Cost

Elements of cost constitute the components that make up the cost of a product or service. The main elements of cost are materials, labour and other expenses (overhead).

Materials

These are all the ingredients, or inputs that go into the production process before the final product or service is provided. Material cost is made up of direct materials and indirect materials.

- a. Direct material cost** – is the cost of raw materials that go into production to be transformed through the manufacturing process to become finished products or services. For example, leather used for shoes, cement used for building, palm oil used for soap and cassava used for gari.
- b. Indirect material cost** – is the cost incurred on physical components that do not form part of the final product. Indirect materials cannot be easily traced to a particular

product or service. For example, cleaning materials, lubricants used in machines and packaging materials.

Labour

All human effort (physical or mental) used in the production of goods and services. Labour cost is made up of direct labour and indirect labour and can be made up of wages, salaries, bonuses, overtime, etc.

- a. **Direct labour** – this is the remuneration paid to workers whose services can be identified directly with a particular product or service. For example, the wages of a mason building a house, the salaries of a machine operator, carpenter or a tailor.
- b. **Indirect labour** – this is the remuneration paid for services that cannot be easily traced to a product or service. Examples are salaries of supervisors, cleaners and security.

Expenses

All costs incurred other than materials and labour. They are costs of services paid or unpaid, rendered to an organisation.

- a. **Direct expenses** – these are expenses that can be easily traced to or identified with a particular product or service. For example, royalties paid on patents and mining, the cost of hiring a special machine, fees of architects or consultants and experimental costs.
- b. **Indirect expenses** – these are expenses that cannot be easily traced or identified with a particular product or service. For example, rent and rates, telephone bills, depreciation and insurance.

Below is a diagram to show the elements of cost

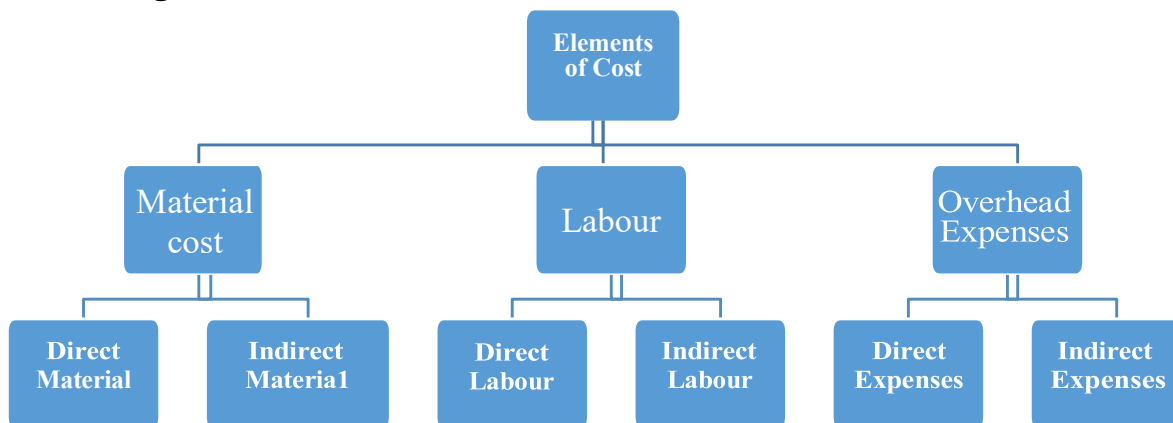


Figure 4.1: Elements of cost

Learning Tasks

1. Identify the types of material costs.
2. Explain the elements of cost.
3. Discuss labour cost and its importance to production.

Pedagogical Exemplars

Initiating Talk for Learning

1. Teachers guide learners to review their knowledge of the meaning of Cost Accounting and its functions, the basic terminologies and various ways by which costs can be classified.
2. Teachers guide learners to discuss the composition of the elements of cost.
3. Let learners work in pairs, considering abilities, gender and SEL to discuss the types of material cost, labour cost and expenses with examples.
4. Teachers move around the room to target learners who may need more support. This may be through direct questioning or instructions or by scaffolding discussions through simplifying definitions or terminology. AP learners should be given additional attention in explaining the composition of the elements of cost.
5. Learners with clear understanding (P) should be allowed to discuss the types of material costs, labour costs and expenses.
6. Learners with a high level (HP) of understanding of concepts, should be allowed to discuss the types of material cost, labour cost and expenses with examples.
7. Teachers should ensure the participation of all learners in each group while respecting the views of other learners.

Key Assessment

DoK Level 1

1. List the elements of cost.
2. What are indirect costs?
3. State two examples of each of the following:
 - a. Indirect labour
 - a. Direct labour
 - b. Direct expenses
 - c. Indirect material

DoK Level 2: Discuss the elements of cost and their importance to production.

Hint



Assign **Individual Project** for the semester by Week 15. The project should be submitted by Week 20. See **Appendix F** at the end of this section and *Teacher Assessment Manual and Toolkit* pages 27 and 125 for more information on how to organise an individual project.

SECTION 4 REVIEW

Throughout the lessons in weeks 13 to 15, learners should have gained a solid understanding of the purpose and significance of cost accounting, including its role in improving organisational performance. It is expected that learners would have acquired knowledge

of basic terminologies in cost accounting such as direct costs, indirect costs, fixed costs and variable costs. The knowledge gained will enable learners to differentiate between these terms. Differentiation strategies implemented during teaching and learning should have ensured that each learner received tailored support and opportunities for enrichment according to their individual needs. Gifted and talented learners may have explored advanced problem-solving tasks or real-world applications, enhancing their understanding beyond classroom activities. Conversely, learners who are not yet secure in the concepts would have received additional scaffolding and support to facilitate their learning progress. As a result of collaborative activities and discussions within mixed-ability groups, learners should have developed essential communication and teamwork skills. They should be capable of engaging in meaningful discussions, sharing perspectives and supporting their peers in grasping complex concepts. By the end of this review period, each learner should have a comprehensive understanding of the purpose of cost accounting, the significance of managing and controlling costs and some basic terminologies associated with the subject.



APPENDIX F: INDIVIDUAL PROJECT

Duration: 5 Weeks. **Total Marks:** 20

WEEK-BY-WEEK ACTIVITY BREAKDOWN

Week 1: Understanding Cost Accounting Basics

Activities

1. Research and write in your own words.
 - What is cost accounting?
 - The scope and functions of cost accounting.
2. Use bakery-related examples to explain:
 - Direct materials (e.g., flour, sugar)
 - Direct labour (e.g., bakers' wages)
 - Direct expenses (e.g., delivery costs for ingredients)
3. Start drafting **Section 1** of your report: "Introduction to Cost Accounting for Golden Taste Bakery."
4. **Output for Week 1:** 1–2 pages defining cost accounting, its scope, functions, and key terms with bakery examples.

Week 2: Planning for a Cost Accounting System

Activities

1. Identify and explain at least **three factors** Mrs. Mensah should consider before installing a cost accounting system (e.g., size of business, type of products, setup cost).
2. Explain the type of information the system would produce and why it's valuable (e.g., cost per loaf, cost per batch of cupcakes).
3. Compare cost accounting with financial accounting using bakery examples (day-to-day flour tracking vs. annual accounts).
4. **Output for Week 2:** 1–2 pages covering system considerations, benefits, and cost vs. financial accounting comparison.

Week 3: Classifying Costs & Understanding Overheads

Activities

1. Classify bakery costs as:
 - **Fixed or Variable**
 - **Direct or Indirect**
2. Choose a bakery product (e.g., birthday cake) and break down its total cost into:

- Materials
 - Labour
 - Expenses
 - Overheads
3. Identify the bakery's overhead costs (e.g., electricity, rent, salaries) and suggest how they could be allocated to different products.
 4. **Output for Week 3:** Cost classification tables and overhead allocation explanation.

Week 4: Costing Methods for Different Orders

Activities

1. Explain **job costing** with an example for a custom wedding cake.
2. Explain **batch costing** with an example for supplying bread to a school meals programme.
3. Describe **process costing** if the bakery runs a continuous bread production line.
4. Describe **service costing** for the bakery's catering service.
5. **Output for Week 4:** 2–3 pages comparing costing methods with bakery examples.

Week 5: Finalising the Report

Activities

1. Compile all sections from Weeks 1–4 into a single well-structured report.
2. Include:
 - Introduction
 - Main Body (with subheadings for each section)
 - Conclusion & Recommendations
3. Add tables, charts, or diagrams where needed.
4. Review your work for:
 - Accuracy of facts
 - Clear explanations
 - Practical bakery-based examples
5. Submit your final report.
6. **Output for Week 5:** Final project report ready for submission.

SCORING RUBRIC – Total 20 Marks

Criteria	Description	Marks
Knowledge & Understanding	Accurate explanation of cost accounting concepts (2 marks), scope (2 marks), functions (2 marks), and terms (2 marks) with bakery relevant and appropriate examples (2 marks) Allocate one mark for an accurate but brief answer and two for a detailed explanation.	10
Application	Clear application of cost accounting concepts to the Golden Taste Bakery scenario (including cost classifications (2 marks), costing methods (4 marks), overhead allocation (1 marks)) Concepts must be relevant to Golden Taste Bakery (2 marks)	10
Analysis	Well-reasoned comparison of costing methods (4 marks), analysis of system needs (3 marks), and sound recommendations relevant to the business needs (3 marks)	10
Organisation & Presentation	Logical report structure including headings (1 mark), report includes tables/charts (1 mark), neat formatting (1 mark)	3
Completeness & Timeliness	All sections covered (1 mark), submitted on time (1 mark)	2
TOTAL		35

SECTION 5: ACCOUNTING FOR OVERHEADS AND COSTING METHODS

Strand: COST ACCOUNTING

Sub-Strand: DETERMINING COST OF OPERATIONS FOR PRICING CONTROL

Learning Outcome: Explain the different methods employed to determine the cost of various products and services

Content Standard: Demonstrate knowledge and understanding of the methods of determining and controlling the cost of goods and services.

Hint



The Recommended Mode of Assessment for Week 18 is **Mid-Semester Examination**. Refer to **Appendix G** at the end of Section 5 for further information on how to go about the mid-semester examination.

INTRODUCTION AND SECTION SUMMARY

In this section, learners will examine the methods used to determine the cost of various products and services, a crucial aspect of pricing control. The primary outcome is for learners to be able to explain the different methods employed for cost determination, facilitating effective decision-making regarding pricing strategies. Key learning indicators include explaining overheads, terminologies used in overhead analysis and types of overheads, outlining the characteristics of specific order costing (by job, batch and contract), identifying processing organisations and understanding process operations. Additionally, learners will identify service organisations and the nature of the services provided. At the end of this section, learners should be proficient in recognising the details of cost-determination methods and their application in diverse organisational contexts. This will not only help their understanding of pricing control but also strategic decision-making across various sectors. Furthermore, this section may link to other areas such as finance, business management and economics, highlighting the interrelated nature of cost accounting within broader business contexts.

The weeks covered by the section are:

Week 16: Explain the term Overheads Analysis, terminologies used in overhead analysis and types of overheads.

Week 17: Discuss the characteristics of Specific Order Costing - Job and Contract and analyse the difference between Job and Contract Costing.

Week 18: Identify processing organisations and explain the characteristics of pProcess Costing.

SUMMARY OF PEDAGOGICAL EXEMPLARS

Experiential-Based Learning: Teachers can engage learners in experiential-based learning by organising a field trip to a local artisan, such as a carpenter, builder, seamstress or tailor. During this excursion, learners will gain practical experience and insights into the characteristics of specific job orders. By observing and participating in real-world scenarios, learners will deepen their understanding of how job orders are executed and the unique challenges associated with each type of order. This approach allows for hands-on learning, fostering a deeper connection to the subject matter and facilitating a more comprehensive understanding of specific order costing.

Talk for Learning: In mixed-gender and ability groups, teachers can facilitate discussions among learners to explore the differences between job orders, batches and contracts. Through collaborative dialogue, learners will have the opportunity to articulate their understanding, share insights and engage with diverse perspectives. This method not only enhances communication and critical thinking skills but also encourages active participation and peer learning. Teachers should encourage all learners to contribute to the discussion, ensuring that each learner has the opportunity to voice their thoughts and ideas.

Particular attention should be paid to learners with special education 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 at a high level of proficiency (HP). Additionally, for gifted and talented learners, teachers can provide additional challenges or opportunities for deeper exploration, such as researching advanced concepts related to specific order costing or leading group discussions on more complex topics.

ASSESSMENT SUMMARY

Assessment strategies encompass various levels to evaluate learners' understanding of cost accounting. At level 1, simple recall questions test basic knowledge, such as listing characteristics of specific job order costing. Level 2 tasks require learners to further explain concepts on costing, which is beyond recall, demonstrating a clearer understanding of the lesson taught. Level 3, strategic thinking is assessed by analysing case studies or proposing strategies for cost management. Finally, level 4 involves extended critical thinking, with learners tackling complex questions or research projects about specific job orders. Assessments can be delivered through diverse methods, including written tests, projects, presentations and case studies. Clear instructions and evaluation criteria are essential for each task. Additionally, incorporating group discussions or peer reviews can enhance collaborative learning. Feedback should be timely and constructive, considering individual learner strengths and areas for improvement. Formative assessments allow for ongoing monitoring of progress, enabling teachers to adjust instruction as needed. These comprehensive assessment strategies aim to ensure learners grasp key concepts and develop critical thinking skills in cost accounting.

WEEK 16

Learning Indicator: Explain the term Overheads Analysis, terminologies used in overhead analysis and types of overheads

FOCAL AREA: ACCOUNTING FOR OVERHEADS**Overheads**

Overheads can be defined as the total cost of indirect materials, indirect labour and indirect expenses. Overheads cannot be traced directly to a particular cost unit or cost centre. Overheads are incurred for the benefit of the entire organisation. Overheads therefore is the summation of all indirect costs.

Types of overheads**1. Factory Overheads**

These are all the indirect costs incurred in producing the product. Factory overheads consist of the costs of indirect materials, indirect labour and indirect expenses incurred in the factory to produce goods and services. Factory overheads is also known as production overheads. Examples of factory overheads are factory rent, lubricants, depreciation on plant and machinery, factory power, supervisor's salary.

2. Administration Overheads

Administration Overheads are costs incurred in the general administrative functions to achieve the objectives of the organisation. These are all the indirect material cost, indirect labour cost and indirect expenses incurred in the office. Examples of administration overheads are office rent, administrative staff salaries and wages, stationery, depreciation of office machines, office light and heat.

3. Selling and Distribution Overheads

Selling Overheads: These are the indirect costs incurred to create and stimulate demand and secure orders for the firm's products. They include cost of promoting sales, selling of goods, and retaining customers. Examples of selling overheads includes adverting cost, salesmen commission, salaries, and wages.

Distribution Overheads: It involves the indirect costs incurred in sending the goods to the customers. This overhead deals with all cost incurred from the time the product is completed until it reaches its destination. Examples of distribution overheads are carriage outwards, storage cost, insurance of goods in transit, maintenance, depreciation of delivery cars, etc

4. Financial Overheads

These are all the costs incurred in relations to financing the activities of the business. Examples of financial overheads are bank charges, interest on loans and discount allowed.

5. Variable Overheads

These refer to indirect costs that change in proportion to the level of production or business activity. Examples of variable overheads are lubricant, packaging cost, etc.

6. Fixed Overheads

Fixed overheads refer to indirect costs that do not change in proportion to the level of production or business activity within a range. The indirect costs remain constant regardless of the level of production or business activity. Examples of fixed overheads include rent, salary of administrative staff, insurance, etc.

7. Semi-variable overheads

These are indirect costs that have both fixed and variable components. Semi-variable overheads is also known as mixed overheads. Semi-variable overheads examples are electricity bills, water bills, etc.

Overheads Analysis

Overheads analysis refers to the process of examining, categorising, allocating, and controlling indirect costs incurred in the production of goods and services. These are costs that are not directly traceable to a specific product, service, or activity but are necessary for the business to function. It comprises gathering all indirect cost data, sorting costs into logical categories (e.g., production, administration, selling etc), assigning overheads to cost centres that exclusively incurred the cost, the sharing of common costs to cost centres, reassigning service centres costs to productive centres for ascertaining over all overheads to absorb in the units produced. Overheads analysis aims at controlling costs of the organisation.

Purpose of Overheads Analysis

1. To understand how indirect costs affect total production cost.
2. To allocate overheads fairly across departments, products, or services.
3. To identify cost-saving opportunities.
4. To inform budgeting and pricing decisions.

Terminologies used in overheads analysis are summarised below

Allocation of overheads

The process of assigning the whole overhead costs directly to specific cost centres or departments. For instance, the salary of a staff in the canteen of a manufacturing firm will be allocated wholly to the canteen department.

Apportionment of overheads

Overheads that are general and cannot be allotted to a specific cost centre are distributed to all the cost centres where the cost is incurred using the appropriate basis. For example, cost of rent of a firm which has three cost centres (departments) will be shared to the three departments using fair basis.

Re-apportionment of overheads

This is where all overhead costs in the service cost centres are redistributed to the productive centres which benefit from its activities. It is because, there are no costs units in service cost centres. For instance, total overheads costs of maintenance and canteen departments are redistributed to the productive departments.

Absorption of overheads (Overhead Recovery)

This involves charging the overheads to units of product using absorption rates. After allocation, apportionment and re apportionment of overhead costs to production departments, the cost is then transferred to the products or cost units using predetermined overhead absorption rates such as direct material percentage, machine hours rate, units produced etc.

Learning Tasks

1. Define overheads
2. Explain the types of overheads
3. Discuss overheads analysis

Pedagogical Exemplars

Collaborative learning

1. Arrange learners in to mixed ability and gender groups. Through facilitated group discussions, guide learners through the explanation of overheads and types of overheads with examples.
2. Let learners brainstorm to come out with examples of overhead costs. Task learners to group the overhead costs into various types of overheads.
3. Let learners determine whether the overhead costs should be allocated or apportioned and indicate the department/s to which each overhead cost should be allocated or apportioned. Provide simplified explanations and contextualised examples for approaching proficient learners for understanding.
4. In their groups, learners explain why a particular overhead cost should be allocated or apportioned.
5. Each group present to its reasons or explanations to the wider class for discussion.
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.

Talk for Learning

1. Teachers guide learners to discuss the purpose of overheads analysis.
2. Learners are encouraged to use digital tools where possible to aid their understanding and participate in their group discussion.
3. Learners with additional needs should be given additional attention to enable them to understand the concepts.
4. Learners with a clear and high levels understanding should be encouraged to play key roles in the discussion in their groups and consider extension questions such as “How does overheads analysis inform pricing decisions?”
5. Teachers move around the classroom to target learners who may need more support.

- Teachers ensure the participation of all learners in each group while respecting the views of their colleagues.

Key Assessment

DoK level 1

- What is an overhead?
- Identify four types of overheads and give an example of each.

DoK level 2

- Explain overheads analysis.
- Differentiate between the following terms used in overhead analysis given an example each
 - Factory overheads and administration overheads.
 - Allocation and apportionment.
 - Reapportionment and absorption.

DoK Level 3: Justify the need for absorbing overhead cost within the cost of a product or service.

Hint



The Recommended Mode of Assessment for Week 16 is **Poster Presentation**. You may Refer to the Key Assessment above for sample questions to assign the tasks.

WEEK 17**Learning Indicators**

1. *Discuss the characteristics of Specific Order Costing – Job and Contract*
2. *Analyses the difference between Job and Contract Costing*

FOCAL AREA 1: CHARACTERISTICS OF SPECIFIC JOB ORDER COSTING – JOB AND BATCH AND CONTRACT

Job Costing

Job costing is a form of specific order costing in which costs are attributed to individual jobs which are undertaken to a customer's specifications. Job costing involves a customer making a specific order for a piece of work to be done. Examples of where job costing is applied include sewing a dress, producing a table or food prepared for occasions.

Characteristics of job costing

1. Each job is unique.
2. Production is based on the customer's specifications.
3. The job price is agreed upon with the customer before production starts.
4. Job price is based on cost estimation.
5. Separate records are kept for each job.
6. All costs related to a job are collected on a job card.

Advantages of job costing

1. The profit for each job can be determined individually.
2. It provides a detailed cost analysis of each element of cost for each job.
3. It is very useful in the estimation of costs for other jobs.
4. It helps in comparison of actual cost with estimated cost.
5. It helps in identifying profitable and unprofitable jobs.
6. It helps in providing precise quotations for a product.

Disadvantages of job costing

1. Difficulty in preventing unwanted costs during production.
2. There is no standard procedure in cost estimation.
3. It is not useful for cost-efficient and fast-paced jobs.
4. More clerical work is needed in cost estimation.
5. It is difficult to control costs.

Batch Costing

Batch costing is a form of costing which applies when quantities of similar or identical products are manufactured in a group or as a batch. An example is where a company manufactures 5,000 identical chairs. Batch is treated as a job during production. Each batch is identified by a number and all expenses are accumulated and attributed to the batch. A unit cost is found by dividing the total cost by the number of units produced in the batch. Areas where batch costing is used include pharmaceuticals, garments, or food processing.

Characteristics of batch costing

1. Goods are produced in predetermined lots or batches rather than individually or continuously.
2. All costs (materials, labour, and overheads) are collected for the entire batch, not for individual units. The job price is agreed upon with the customer before production starts.
3. Each item within the batch is identical or very similar in nature and quality.
4. The total batch cost is divided by the number of units in the batch to determine the cost per unit.
5. Suitable where the same product is produced repeatedly, such as in pharmaceuticals, garments, or food processing.

Learning Tasks

1. Identify the characteristics of job costing.
2. Explain the advantages and disadvantages of job costing.
3. Discuss the characteristics of batch costing.
4. Compare job costing with batch costing.

Pedagogical Exemplars

Initiating talk for learning

1. Teachers guide learners to review their knowledge of the elements of cost.
2. Teachers guide learners to discuss the meaning of job and batch costing.
3. Let learners work in pairs, considering abilities, gender and SEL to discuss the characteristics of job and batch costing.
4. Teachers guide learners to discuss the advantages and disadvantages of job costing.
5. Teachers move around the classroom to target learners who may need more support (AP). This may be through direct questioning or instructions or scaffolding discussions by providing simplified definitions or terminologies (AP). AP learners should be given additional attention in explaining job and batch costing.
6. Learners with a clear understanding (P) should be encouraged to discuss the differences between job and batch costing and their characteristics.

7. Learners with a high level (HP) of understanding of concepts, should be allowed to discuss the differences between job and batch costing; their characteristics, advantages and disadvantages.
8. Teachers should ensure the participation of all learners in each group while respecting the views of their colleagues.

Experiential-Based Learning

1. Learners have the opportunity to visit local businesses to learn how they approach cost (for example carpenter, seamstress, tailor etc). Teachers guide the discussion back in the classroom on what was observed and the real-life application of costing principles.
2. Alternatively, teachers produce a scenario-based brief that requires learners to cost a job based on a given set of parameters. Learners work in mixed ability groups to prepare costings to share with the class.
3. Ensure that this experience does not reinforce stereotypes of job options for women and men; develop scenarios which reflect artisans who are not in traditional gender roles.

Key Assessment

DoK Level 1

1. What is a job costing?
2. State three characteristics of job costing.

DoK Level 2: Explain four differences between job and batch costing.

DoK Level 3

1. How would a business determine the profitability of an individual job using job costing data?
2. Analyse when a company should use batch costing instead of job costing. Justify your answer with examples.

FOCAL AREA 2: CHARACTERISTICS OF SPECIFIC JOB ORDER COSTING – CONTRACT

Contract Costing

Contract costing is a cost method, which applies where work is undertaken to the customer's specification and is of relatively longer duration as compared to a job or batch. Under contract costing, the work is done at the site located by the customer. Contract works are often of a constructional nature like the constructions of roads, bridges, ships, etc.

Characteristics of contract costing

1. A contract is done according to customers' specifications.
2. Contracts are of longer duration.
3. Each contract is undertaken at the customer's site/location.
4. Each contract is independent of other jobs.

5. Contracts are usually large in nature.

Advantages of contract costing

1. Each contract is treated separately thereby making it easy for the contractor to track and control costs.
2. There is little possibility of incurring loss since all the costs incurred are recovered from the contract.
3. It assumes a fixed percentage of profit to the contractor.
4. Payments are usually received in stages thereby improving cash flow.
5. The contractee can exercise effective control over the performance of the contract by having retention money.
6. The contractor gets the benefits in the case of increasing prices by incorporating escalation clauses.

Disadvantages of contract costing

1. It becomes time-consuming when work is not done according to schedule.
2. Costs may increase when there are production delays.
3. Improper accounting records can lead to improper calculation of profits.
4. The contractor may have to pre-finance the contract.

Difference between job costing and contract costing

S/N	Aspect	Job Costing	Contract Costing
1	Duration	Short term period.	Takes a long-term period.
2	Location of work	Work is done in a workshop or factory.	Work is done at the site which is often located by the customer.
3	Scope	Involves small and individual jobs.	Involves large scale activities.
4	Control of work	It is usually internal.	It is supervised by the contractee's (customer's) technical professionals.
5	Mode of payment	Payment is mostly done upon the completion of the job.	Payment is made on stages based on work certified.

Learning Tasks

1. Outline the characteristics of contract costing.
2. Explain the difference between job costing and contract costing.
3. Discuss the meaning of contract costing.

Pedagogical Exemplars

Initiating Talk for Learning

1. Teachers guide learners to review their knowledge of job and batch costing.
2. Let learners work in pairs, considering abilities, gender and SEL to discuss the meaning and characteristics of contract costing.
3. Teachers guide learners to discuss the advantages and disadvantages of contract costing and compare these with job costing.
4. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions or to scaffold discussions by providing simplifying definitions or terminology (AP).
5. AP learners should be given additional attention in explaining contract costing.
6. Learners with a clear understanding (P) should be encouraged to discuss the meaning and characteristics of contract costing.
7. Learners with a high level (HP) of understanding of concepts should have the opportunity to discuss the meaning, characteristics, advantages and disadvantages of contract costing.
8. Call on pairs to present their work to the rest of the class for discussion and feedback as part of a plenary session to review the concepts of job and contract costing.

Teachers should ensure the participation of all learners in each group and that learners respect the views of other learners.

Key Assessment

DoK Level 1

1. What is contract costing?
2. List three characteristics of contract costing.

DoK Level 2

1. Explain four advantages and disadvantages of contract costing.
2. Explain four differences between job and contract costing.

DoK Level 3

1. Propose strategies for overcoming the disadvantages associated with implementing contract costing in a construction firm.
2. Evaluate the role of cost accounting systems in supporting strategic decision-making in companies that use job order, batch or contract costing methods.
3. Explain how the choice between job, batch or contract costing depends on the nature of the industry and the type of products or services produced.

DoK Level 4

1. Critically evaluate the effectiveness of job order costing in industries characterised by high customisation and low production volumes.
2. Compare and contrast the advantages and disadvantages of batch costing and contract costing in industries with fluctuating demand and production volumes.

3. Assess the impact of technological advancements, such as automation and digitisation, on the relevance and applicability of traditional costing methods like job order, batch and contract costing.

Hint

*The Recommended Mode of Assessment for Week 17 is **Research**. You may Refer to the Key Assessment above for sample questions to assign the tasks. Refer to Teacher Assessment Manual and Toolkit page 61 for further information on how to carry out this assessment mode.*

WEEK 18

Learning Indicators

1. *Identify processing organisations and explain the characteristics of process costing*
2. *Identify service organisations and explain the characteristics of service costing*

FOCAL AREA 1: CHARACTERISTICS OF PROCESS COSTING

Process Costing

Process costing is a form of operating costing which applies where standardised goods are produced. It is used when there is mass production of similar products, where the costs associated with individual units of output cannot be differentiated from each other.

Process costing represents a method of cost procedure applicable to continuous or mass-production industries producing standard products. Examples of industries engaged in process production are breweries, oil refineries, chemical processing, food production, water distilleries, etc.

Main purpose of process costing

1. To ascertain the cost per unit of products.
2. To calculate the average cost of production at the end of every stage of production.
3. To determine the value of work in progress.
4. To account for normal and abnormal losses during production.
5. To match the actual product cost against its related costs.

Characteristics of process costing

1. The production is continuous.
2. The product is homogeneous.
3. The process is standardised.
4. The output of one process becomes the raw material of another process.
5. The output of the last process is transferred to the finished stock.
6. Costs are compiled for each process by preparing a separate account for each process.
7. The finished products are identical and cannot be easily distinguished unless batch coding is done.

Advantages of process costing

1. **Cost uniformity:** Process costing ensures uniformity in costing by spreading costs evenly across all units produced within a specific period, regardless of the individual characteristics of each unit.

2. **Simplicity:** Compared to job costing, process costing is often simpler to implement and maintain, especially in industries where production processes are standardised and repetitive.
3. **Accurate costing:** It provides a more accurate representation of costs incurred at each stage of production, enabling better cost control and decision-making.
4. **Inventory valuation:** Process costing facilitates the valuation of work in progress and finished goods inventory at various stages of production, aiding in financial reporting and inventory management.
5. **Performance evaluation:** It allows for the evaluation of the efficiency and performance of each production process or department, helping management identify areas for improvement and cost reduction.
6. **Standardisation:** Process costing encourages the standardisation of production processes, which can lead to increased efficiency, reduced waste and better quality control.
7. **Cost tracking:** By assigning costs to specific processes or departments, process costing enables detailed tracking of production costs, making it easier to identify cost variances and their causes.
8. **Cost control:** With detailed cost information available for each process, management can implement effective cost control measures to optimise resource allocation and minimise wastage at each stage.

Disadvantages of process costing

1. **Loss of product individuality:** Process costing treats all units within a process or department as identical, which may lead to a loss of product individuality. This can be a drawback in industries where customisation or variation in products is important.
2. **Overhead allocation issues:** Allocating overhead costs based on predetermined rates may result in under or over-allocation of costs, leading to distorted product costs and potentially misleading decision-making.
3. **Difficulty in cost control:** Since costs are aggregated at the process or department level rather than individual units or batches, process costing may not provide detailed enough information for effective cost control.
4. **Time and resource intensive:** Implementing and maintaining a process costing system can be time-consuming and resource-intensive, requiring careful documentation of production processes, cost allocation methods and overhead rates.
5. **Not suitable for small-scale operations:** Process costing is better suited to industries with large-scale, repetitive production processes. Small-scale or custom manufacturing operations may find it impractical or unnecessary.

Learning Tasks

1. Outline the characteristics of process costing.
2. Discuss the meaning of process costing.
3. Examine the main purpose of process costing.

Pedagogical Exemplars

Initiating Talk for Learning/ Structuring Talk for Learning

1. Teachers guide learners to review their knowledge of contract costing.
2. Show a video or series of pictures depicting processing operations in different industries.
3. Encourage learners to actively observe and analyse the operations shown in the video or pictures.
4. In an all-inclusive discussion, learners present their views and observations from the pictures or video(s) watched and share their views on processing organisations. Teachers guide learners to discuss the meaning of process costing.
5. Let learners work in pairs, considering abilities, gender and SEL to discuss the purpose and characteristics of process costing.
6. Teachers guide learners to discuss the advantages and disadvantages of process costing.
7. Teachers move around the room to target learners who may need more support. This may be through direct questioning or instructions or to scaffold discussions by providing simplifying definitions or terminology. Learners approaching proficiency should be given additional attention in explaining process costing and the other concepts.
8. Proficient and highly proficient learners should be encouraged to lead in discussing the meaning, purpose, characteristics, advantages, and disadvantages of process costing.
9. Teachers should ensure the participation of all learners in each group while respecting the views of other learners.

Experiential learning/field trip

1. If possible, arrange for learners to have the opportunity to visit a local processing organisation to provide them with hands-on learning about process operations.
2. Ahead of the visit review basic concepts and set observation goals.
3. Learners are to observe and make notes on production flow, machinery and quality control.
4. In mixed ability and mixed gender grouping, learners discuss what they observe and make a presentation to the larger class.
5. Alternatively, representatives from process organisations could come and make a presentation, or a case study be presented to the class. Brief learners in advance to prepare questions to ask during an open discussion.

Key Assessment

DoK Level 1

1. Define process costing.
2. List three characteristics of process costing.
3. State two disadvantages of process costing.
4. Give an example of a product which uses a process costing method.

DoK Level 2: Differentiate between process and job costing.

DoK Level 3

1. Propose strategies for overcoming the disadvantages associated with process costing.
2. Evaluate the role of cost accounting systems in supporting strategic decision-making in companies that use process costing methods.
3. Explain how the choice between contract or process costing depends on the nature of the industry and the type of products or services produced.

FOCAL AREA 2: CHARACTERISTICS OF SERVICE COSTING**Service Costing**

Service costing involves the production of intangible items called “services” which cannot be stored. Examples of services are the activities or jobs of teachers, lawyers, pastors, drivers, barbers, hairdressers, etc.

Characteristics of Service Costing

1. Lack of inventory —There is no inventory for services.
2. Expiration—since services cannot be stored for future use, services cannot expire or perish like normal goods.
3. Inseparability—the production of the service cannot be separated from the owner.
4. Uniqueness—the production of services is unique and different. Every service produced is different from the other.

Objectives of service costing

1. To determine the cost per unit of service for which sales revenue may be earned.
2. To price the services provided.
3. To ascertain the profit or loss made in the provision of a service.
4. To provide management with cost information for cost control and improvement in services provided.

Organisations that use service costing and the units produced

Applications	Cost units
Hospitals	In-patient days, number of surgeries, number of outpatients attended to, etc.
Consultancy	Client hours or days
Schools	School hours or days, numbers of learners, types of programmes
Canteen/ Restaurants	Number of plates of meals served
Maintenance services	Maintenance hours/days
Power generation organisations	Kilowatts used

Soliciting firms	Court days/ hours
Hotels	Occupied beds/rooms, conference rooms, membership/ subscription for use of gym/spa
Transport services	Tonnes/kilometres covered, number of passengers, distance covered

Advantages of service costing

- 1. Cost visibility:** Service costing provides a clear picture of the costs associated with each service offered by a business, enabling better cost management and pricing decisions.
- 2. Resource allocation:** It helps in allocating resources efficiently by identifying the costs incurred in delivering each service, allowing businesses to allocate resources based on profitability and demand.
- 3. Performance evaluation:** Service costing facilitates the evaluation of the profitability and performance of each service, helping management identify areas for improvement and investment.
- 4. Decision-making:** It provides valuable information for decision-making regarding service pricing, resource allocation, outsourcing and investment in new services or technologies.
- 5. Customer profitability analysis:** Service costing enables businesses to analyse the profitability of individual customers or customer segments by attributing costs to specific services used by each customer.
- 6. Benchmarking:** By comparing the costs and profitability of similar services within the industry, service costing helps businesses benchmark their performance and identify opportunities for cost reduction and efficiency improvement.

Disadvantages of service costing

- 1. Complexity:** Service costing can be complex, especially in businesses offering a wide range of services with varying cost structures and revenue streams. Allocating overhead costs and indirect expenses accurately to each service can be challenging.
- 2. Intangibility of services:** Unlike tangible products, services often involve intangible elements such as customer experience and satisfaction, making it difficult to measure and allocate costs accurately.
- 3. Subjectivity:** Allocating costs to services may involve a degree of subjectivity, especially when assigning shared resources or indirect costs. This subjectivity can lead to biases and discrepancies in cost allocation.
- 4. Difficulty in cost measurement:** Some services may lack clear cost drivers or units of measurement, making it difficult to determine the appropriate basis for allocating costs. This can result in arbitrary cost allocations and inaccurate profitability analysis.
- 5. Customer heterogeneity:** Customers may vary significantly in their usage patterns and resource requirements, making it challenging to accurately attribute costs to individual customers or customer segments.

Learning Tasks

1. Outline the objectives of service costing.
2. Explain the characteristics of service costing.
3. Discuss the advantages and disadvantages of service costing.
4. Identify the organisations that use service costing and their cost units.

Pedagogical Exemplars

Initiating Talk for Learning/ Structuring Talk for Learning

1. Teachers guide learners to review their knowledge of process costing.
2. Teachers show a video(s) or series of pictures depicting service operations in different industries.
3. Teachers encourage learners to actively observe and analyse the operations shown in the video(s) or pictures.
4. In an all-inclusive discussion, learners present their views and observations from the pictures or video(s) watched and share their views on service organisations.
5. Teachers guide learners to discuss the meaning of service costing.
6. Arrange learners in small groups, considering abilities, gender and SEL to discuss the purpose and characteristics of service costing.
7. Teachers guide learners to discuss the advantages and disadvantages of service costing.
8. Learners approaching proficiency should be given additional attention in discussing the meaning of service costing, characteristics of service costing and identifying organisations that use service costing.
9. Proficient and highly proficient learners should be encouraged to lead in discussing the meaning of service costing, characteristics of service costing and identifying organisations that use service costing.
10. Teachers should ensure the participation of all learners in each group while respecting the views of other learners.

Collaborative learning

1. Arrange learners in small groups with mixed genders and abilities. Assign each group a type of service organisation to use as a case study to understand the basis of service costing. (e.g hospital, hotel, IT support).
2. Each group to discuss their allocated organisation, their primary service functions and the value they offer. Each group to prepare a breakdown of cost units for their organisation.
3. Groups to present their work to the rest of the class for discussion and feedback.
4. Teacher to lead plenary session reflecting on the main outcomes from discussions.

Key Assessment

DoK Level 1

1. Define service costing.

2. List three characteristics of service costing.
3. State two advantages of service costing.
4. List three organisations that provide services and their units of production.

DoK Level 2: Differentiate between service costing and contract costing.

DoK Level 3: Propose strategies for overcoming the disadvantages associated with service costing.

Hint



The Recommended Mode of Assessment for Week 18 is **mid-semester examination**. Refer to the **Appendix G** at the end of Section 5 and the Teacher Assessment Manual and Toolkits pages 66–67 and 74–76 for more information on multiple-choice questions and essay questions.

SECTION 5 REVIEW

Our journey through cost accounting has emphasised the crucial role of determining product and service costs for effective pricing control. In this section, learners are expected to have mastered overheads and types of overheads, overheads analysis, terminologies used in overheads analysis, the characteristics of specific order costing, distinguishing between job, batch and contract scenarios. Understanding processing organisations' dynamics is expected to have equipped learners to identify different organisational contexts. Additionally, insights into service organisations are aimed at providing a deeper understanding of cost determination in service-based industries. Through experiential-based learning, such as field trips and collaborative discussions using talk for learning, learners have engaged actively, gaining practical experience and honing communication and critical thinking skills. Assessment strategies, ranging from basic recall to extended critical thinking tasks, have ensured a comprehensive grasp of the subject matter. Overall, learners should now possess an understanding of pricing control across diverse sectors, underscoring the significance of cost accounting in business management and finance.



APPENDIX G: MID – SEMESTER EXAMINATION

Structure

Content should cover weeks 13 to 18 and reflect depth of knowledge levels.

The test should include:

Multiple Choice Questions 20 (20 marks)

4 Essay Questions (10 marks each) of which learners must answer 2 (20 marks)

Note: Scale total marks to 20 marks for submission to the learner's transcript

Time allowed: 60 minutes

Sample Table of Specification for Mid – Semester Examination

The following table of specification provides the number of items to be constructed on the various indicators as well as the DoK levels. Please ensure to follow it to construct your items.

WEEK	LEARNING INDICATOR	TYPES OF QUESTION	DOK LEVEL				TOTAL
			1	2	3	4	
13	Explain the nature of Cost Accounting, its scope and its functions and the basic terminologies used in Cost Accounting.	Multiple Choice	1	1	1	-	3
		Essay	-	1	-	-	1
14	Identify the factors to consider when installing a cost accounting system and type of information produced. Differentiate between cost accounting and financial accounting.	Multiple Choice	1	1	2	-	4
		Essay		1			1
15	Explain the basis of cost classification and discuss its importance. Explain the composition of cost of products, services and operations.	Multiple choice	2	2	1	-	5
		Essay	-	-	1		1
16	Explain the term Overheads Analysis, terminologies used in overhead analysis and types of overheads.	Multiple Choice	1	2	-	-	3
17	Discuss the characteristics of Specific Order Costing – Job and Contract. Analyses the difference between Job and Contract Costing.	Multiple Choice	2	2	1	-	5
		Essay	-		1		1
Total			7	10	7		24

Total Number of Questions

Multiple choice question	20
Essay	4

Teachers to develop sample questions and rubrics for example:

MCQs

A manufacturing company wants to implement a new cost accounting system to help the management team to set more accurate and competitive prices for its products.

Which of the following factors should be **primary** consideration when designing an accounting system for this purpose?

- A. The overall cost of purchasing and installing the new software.
- B. The technical skill level of the current accounting staff.
- C. The system's capability to trace and allocate costs to each individual product.
- D. The system's ability to quickly generate reports for external auditors.

Key = C

Essay questions

Read the scenario and answer all parts of the question that follow.

Anidaso Engineering Ltd is a company that builds custom-designed bridges for the Ghana Highway Authority. Each bridge is a large, multi-year project built on-site. The company also has a smaller workshop, *Anidaso Fabricators*, that produces unique, made-to-order decorative security gates for individual homeowners.

- (a) State two distinct characteristics of job costing and two distinct characteristics of contract costing. (4 marks)
- (b) Outline three key differences between job costing and contract costing. (3 marks)
- (c) Advise the management of *Anidaso Engineering Ltd* on the specific costing method that is most appropriate for its bridge-building projects. Justify your answer with two reasons based on the characteristics of the projects described. (3 marks)

Assessment focus	Guidance	Marks
Characteristics	Learners must state two characteristics for each costing method. e.g duration, location, production etc	4 marks
Differences	One mark per difference e.g size/scale, duration, location, payment etc.	3 marks
Suitability of methodology	Learners should be able to identify that contract costing is most appropriate (1 mark) and provide justification for their answer (2 marks)	3 marks

SECTION 6: TECHNIQUES OF COSTING AND BUDGETING FOR CONTROL AND BUSINESS DECISION MAKING

Strand: COST ACCOUNTING

Sub-Strand: ANALYSING INFORMATION FOR CONTROL AND DECISION MAKING

Content Standard: Demonstrate knowledge and understanding of the techniques for analysing the cost of operations

Learning Outcome: Explain the techniques for analysing cost for different purposes

Hint



The Recommended Mode of Assessment for Week 24 is **End of Semester examination**. Take note of the table of specification and develop one that covers weeks 13 to 24 for the end of semester examination.

INTRODUCTION AND SECTION SUMMARY

This section, spanning Weeks 19 to 24, equips learners with an understanding of cost analysis and control techniques used in business decision-making. It begins with Activity-Based Costing (ABC), exploring its concepts, benefits, limitations, and key terms. Learners then compare Marginal and Absorption Costing, analysing their roles in decision-making. Break-even analysis is introduced to help learners understand how costs and revenue interact and the assumptions and limitations of this model. The section also covers Standard Costing and Budgetary Control, focusing on their value in planning and cost control. Learners will examine various types of budgets, their advantages, challenges and key characteristics. Finally, the concept of variances is explored to highlight its importance in performance evaluation. By the end of the section, learners should understand how these costing and budgeting tools can be applied effectively in different business situations. Teachers are encouraged to draw connections to real-life business scenarios for deeper understanding.

The weeks covered by the section are:

Week 19: The meaning, importance, limitation and terminologies used in Activity Based Costing (ABC)

Week 20: The concept of Marginal and Absorption Costing and their importance and differences

Week 21: The concept of Break-Even Analysis, its importance, assumptions and limitations

Week 22: The meaning and importance of Standard Costing and Budgetary Control

Week 23: Types of budgets, advantages of budgeting, limitations, attributes of budgets and terminologies used in budgeting

Week 24: The concept of variances and its importance

SUMMARY OF PEDAGOGICAL EXEMPLARS

This section uses varied teaching strategies to enhance learner understanding of cost accounting concepts. *Talk for Learning* is used to introduce Activity-Based Costing, allowing learners to share prior knowledge and clarify key terminologies. *Structured discussions* support deeper analysis of marginal and absorption costing, encouraging collaborative exploration of their differences and applications. The *think-pair-share* strategy is applied during break-even and variance analysis lessons, fostering critical thinking and peer interaction. To teach budgeting and standard costing, *problem-solving and group tasks* are employed to promote real-life application of concepts. Differentiation ensures all learners — whether approaching proficiency (AP), proficient (P), or highly proficient (HP) — are engaged at their level. Special accommodations are made for learners with special education needs to ensure inclusive participation. These approaches aim to build not just conceptual understanding, but also communication, teamwork, and strategic reasoning skills relevant to financial planning and control.

ASSESSMENT SUMMARY

Assessment of learners' understanding of cost accounting concepts — including Activity-Based Costing, marginal and absorption costing, break-even analysis, standard costing, budgetary control, and variances — follows a diversified and inclusive strategy. A blend of written tasks, oral questioning, group presentations and project work assesses both foundational knowledge and analytical thinking. Questions are aligned with Depth of Knowledge (DoK) levels to support differentiation and cater to varying learner abilities. Assessments include recall, conceptual and application-based questions that measure understanding, reasoning, and real-life application. Teachers are encouraged to use transcripts to record learners' responses, noting strengths, misconceptions, and progress. Clear rubrics and instructions guide learners in articulating their knowledge effectively. Constructive feedback is key, helping learners improve and build confidence in cost accounting. This comprehensive approach ensures continuous learner development while supporting inclusive participation and targeted intervention where needed.

WEEK 19

Learning Indicator: Explain Activity Based Costing, its importance, limitations and terminologies used in activity-based costing

FOCAL AREA: MEANING, IMPORTANCE AND LIMITATIONS AND TERMINOLOGIES OF ACTIVITY-BASED COSTING

Meaning of Activity-Based Costing (ABC)

Activity-Based Costing (ABC) is a costing methodology that assigns overhead and indirect costs by identifying activities in an organisation that cause these costs and assigning the cost of each activity to all products and services according to their actual consumption. Unlike traditional costing, which allocates overhead based on a single (typically volume based) metric (e.g., labour hours), ABC uses multiple cost drivers to reflect more accurate product or service costing.

Example

During assembly of a product, packaging and testing are activities in the factory. ABC assigns the costs of these activities to each product based on how much of the activity the product uses.

Importance of Activity-Based Costing

1. **Accurate Product Costing:** ABC improves the precision of product cost determination by tracing overheads based on actual activity consumption
2. **Informs Pricing Decisions:** Better cost visibility enables businesses to price their products or services more effectively.
3. **Identifies Cost Drivers:** Helps organisations identify what activities are driving costs and how to manage them.
4. **Improves Resource Allocation:** ABC supports more informed decisions about where to allocate resources for efficiency.
5. **Supports Strategic Decision Making:** Enables businesses to analyse profitability per product, customer, or process.
6. **Eliminates Wasteful Activities:** Non-value-adding activities are identified and can potentially be eliminated.

Limitations of Activity-Based Costing

1. **Complexity in Implementation:** ABC requires detailed analysis of processes and can be time-consuming and costly to set up.
2. **High Cost of Data Collection:** Tracking cost drivers and activities requires significant resources.
3. **Resistance to Change:** Employees may resist new systems or feel overwhelmed by additional data collection.

4. **Not Suitable for All Businesses:** In very small or homogenous operations, ABC might not add significant value over traditional methods.
5. **Frequent Updates Required:** As processes and costs change, the ABC system must be regularly updated to remain accurate.

Key Terminologies in ABC

Activity: Any task or unit of work that consumes resources and is performed to produce a product or service.

Cost Driver: A factor that causes a change in the cost of an activity. (e.g., number of machine hours, number of setups)

Cost Pool: A grouping of individual costs, typically by department or service centre. In ABC, cost pools are activity-specific.

Overhead Costs: Indirect costs that cannot be traced directly to a product (e.g., utilities, rent, admin salaries).

Resource Cost Driver: A cost driver used to assign resources to activities (e.g., labour hours, power usage).

Activity Cost Driver: A cost driver used to assign activity costs to cost objects (e.g., number of inspections for a product).

Cost Object: Anything for which a separate measurement of costs is desired (e.g., product, service, customer).

Steps in ABC

1. **Identify Activities:** List major activities that incur costs (e.g., purchasing, machine setup, inspection).
2. **Assign Costs to Activities (Cost Pools):** Group overhead costs into activity cost pools.
3. **Determine Cost Drivers for Each Activity:** Identify measurable drivers that cause costs in each activity.
4. **Collect Activity Data:** Measure how much of each cost driver is used by each product/service.
5. **Calculate Activity Rates:** Calculate the cost per unit of the cost driver

Formula:

Activity Rate = Total Activity Cost Pool / Total Cost Driver Units

6. **Assign Costs to Products/Services:** Multiply activity rate by the number of cost driver units consumed by each product.
7. **Analyse and Interpret Results:** Use results to inform pricing, budgeting, process improvement, and cost control decisions.

Learning Tasks

1. Define Activity-Based Costing (ABC) and identify key terms such as activity, cost driver and cost pool.

2. Identify the limitations associated with implementing ABC.
3. Explain the importance of Activity-Based Costing in accurate cost allocation and business decision-making.
4. Compare ABC with traditional costing methods and evaluate its suitability in different business contexts.

Pedagogical Exemplars

Structured Talk for Learning

1. Teacher leads learners in a whole class discussion to discuss the meaning, importance and limitations of Activity-Based Costing (ABC).
2. Allow learners to develop critical thinking through discussions of the concepts and their importance.
3. Arrange learners in small mixed ability and gender groups to discuss the importance and limitations of activity-based costing.
4. Encourage learners to compare ABC with traditional costing methods.
5. Provide clarity on misconceptions/myths about gender parity in cost management.

Digital/ collaborative learning

1. In mixed ability and mixed gender groups, learners explain activity-based costing.
2. Learners discuss the importance and limitations of activity-based costing.
3. In their various groups, learner discuss terminologies used in activity-based costing.
4. Learners use digital tools such as tablets, smartphones etc. to support research of key terminologies. Teachers should model the use of search tools where learners require additional support.
5. Each group presents its work to the class while respecting and tolerating the views of others. Encourage feedback and questions from the wider class.

Activity-Based Learning

1. Present charts and visuals to demonstrate the steps involving in Activity Based Costing.
2. Provide real-world examples of companies applying ABC.
3. Arrange learners in to mixed ability and gender groups and present them with examples of activity-based costings to work through. Learners should be tasked to
 - a. Allocate overhead costs in to cost pools
 - b. Determine cost drivers
 - c. Complete calculation exercises with sample data
4. Each group to present their workings to another group, or as part of a whole class discussion,
5. Encourage learners to peer review and critique each other's' work.
6. Move around the classroom facilitating discussion and addressing any areas of misunderstanding.

- Support the activity with worked examples and present scenarios with a progressive level of difficulty to ensure the activity is accessible to AP, P and HP learners.

Key Assessment

DoK Level 1

- What is Activity-Based Costing?
- State two key differences between ABC and traditional costing.
- Identify any three examples of activities in a manufacturing business.
- Define the following terms: cost driver, cost object, cost pool.
- State the formula for calculating activity rate in ABC.

DoK Level 2

- Explain the role of cost drivers in Activity-Based Costing.
- Describe the difference between a resource cost driver and an activity cost driver.
- Why is ABC considered more accurate than traditional costing in complex businesses?
- Explain one limitation and one benefit of using ABC in service-based organisations.
- Describe how ABC can help a company eliminate non-value-adding activities.

DoK Level 3

- Given the following data, compute the activity rate and assign costs:
 - Activity Cost Pool = GH¢10,000; Total Driver Units = 500
 - A product uses 30 driver units.
- Analyse how ABC can improve pricing decisions in a multi-product business.
- Evaluate how using ABC might change a company's understanding of product profitability.
- Given a case scenario, identify suitable cost drivers and explain how overheads would be allocated using ABC.

DoK Level 4

- Critically assess the suitability of ABC for a small business with few products and simple processes.
- Design an ABC costing plan for a business facing high overhead costs, recommending cost drivers and activities.
- Compare and contrast the impact of ABC and traditional costing on management decisions in a multinational company.
- Propose a strategy for implementing ABC in an organisation resistant to change, addressing both technical and behavioural issues.

Hint



The Recommended Mode of Assessment for Week 19 is **Case Study**. Refer to **Appendix I** and the **Teacher Assessment Manual and Toolkit** page 25 for further information on how to go about this assessment mode.

WEEK 20

Learning Indicator: Explain the concept of Marginal and Absorption Costing and their importance and differences

FOCAL AREA 1: MEANING AND IMPORTANCE OF MARGINAL AND ABSORPTION COSTING

Marginal Costing

This is a technique in which variable costs are charged to cost units and the total fixed costs of the period are written off in full against the aggregate contribution.

Marginal costing, also known as direct costing or the contribution approach, distinguishes between variable costs and fixed costs. The marginal cost of a product is the sum of all variable costs incurred on the product.

Advantages of marginal costing

1. Marginal costing can be combined with standard costing and budgetary control to make the control mechanism more effective.
2. A clear-cut division of costs into fixed and variable elements makes the flexible budgetary control system easy and effective; thereby, facilitating greater practical cost control.
3. It helps profit planning through break-even charts and profit graphs. Comparative profitability can easily be assessed and brought to the notice of the management for decision-making.
4. It helps in the pricing of products.
5. It is an effective tool for making or buying decisions.

Disadvantages of marginal costing

1. Segregation of all costs into fixed and variable costs is very difficult.
2. In marginal costing, greater importance is attached to the sales function; thereby, relegating the production function largely to a secondary position.
3. The elimination of fixed costs from the valuation of inventories is illogical since costs are also incurred in the manufacture of goods.
4. Pricing decisions cannot be based on contribution alone.

Absorption costing

Absorption costing is an accounting method that captures all manufacturing costs associated with the production of one unit of goods. It includes the cost of materials, labour and overheads. It is commonly referred to as the Full Costing Method.

Advantages of absorption costing

1. It is widely used and easy to understand.

2. Absorption costing recognises the importance of including fixed production costs in product cost determination and in determining a suitable pricing policy.
3. Absorption costing will show the correct profit than the variable costing.
4. Absorption costing conforms with accrual and matching accounting concepts which require matching costs with revenue for a particular accounting period.
5. Absorption costing avoids the separation of costs into fixed and variable elements which cannot be easily and accurately done.
6. The allocation and apportionment of fixed factory overheads to cost centres or departments make managers more responsible for the costs and services provided to their centres/ departments.

Disadvantages of absorption costing

1. It can negatively affect decision-making when irrelevant costs are taken into consideration.
2. Fixed costs are treated as product costs which can inflate inventory valuations during periods of low production.

Learning Tasks

1. Define marginal costing and absorption costing, and identify their key characteristics.
2. Describe the limitations associated with using marginal and absorption costing.
3. Compare marginal and absorption costing methods and evaluate their suitability in different business contexts.

Pedagogical Exemplars

Initiate Talk for Learning

1. In an all-inclusive discussion, learners explain the concept of Marginal and Absorption Costing.
2. In mixed ability and mixed gender, learners discuss the advantages and disadvantages of marginal and absorption costing
3. Learners participate, respect and tolerate the views of colleagues
4. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions or to scaffold discussions by simplifying definitions or terminology. AP learners should be given additional attention in explaining marginal and absorption costing.
5. Learners with a clear understanding (P) should be allowed to discuss the meaning and advantages of marginal and absorption costing.
6. Learners with a high level (HP) of understanding of concepts, should be allowed to discuss the meaning, advantages and disadvantages of marginal and absorption costing.
7. Teachers should ensure the participation of all learners in each group while respecting the views of other learners.
8. Groups to present their analysis to the rest of the class for feedback and discussion

Key Assessment

DoK Level 1

1. What is marginal costing?
2. What is absorption costing?
3. List two advantages of marginal costing.
4. List two disadvantages of absorption costing

DoK Level 2: Explain the advantages and disadvantages of marginal costing.

DoK Level 3

1. Compare and contrast the usefulness of marginal and absorption costing approaches.
2. Discuss the importance of variable costs in marginal costing and their impact on profitability.

FOCAL AREA 2: DIFFERENCES BETWEEN MARGINAL AND ABSORPTION COSTING APPROACHES

Differences Between Marginal and Absorption Costing Approaches

Basis of Difference	Marginal Costing	Absorption Costing
1. Determination of Product cost	A costing technique that considers only variable costs as product costs.	A costing technique that includes both fixed and variable costs as product costs.
2. Treatment of Fixed Costs	Treated as period costs; charged directly to the profit and loss account.	Treated as part of the cost of production; included in inventory valuation.
3. Inventory Valuation	Valued at variable cost only.	Valued at total cost (variable + fixed production costs).
4. Profit Calculation	Profit is affected only by changes in sales volume.	Profit is affected by both sales and production volume.
5. Usefulness in Decision-Making	More suitable for short-term decision-making and cost control.	More suitable for external financial reporting and inventory valuation.
6. Cost Per Unit	Cost per unit includes only variable production costs.	Cost per unit includes all production costs, both fixed and variable.
7. Income Statement Format	Based on contribution margin	Based on traditional format
8. Impact on Closing Stock	Lower value of closing stock (excludes fixed overheads).	Higher value of closing stock (includes fixed overheads).
9. Accounting Standards	Not acceptable under most accounting standards for external reporting.	Acceptable under most accounting standards for external reporting

Learning Tasks

1. Define how marginal and absorption costing methods treat fixed and variable costs.
2. Explain the major differences between marginal and absorption costing in relation to product costing and inventory valuation.
3. Analyse how the choice of costing method affects profit calculation and financial reporting.
4. Evaluate the suitability of marginal and absorption costing for different business decisions and reporting requirements.

Pedagogical Exemplars

Initiate Talk for Learning – Differences Between Marginal and Absorption Costing Approaches

1. Start with an all-inclusive discussion to recap the definitions of marginal costing and absorption costing but focusing on how each method treats fixed and variable costs.
2. Arrange learners in mixed-ability and mixed-gender groups to discuss the major differences between marginal and absorption costing in relation to product costing and inventory valuation.
3. Learners participate actively, listen attentively, and respect the views of their peers while comparing the two methods.
4. The teacher moves around the class to target learners who may need more support (AP – Approaching Proficiency). This may be done through:
 - Asking guiding questions
 - Giving simpler examples of fixed vs variable cost treatment
 - Using visual aids such as cost breakdown charts
5. Learners with a clear understanding (**P – Proficient**) should be guided to explain how the choice of costing method affects **profit calculation** and **financial reporting**.
6. Learners with a high level (**HP – Highly Proficient**) of understanding should be allowed to **evaluate** the suitability of marginal and absorption costing for different **business decisions** and **reporting requirements**, using practical examples.
7. The teacher ensures that all learners in each group contribute to the discussion and that diverse viewpoints are acknowledged.
8. Bring the groups back together to summarise key points as a whole class, using the **comparison table** of differences to reinforce understanding. Encourage contributions from each group, targeting learners who might not volunteer.

Key Assessment

DoK Level 1

1. What type of costs are included in product cost under marginal costing?

2. How are fixed costs treated under absorption costing?
3. Which costing method uses the contribution margin format in the income statement?
4. State one reason why marginal costing is not acceptable for external reporting.

DoK Level 2

1. Explain the difference between how closing stock is valued under marginal and absorption costing.
2. Describe how profit is affected by production volume under absorption costing.
3. Why is absorption costing more suitable for financial reporting than marginal costing?
4. Compare how cost per unit is determined in both marginal and absorption costing.

DoK Level 3

1. A business has an increase in production without an increase in sales. Explain how in this scenario, profit would differ under both costing methods.
2. Explain a circumstance where applying the marginal costing method would lead to better short-term decision-making than absorption costing.

Hint

The Recommended Mode of Assessment for Week 20 is **Debate**. Refer to the Teacher Assessment Manual and Toolkit page 41 for further information on how to go about this assessment mode.

WEEK 21

Learning Indicator: Explain the concept of Break-Even Analysis, its importance, assumptions and limitations

What is Break-Even Analysis

Break-even analysis, or cost volume profit analysis (CVP), is the study of the interrelationship between costs, volume and profit at different levels of activity.

Assumptions under break-even analysis

1. All costs can be segregated into fixed and variable.
2. The selling price per unit remains constant irrespective of the levels of activity.
3. Production volume is equal to sales volume.
4. Production methods (technology) will remain constant.
5. Fixed cost per period will remain the same and variable cost in total will vary with the level of activity.
6. There is no change in the general price level.

Terms used in break-even analysis

1. Break-even point

This is the point at which total cost is equal to total sales revenue. It can be calculated in units of production and revenue.

2. Contribution

Contribution is the excess of sales over variable costs. It shows how much a product is contributing towards fixed costs and profits. It is calculated as sales less variable cost.

3. Margin of safety

The margin of safety is the excess of sales or output over the break-even point. It indicates how much sales can fall before the business starts incurring losses.

4. Angle of incidence

It is an angle where the sales revenue line and total cost line meet. This angle is formed from the start of the break-even point and shows the rate at which a company is making profits. The bigger the angle of incidence, the higher the rate of profits.

Advantages/uses of break-even analysis

1. It helps in setting target profits
2. It helps in setting selling prices
3. It assists in determining the changes in selling price and its impact on profit.
4. It assists in determining at what level of sales total cost is equal to total revenue.

Limitations of break-even analysis

1. Not all costs can be divided into fixed and variable
2. The assumption that fixed cost remains fixed is not true because, in the long run, fixed cost becomes variable.
3. The assumption that variable costs per unit remain constant is not always true. Quantity discounts can change the variable cost per unit.
4. The assumption that technology for production remains the same is not true.

Learning Tasks

1. Identify the assumptions underlying break-even analysis.
2. Explain the concept of break-even analysis.
3. Discuss the terms used in break-even analysis.
4. Discuss the advantages and disadvantages of break-even analysis.

Pedagogical Exemplars

Initiating Talk for Learning/ Structuring Talk for Learning

1. Teachers guide learners to review their knowledge of marginal and absorption costing.
2. Teachers guide learners to discuss the concept of break-even analysis.
3. Let learners work in pairs, considering abilities, gender and SEL to discuss the assumptions underlying and terms used in break-even analysis.
4. Teachers guide learners to discuss the advantages and disadvantages of break-even analysis.
5. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions or to scaffold discussions by providing simplifying definitions or terminology (AP). AP learners should be given additional attention in explaining the concept of break-even analysis.
6. Learners with clear understanding (P) should be allowed to discuss the concept of break-even analysis, its underlying assumptions and the terms used.
7. Learners with a high level (HP) of understanding of concepts, should be allowed to discuss the concept of break-even analysis, its underlying assumptions, terms used, advantages and limitations.
8. Each pair to present their work to the class for discussion and feedback.
9. Teachers should ensure the participation of all learners in each group while respecting the views of other learners.

Key Assessment

DoK Level 1

1. What is break-even analysis?
2. List three assumptions underlying break-even analysis.
3. List two advantages of break-even analysis.

4. List two limitations of break-even analysis.

DoK Level 2

1. Explain the advantages and limitations of break-even analysis.
2. Explain at least two terms used in break-even analysis.

Hint



*The Recommended Mode of Assessment for Week 21 is **Homework**. Refer to the Key assessment questions for sample items for the homework.*

WEEK 22

Learning Indicators

1. Explain Standard Costing and their importance
2. Explain Budgetary Control and its importance

FOCAL AREA 1: THE CONCEPT, PURPOSE AND IMPORTANCE OF STANDARD COSTING IN MANAGEMENT

Concept of Standard Costing

Standard Costing is a cost accounting technique that involves setting predetermined (standard) costs for products or services and then comparing them with the actual costs incurred. The differences (known as variances) are analysed to control costs and improve efficiency. Standard Costing;

- Is based on pre-determined benchmarks for materials, labour and overhead.
- Focuses on variance analysis (i.e., differences between standard and actual costs).
- Helps in planning, cost control, and performance evaluation.

Purpose of Standard Costing

1. **Cost Control:** Standard costing allows comparison between actual and standard costs to identify cost overruns.
2. **Budgeting Tool:** It serves as a basis for preparing more accurate budgets and forecasts.
3. **Performance Measurement:** Variances help evaluate the efficiency of departments, employees, or processes.
4. **Decision Making:** Provides management with cost benchmarks for informed strategic decisions.
5. **Efficiency Improvement:** Highlights areas where efficiency can be improved by identifying excess usage or waste.
6. **Pricing Decisions:** Helps in setting selling prices based on standard production costs.
7. **Inventory Valuation:** Used for valuing inventories in a consistent and systematic manner.
8. **Motivation and Control:** Employees are motivated to meet standards, which improves productivity.

Importance of Standard Costing

1. Standard costing is a valuable tool for controlling costs in an organisation. It involves setting predetermined costs for materials, labour, and overheads, which are then used as benchmarks to compare with actual costs. When differences (known as variances) arise, management can investigate the causes and take corrective action. This helps businesses monitor and control expenses effectively.

2. Standard costing also supports budgeting and planning processes. By using standard costs, businesses can prepare more accurate budgets and make better forecasts. It allows them to estimate production costs in advance, plan resource allocation, and improve financial planning. For students, this can be related to how schools or households plan spending based on expected costs.
3. Another important use of standard costing is in evaluating performance. When actual results are compared to standard costs, it helps managers assess how well departments or workers are performing. Favourable variances indicate efficiency, while unfavourable ones signal potential problems. This promotes better decision-making and accountability at all levels of the organisation.
4. Standard costing supports responsibility accounting. By linking variances to specific departments or individuals, it encourages managers to take responsibility for their cost control. This sense of ownership can improve performance and efficiency, especially when employees are aware that their decisions impact cost outcomes.
5. Standard costing also provides helpful information for business decision-making. It helps managers make informed choices about pricing, production levels, and whether to outsource certain tasks. With a clear understanding of cost expectations, businesses can make quicker and more consistent decisions that improve profitability.
6. Another key benefit is that standard costing simplifies inventory valuation. Instead of recording actual costs for each unit, standard costs are used to value inventories, which makes accounting easier and more consistent. This is particularly helpful in large businesses that produce many items.
7. Record-keeping is also more efficient with standard costing. Since the cost per unit is already known, fewer detailed records are needed for every transaction. This reduces administrative work and allows accountants to focus on analysing variances instead of tracking every cost detail.
8. It encourages continuous improvement. By regularly analysing cost variances, businesses can identify inefficiencies, eliminate waste, and improve operations. This creates a culture of cost awareness and motivates employees and departments to work towards better results.

Learning Tasks

1. Define the concept of standard costing.
2. Explain the primary purposes of standard costing
3. Describe how standard costing contributes to effective inventory valuation and efficient record-keeping in an organisation.

Pedagogical Exemplars

Initiating Talk for Learning

1. Teachers to introduce lesson with recap on costing methods (e.g. marginal, absorption)
2. Lead whole class discussion to brainstorm and explain standard costing.
3. Arrange learners in pairs to discuss the importance of standard costing in an organisation.
4. Present each pair a prompt or scenario to support their discussion e.g. “how does standard costing contribute to effective inventory valuation?”.

5. Ask each pair to present their responses to the prompt/scenario to the rest of the class. This could be on flip chart paper or as a presentation.
6. Encourage learners to participate in active listening, ask questions respectfully and tolerate the views of colleagues.
7. Summarise the lesson with a reflection on the key concepts.

Key Assessment

DoK Level 1

1. What is meant by the term *standard costing*?
2. State any two purposes of using standard costing in cost accounting.
3. List two types of costs for which standard costs are usually set.

DoK Level 2

1. Explain the difference between standard cost and actual cost.
2. Describe how standard costing helps in controlling production costs.
3. Why is standard costing useful in forecasting?
4. How does standard costing support responsibility accounting?

DoK Level 3

1. Analyse how standard costing can support decision-making in pricing a new product.
2. Evaluate how standard costing helps management identify waste and inefficiencies in a production process.

FOCAL AREA 2: THE MEANING, PROCESS AND IMPORTANCE OF BUDGETARY CONTROL IN BUSINESS PLANNING

Budgetary Control

Budgetary control is a system of controlling costs, which includes the preparation of budgets, establishing responsibilities of departments, comparing performance with the budget and acting upon the results to achieve maximum profits.

The process of budgetary control

1. Preparation of various functional and subsidiary budgets.
2. Coordination of the subsidiary budgets into a master budget.
3. Continuous comparison of actual performance with budgetary performance.
4. Revision of budgets in the light of changing circumstances.

Objectives of budgetary control

1. To establish a plan or budget covering all activities of a business to decide the policies and objectives of the business.
2. To fix in monetary terms the objective which the business has set out to achieve within a period.

3. To enable management to put in place a system of control to ensure that the work is progressing as per the plan.
4. To help management in planning how to efficiently use the resources of the business.
5. It ensures coordination among departments as the various departments rely on each other to achieve the stated goals.

Advantages of budgetary control

1. Improved planning and forecasting: Budgetary control enables organisations to plan their financial activities and forecast future results. This helps to identify potential problems and make corrections to the budget accordingly.
2. Increased efficiency: It helps organisations to allocate resources more effectively, reduce waste and increase efficiency.
3. Better decision-making: Providing detailed financial information facilitates better decision-making at all levels of an organisation.
4. Increased accountability: It assists in increasing accountability within an organisation by providing clear performance targets and measures of success.
5. Better cash flow management: This process gives organisations a clear understanding of their cash flow, helping them make informed decisions about managing their cash resources.
6. Enhanced control and monitoring: It provide organisations with a systematic approach to monitoring and controlling their financial activities, reducing the risk of financial errors and mismanagement.

Disadvantages of budgetary control

1. Budgetary controls are based on estimates - Budgeting is based on a certain amount of estimation. A revision or modification of estimates should be made when variations from the estimates warrant a change of plans.
2. Requires cooperation of all departments - The success of implementing budgets requires the cooperation and participation of all relevant members of an organisation.
3. There is a need for flexibility - Budgets are prepared in advance, based on estimates and for future use. Some changes may be required but the estimates may remain the same. Thus, flexibility becomes necessary for the success of the budget.
4. It is expensive - The use of budgetary control techniques is expensive. It requires detailed analysis and planning. Most small organisations cannot afford the cost.
5. It is time-consuming - The installation of budgetary control takes substantial time. The budgeted plan must be explained to the responsible persons, who must be guided, trained and educated regarding the fundamental steps, methods and purpose of budgetary control.

Learning Task

1. Explain budgetary control and its processes.
2. Discuss the objectives of budgetary control.
3. Discuss the advantages and disadvantages of budgetary control.

Pedagogical Exemplars

Initiating Talk for learning/Think Pair Share

1. Using think-pair share, learners discuss the concept of Budgetary Control and its importance in planning.
2. Learners participate, respect and tolerate the views of colleagues.

Collaborative Learning

1. Teachers guide learners to review their knowledge of break-even analysis.
2. Teachers guide learners in a whole class discussion to explain budgetary control.
3. Let learners work in pairs, considering abilities, gender and SEL to discuss the processes and objectives in budgetary control.
4. Teachers guide learners to discuss the advantages and disadvantages of budgetary control.
5. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions or to scaffold discussions by providing simplifying definitions or terminology (AP). AP learners should be given additional attention in explaining budgetary control.
6. Learners with clear understanding (P), should be allowed to discuss the meaning of, processes and objectives of budgetary control.
7. Learners with a high level (HP) of understanding of concepts, should be allowed to discuss the meaning of, processes, objectives, advantages and disadvantages of budgetary control.
8. Teachers to invite each group to share their work for discussion and feedback.
9. Teachers should ensure the participation of all learners in each group while respecting the views of other learners.
10. Teachers lead exit ticket activity by asking learners to reflect on key points from the lesson.

Key Assessment

DoK Level 1

1. What is budgetary control?
2. List at least two objectives of budgetary control.
3. State at least two advantages and two disadvantages of budgetary control.

DoK Level 2

1. Explain the term 'Budgetary Control'.
2. Explain three advantages and three disadvantages of budgetary control.
3. Explain the process of setting up budgetary control.

Hint



The Recommended Mode of Assessment for Week 22 is **Critiquing**. Refer to the Teacher Assessment Manual and Toolkit page 58 for further information on how to go about this assessment mode.

WEEK 23

Learning Indicator: *Identify different types of budgets, advantages of budgeting, limitations, attributes of budgets and terminologies used in budgeting*

FOCAL AREA 1: TYPES OF BUDGETS AND BUDGETING TERMINOLOGIES

1. Operating Budget

This budget covers the income and expenses related to the day-to-day operations of a business. This includes the sales budget, production budget, direct materials budget, direct labour budget, overhead budget and selling & administrative expenses. The purpose of this budget is to plan for profitability and efficiency in operations. For example, a sales budget projects sales revenue for the upcoming period, which drives the rest of the operating budget.

2. Financial Budget

This budget focuses on the financial resources of the business, particularly cash management and capital structure. It includes the cash budget, budgeted income statement and budgeted balance sheet. The purpose is to plan the financing needs of organisations in order to ensure liquidity and solvency. For example, a cash budget shows expected cash inflows and outflows which helps to avoid cash shortages.

3. Capital Expenditure Budget

This budget plans for long-term investments in fixed assets such as buildings, machinery, and equipment. The purpose of this budget is to evaluate and allocate resources to long-term projects. It involves cost-benefit analysis, prioritisation of projects and the assessment of return on investment (ROI)

4. Master Budget

This is a comprehensive budget that combines all individual budgets related to sales, production, and financial planning. It is basically a combination of the operating budget and financial budget. The purpose of this budget is to present an overall picture of the organisation's planned activities and performance. It is often used by senior management for strategic planning and performance evaluation.

5. Static (Fixed) Budget

A budget prepared for a single level of activity and does not change with actual output. It is used for organisations with predictable and stable activities. One of its limitations is that it is not flexible hence may not be useful when actual activity levels differ from planned.

6. Flexible Budget

This budget adjusts or moves with changes in volume or activity levels. The purpose is to better analyse performance by comparing actual results with budgeted figures for the actual level of activity. This budget has the advantage of providing a more realistic basis for variance analysis.

7. Incremental Budget

Prepared by taking the previous year's budget and adding (or subtracting) a percentage to account for changes. It is very simple and easy to prepare. However, it may perpetuate inefficiencies from past budgets.

8. Zero-Based Budget (ZBB)

Defined by CIMA as a method of budgeting whereby all activities are re-evaluated each time a budget is formulated. Each functional budget starts with the assumption that the function does not exist and is at zero cost. Consequently, every expense must be justified for each new period, starting from a "zero base." In its preparation, activities are evaluated and ranked; funding is allocated accordingly. The purpose is to eliminate unnecessary expenses and improve resource allocation.

9. Rolling (Continuous) Budget

This type of budget is updated continuously by adding a new period (e.g., month or quarter) as the current period ends. They are like ordinary budgets but when a portion of the budget period expires, a new budget for an equivalent period is added to make up the full period of the budget. It is used in dynamic environments where conditions change frequently. This keeps the budget relevant and up-to-date

10. Programme/Project Budget

This budget is prepared for specific projects or programmes, often used in construction, research or grant-funded activities. It includes the detailed costs, resources, timelines and expected outcomes of the project. It is used to track performance and control cost for unique or non-recurring activities.

11. Basic Budget (also called Base Budget)

This is a budget prepared for a long period, often 5 to 10 years, and outlines the basic level of expenditure or income needed to maintain existing operations at their current level. The purpose is to provide a long-term financial outlook based on the assumption that operations will continue as they are, without any significant changes or expansions. It does not account for inflation or changes in operations. It is used as a benchmark to measure future or additional budgeting proposals. For example, an education unit in a district might use a basic budget to identify the cost of maintaining its current schools, staff and programs over the next decade without any growth or new projects.

12. Current Budget

This budget is prepared for the ongoing fiscal period, typically one year, and it reflects current conditions and planned activities. The purpose of this budget is to allocate resources based on the most recent data and projections for income, expenses and policy priorities. In contrast to the Basic Budget, it takes into account inflation, recent trends and operational changes. It is often compared to the basic budget to evaluate the need for adjustments. For example, a government department may prepare a current budget for 2025, including adjustments for salary increases, cost of living and new policy initiatives.

Some Terminologies in Budgeting

1. Forecast

An estimate of future financial outcomes based on historical data, trends, and assumptions. Forecasts often guide the preparation of budgets.

2. Revenue

The total amount of **income** generated from the sale of goods or services.

3. Expenditure

The total amount of money spent on operations, projects, or investments. Expenditure can be capital (long-term) or recurrent (day-to-day).

4. Variance

This is the difference between budgeted and actual figures. Variance analysis helps management understand where performance deviated from the plan. A Favourable variance is achieved when actual revenue is higher or expenses are lower than budgeted while an Adverse (Unfavourable) variance is recorded when actual expenses are higher or revenue is lower than budgeted.

5. Surplus

When budgeted or actual income exceeds expenditure, resulting in a positive balance, the difference is called surplus

6. Deficit

When expenditure exceeds income, either in the budget plan or actual results, leading to a shortfall, the difference is referred to as deficit

7. Contingency

This is an amount set aside in the budget to cover unexpected costs or emergencies.

8. Appropriation

An official authorisation to spend a specific amount of money for a particular purpose.

9. Budget Holder

The person responsible for preparing and managing a specific portion of the budget (e.g., departmental head or project manager).

10. Cost Centre

A department or unit within an organisation where costs are tracked for control and analysis, but which may not generate revenue directly.

11. Responsibility Centre

A unit or segment of an organization where a manager is held accountable for the performance against the budget (includes cost centres, profit centres, etc.).

12. Budget Manual

This is a written document that outlines the policies, procedures, roles and responsibilities involved in the budgeting process. It serves as a guide for all employees participating in

budgeting. It also ensures consistency and coordination across departments and improves understanding of budget preparation and control procedures. A typical Budget Manual may contain the following;

- a. Objectives of budgeting
- b. Format and templates for budget preparation
- c. Roles of budget holders
- d. Timetable and deadlines
- e. Procedures for budget review and approval
- f. Guidelines for variance reporting and analysis

13. Budget Committee

This is a group of senior managers and representatives from key departments who are given the responsibility to do the following;

- a. Coordinate the entire budgeting process.
- b. Review departmental budgets for accuracy and consistency.
- c. Resolve conflicts or overlaps in departmental budgets.
- d. Approve or recommend the master budget to senior management.
- e. Monitor implementation and recommend corrective actions.

The composition of this committee may include the following

- a. Chief Executive Officer or Managing Director (Chairperson)
- b. Finance Manager or Accountant
- c. Department heads (e.g., Sales, HR, Production)
- d. Budget Officer/Coordinator (Secretary)

For example, before the annual budget is finalised, the budget committee might meet several times to review department submissions, ensure they align with company strategy, and finalise the overall financial plan.

14. Budget Period

This is the specific **time frame** for which a budget is prepared and applied. It defines the start and end dates of financial planning and performance evaluation. Some common time frames are;

- **Short-term:** Monthly or quarterly
- **Medium-term:** 1 year (most common)
- **Long-term:** 3–5 years or more (for strategic or capital budgets)

Setting the budget period helps to align budgeting activities with financial reporting periods and enables performance comparison over time. Some of the factors that influence the budget period are the nature of the business (e.g., seasonal businesses may use quarterly budgets), stability of the operating environment and strategic goals and planning cycles. For example, a retail company might prepare monthly budgets during its peak season (e.g., holidays) but switch to quarterly budgets during off-peak periods.

Learning Tasks

1. Identify and define any five terminologies used in budgeting.
2. List and explain any five types of budgets and give an example of when each might be used.
3. Explain the purpose of a Budget Manual and Budget Committee in the budget preparation process.
4. Compare and contrast a static budget and a flexible budget, stating their respective advantages and limitations.

Pedagogical Exemplars

Initiating Talk for Learning / Collaborative Learning

1. Teachers guide learners to recall and share their understanding of what a budget is and why it is important in planning and control.
2. Teachers initiate a whole-class discussion for learners to distinguish between different types of budgets (e.g., operating, capital, master, flexible).
3. Teachers guide learners to identify and discuss budgeting terminologies such as forecast, surplus, deficit, variance and cost centre using practical examples.

Collaborative/ Digital learning

1. In mixed ability and mixed gender grouping, learners discuss the types and feature of budget, advantages of budgeting, limitations and terminologies used in budgeting.
2. Learners should be encouraged to use digital tools to search for the meaning of some of the terminologies. Teachers may model the use of appropriate search engines and prompts to support the activity.
3. Learners participate, respect and tolerate the views of colleagues.
4. Teachers move around the class to identify learners who may require extra support (AP). Such learners may be assisted with simplified definitions, guided questions, or sentence starters. For instance, learners struggling to understand “rolling budgets” may be given a calendar-based explanation.
5. Learners with proficient understanding (P) should be encouraged to explore the relationship between the types of budgets and the overall budgeting process in an organisation.
6. Learners with a high level of understanding (HP) should be given the task to critically evaluate different budget types and budgeting terminologies, discussing their relevance, limitations, and applications in various organisational settings.
7. Teachers facilitate reflection on how different budgets are used in real-life organisations, including schools, businesses, and government.

Role-play Simulation

1. Present a budgeting flowchart showing the sequence from departmental budget preparation to master budget approval.
2. Introduce a role play activity for the class to illustrate the steps in creating a budget.

3. Arrange learners in to groups with mixed ability and genders to role play an aspect of the process. For example, learners act as the budget committee, with their colleagues acting as department heads presenting their departmental budgets for review.
4. Teacher moves around the room facilitating discussion.
5. Invite groups to share their reflections of the activity with the class and how it helped their understanding of the process of budget preparation.

Key Assessment

DoK Level 1

1. What is a budget?
2. Name two components of a financial budget.
3. Define the term “budget period”.
4. What is meant by “expenditure” in budgeting?

DoK Level 2

1. Explain the difference between a surplus and a deficit in budgeting.
2. Identify any three features of an effective budget.
3. Compare zero-based budgeting and incremental budgeting.
4. Describe the role of a budget holder in the budget process.

DoK Level 3

1. Justify why flexible budgeting is preferred in dynamic business environments.
2. Analyse how the use of a budget manual can prevent budgetary conflict among departments.
3. Evaluate the importance of the budget committee in ensuring the credibility of a master budget.
4. Based on a scenario, determine which budget type is most appropriate (e.g., project funding, business expansion, or daily operations).

FOCAL AREA 2: ADVANTAGES, LIMITATIONS AND KEY ATTRIBUTES OF EFFECTIVE BUDGETS

1. Advantages of Budgets

Budgets offer numerous benefits to both private and public sector organisations. These advantages can be grouped into planning, coordination, control, resource allocation, communication, motivation and decision-making

a. Planning

- i. Encourages forward-thinking by setting financial and operational goals.
- ii. Helps anticipate problems such as cash shortages, underutilized capacity, or excessive expenses.

b. Coordination

- i. Promotes alignment of activities across departments.
- ii. Ensures that resources are allocated in a way that supports organisational priorities.
- iii. Links departmental goals to overall company strategy.

c. Resource Allocation

- i. Aids in prioritising spending and managing limited resources effectively.
- ii. Helps avoid overspending or underinvestment.

d. Performance Measurement and Control

- i. Provides a benchmark for evaluating actual performance.
- ii. Allows for variance analysis—comparing budgeted vs actual figures to identify areas of inefficiency or overspending.

e. Communication and Accountability

- i. Ensures that staff are aware of organizational goals and their role in achieving them.
- ii. Encourages departments to operate within financial boundaries.

f. Motivation

When well-designed, budgets can motivate employees by setting performance targets and involving them in the budgeting process.

g. Decision-Making

Informs key financial decisions such as pricing, staffing, production levels, and capital investment.

2. Limitations of Budgets

Despite their advantages, budgets are not without drawbacks. Over-reliance or poor design can reduce their effectiveness.

a. Estimation Errors

Budgets are based on assumptions and forecasts which may be inaccurate due to unforeseen market or environmental changes.

b. Rigidity

- i. Fixed budgets may lack flexibility in dynamic business environments.
- ii. Can discourage innovation if departments are afraid to deviate from approved plans.

c. Time-Consuming and Costly

Preparing detailed and accurate budgets can consume significant time and resources.

d. Gaming the System

- i. Departments may **pad budgets** (overestimate costs or underestimate revenues) to make targets easier to achieve.
- ii. Can encourage short-term thinking over long-term value.

e. Discourages Initiative

Strict adherence to budgets may discourage employees from pursuing beneficial opportunities outside of budget scope.

f. Behavioural Issues

- i. Unrealistic budgets can demoralise staff.
- ii. Conflicts may arise between departments competing for limited resources.

3. Key Attributes of Effective Budgets

For budgets to fulfil their purpose effectively, they must exhibit certain essential characteristics.

a. Realistic and Accurate

Budgets must be based on reliable data and reasonable assumptions. It should consider historical trends, market analysis, and current conditions.

b. Comprehensive

Budgets should cover all aspects of the organisation — revenues, expenses, cash flows, investments, etc.

c. Flexible

An effective budget should be capable of adapting to changing circumstances through periodic reviews or a flexible budget format.

d. Clear and Understandable

Budgets must use clear language and structure and should be easily interpreted by all stakeholders.

e. Time-Bound

An effective budget must be prepared for a specific period (e.g., monthly, quarterly, annually) and should align with organisational planning cycles.

f. Participative

Producing a budget involves input from various departments or levels of management (bottom-up budgeting) and enhances ownership and commitment to targets.

g. Linked to Organisational Goals

Budgets should directly support the short- and long-term strategic objectives of the organisation.

h. Monitored and Controlled

It is important to have in place systems for tracking performance, conducting variance analysis and taking corrective actions.

i. Approved by Management

Budgets should be finalised only after review and approval by senior management or a budget committee.

Learning Tasks

1. Identify and explain four benefits that budgets provide to organisations.
2. Describe any four key attributes of an effective budget and explain why they are important.
3. Discuss three limitations of relying solely on budgets in organisational planning and control.
4. Discuss the advantages and disadvantages of budgeting, using examples from real-life institutions (e.g., school, hospital, business).

Pedagogical Exemplars**Initiating Talk for Learning / Collaborative Learning**

1. Teachers guide learners to recall and share their understanding of the purpose of budgets in organisations.
2. Teachers guide learners in a whole-class discussion to brainstorm the benefits organisations derive from budgeting.
3. Let learners work in mixed-ability pairs or groups (considering gender and SEL) to examine the advantages and limitations of budgets using case scenarios.
4. Teachers lead learners to list and explain key attributes that make budgets effective, using real-world examples.
5. Teachers facilitate a reflection activity in which learners analyse the risks of using poorly designed or rigid budgets.
6. Teachers move around the class to support learners needing help (AP), possibly through simplified questions or diagrams showing the budgeting process and its benefits.
7. Learners with proficient understanding (P) may be tasked with analysing how budgeting contributes to effective decision-making and resource control.
8. Learners with a high level of understanding (HP) should engage in a structured debate or written assignment comparing the advantages and limitations of budgets in dynamic business environments.

Key Assessment**DoK Level 1**

1. State any two advantages of budgets.
2. What is meant by “budget flexibility”?

3. Name two attributes of an effective budget.
4. Identify one limitation of budgeting.

DoK Level 2

1. Explain how budgets help in decision-making.
2. Describe how budgets promote accountability in an organization.
3. Outline three limitations of budgeting in dynamic business environments.
4. Explain why it is important for a budget to be participative.

DoK Level 3

1. Analyse how variance analysis supports performance measurement in budgeting.
2. Discuss how rigid budgets can discourage innovation within departments.
3. Justify the importance of having budgets aligned with organizational goals.
4. Evaluate the usefulness of flexible budgeting in a business that experiences seasonal sales.

Hint

*The Recommended Mode of Assessment for Week 23 is **Group Discussion and Presentation**. Refer to the Teacher Assessment Manual and Toolkit page 52 for further information on how to go about this assessment mode.*

WEEK 24

Learning Indicator: *Discuss the concept of variances and its importance*

FOCAL AREA: MEANING AND TYPES OF VARIANCES IN COST ACCOUNTING

Introduction to Variance Analysis

Variance analysis is a key tool in cost and management accounting used to assess the performance of an organisation by comparing actual results with budgeted or standard costs. It provides insights into why actual costs deviate from expected costs and helps management take corrective actions.

Meaning of Variance

In cost accounting, a variance refers to the difference between a standard (planned or budgeted amount) and the actual amount incurred or realised. Variances can be either:

1. **Favourable (F):** When the actual cost is less than the standard cost or actual revenue is more than budgeted revenue.
2. **Unfavourable or Adverse (A):** When the actual cost exceeds the standard cost or actual revenue is less than expected.

Variance analysis is mainly applied to:

1. Cost elements (i.e. material, labour, overheads)
2. Sales/revenue
3. Operating performance

Types of Variances

Variance analysis is categorised based on the cost elements or components being analysed. The major types are:

1. Material Cost Variances

Material variances arise when there are differences between the standard cost of materials and the actual cost incurred.

a. Material Cost Variance (MCV)

$$\text{MCV} = (\text{Standard Quantity} \times \text{Standard Price}) - (\text{Actual Quantity} \times \text{Actual Price})$$

Measures the total impact of differences in both price and quantity.

b. Material Price Variance (MPV)

$$\text{MPV} = (\text{Standard Price} - \text{Actual Price}) \times \text{Actual Quantity}$$

Measures the impact of paying more or less than expected for materials.

c. Material Usage (Quantity) Variance (MUV)

$$\text{MUV} = (\text{Standard Quantity} - \text{Actual Quantity}) \times \text{Standard Price}$$

Measures efficiency in using materials.

2. Labour Cost Variances

Labour variances result from the difference between the standard labour cost and the actual labour cost.

a. Labour Cost Variance (LCV)

$$\text{LCV} = (\text{Standard Hours} \times \text{Standard Rate}) - (\text{Actual Hours} \times \text{Actual Rate})$$

b. Labour Rate Variance (LRV)

$$\text{LRV} = (\text{Standard Rate} - \text{Actual Rate}) \times \text{Actual Hours}$$

Shows if workers were paid more or less than the standard rate.

c. Labour Efficiency Variance (LEV)

$$\text{LEV} = (\text{Standard Hours} - \text{Actual Hours}) \times \text{Standard Rate}$$

Indicates whether more or fewer hours were used than expected.

3. Overhead Cost Variances

Overhead variances occur when there is a difference between actual and standard overheads.

a. Variable Overhead Variances**i. Variable Overhead Cost Variance (VOCV)**

$$\text{VOCV} = \text{Standard Variable Overhead} - \text{Actual Variable Overhead}$$

ii. Variable Overhead Efficiency Variance

$$(\text{Standard Hours} - \text{Actual Hours}) \times \text{Standard Variable Overhead Rate}$$

iii. Variable Overhead Expenditure Variance

$$(\text{Standard Rate} - \text{Actual Rate}) \times \text{Actual Hours}$$

b. Fixed Overhead Variances**i. Fixed Overhead Cost Variance (FOCV)**

$$\text{FOCV} = \text{Standard Fixed Overhead} - \text{Actual Fixed Overhead}$$

ii. Fixed Overhead Volume Variance

$$(\text{Budgeted Production} - \text{Actual Production}) \times \text{Standard Fixed Overhead Rate}$$

iii. Fixed Overhead Expenditure Variance

$$\text{Budgeted Fixed Overhead} - \text{Actual Fixed Overhead}$$

4. Sales Variances

Sales variances measure the deviation between actual and expected sales.

a. Sales Value Variance

$$\text{Sales Value Variance} = \text{Actual Sales} - \text{Budgeted Sales}$$

b. Sales Price Variance

Sales Price Variance = (Actual Price – Budgeted Price) × Actual Quantity Sold

c. Sales Volume Variance

Sales Volume Variance = (Actual Quantity – Budgeted Quantity) × Budgeted Price

General Classification of Variances

Variances may also be classified as:

1. Controllable or Uncontrollable Variances

Controllable variance are within the influence of a manager (e.g. overtime, material wastage). On the other hand, uncontrollable variances are mainly caused by external factors and a manager in an organisation mostly have no control over it (e.g. inflation, exchange rates)

2. Favourable or Adverse Variances

Favourable variances have positive effect on profit while an adverse variance negatively affects profit

Steps in Conducting Variance Analysis

1. Set Standard Costs or Budget Figures
2. Record Actual Costs and Activities
3. Calculate Variances
4. Analyse Causes of Variances
5. Report Findings to Management
6. Take Corrective Actions Where Necessary

Importance of Variance Analysis for Management Control

Management control refers to the process by which managers ensure that resources are obtained and used effectively and efficiently in the accomplishment of the organisation's objectives. It includes planning, monitoring, evaluating and correcting deviations from set targets. To be able to effectively carry out these functions or processes to ensure the optimal use of resources, variance analysis plays a critical role in the broader framework of management control systems by helping organisations to monitor performance, enforce accountability, control costs, and make informed decisions. The following can be identified as some of the importance of variance analysis.

1. **Budgetary Control:** Variance analysis compares actual results with budgeted or standard figures, enabling managers to determine whether financial targets are being met. It reveals deviations early and highlights cost overruns or underspends and this allows for realignment of operations to meet goals.
2. **Performance Measurement and Appraisal:** It helps in evaluating the performance of departments, teams and individuals. This encourages accountability by assigning responsibility for specific variances and provides a benchmark for rewarding efficient performance or investigating inefficiencies.

3. **Cost Control and Efficiency:** Variance analysis makes it possible to identify areas of waste, inefficiencies and overspending thereby enabling management to implement cost-saving initiatives as well as encourages operational efficiency by promoting best practices and minimising wastage.
4. **Informed Decision-Making:** It provides factual and timely insights that aid managerial decisions on pricing, production, sourcing and investment. In other words, variance analysis enables data-driven adjustments to strategy.
5. **Strategic Planning and Forecasting:** It informs future budgets and forecasts based on current deviations and helps to anticipate future performance trends. Furthermore, it facilitates scenario planning (e.g., if costs continue to rise, how will profit be affected?).
6. **Internal Control and Risk Management:** Variance acts as a financial control tool/indicator to detect fraud, errors and misappropriation of resources. This helps to strengthen internal checks and balances through routine monitoring of financial and operational metrics.
7. **Motivation and Behavioural Influence:** When used appropriately, variance reporting can serve as a motivational tool. This is because employees may be incentivised to meet or exceed targets if performance is monitored and rewarded fairly. However, care should be taken not to use variances punitively, as this can demotivate staff.

Learning Tasks

1. Define what a variance is in cost accounting.
2. Explain the importance of variance analysis in management decision-making.
3. Differentiate between favourable and unfavourable variances.

Pedagogical Exemplars

Talk-for-Learning/Think-pair-share

1. In an all-inclusive class discussion, learners brainstorm on the meaning of variance.
2. In pairs, teacher guide learners to discuss the importance of variance analysis.
3. Pairs share their answers with the larger class.
4. Teachers guide learners through a discussion on why comparing actual and budgeted costs is important in managing an organisation.

Collaborative learning

1. Teachers organise small group activities where each group is given a set of transactions to compute and categorise into the different types of variances (materials, labour, overheads, and sales). Groups to be arranged with mixed genders and abilities.
2. Using practical illustrations, teachers instruct groups to calculate simple variances such as Material Price Variance or Labour Efficiency Variance using real-world scenarios or fictional business cases.
3. Groups to share their workings with another group for peer review and discussion. Teachers to move around the groups to clarify any areas of misunderstanding.

- Teachers to lead whole class discussion and call on groups to present an example to secure understanding of methodology across the class.

Role Play

- Teachers arrange learners in small groups of mixed abilities and gender.
- Facilitate a role-play activity where learners assume the roles of production managers, accountants, and sales managers and debate the causes of certain variances and any actions that should be taken.
- Learners to assume different roles within the group, taking turns to explain the variance and others asking questions on how this informs managerial control processes.
- Teachers incorporate visual aids like variance charts or cost-control dashboards to help visual learners grasp performance evaluations from variances.

Key Assessment

DoK Level 1

- What is meant by a favourable variance?
- State the formula for calculating Labour Rate Variance.
- Identify two types of overhead variances.
- List three purposes of variance analysis.

DoK Level 2

- Explain the difference between Material Price Variance and Material Usage Variance.
- Describe how fixed overhead volume variance arises.
- Why might a company experience an adverse sales price variance?
- Explain the meaning of controllable and uncontrollable variances using practical examples.

DoK Level 3

- Given the following data, compute the Labour Efficiency Variance:
 - Standard Hours = 500, Actual Hours = 550, Standard Rate = GH¢ 10
- Analyse how an adverse material usage variance might affect production cost and suggest a remedy.
- Evaluate how variance analysis can support management in budget preparation for the next year.
- Interpret the results of the following sales variance:
 - Budgeted Sales = GHS 20,000, Actual Sales = GH¢ 18,000.
 - What might be the implications?

Hint



The Recommended Mode of Assessment for Week 24 is **End of Semester examination**. Take note of the table of specification and develop one that covers weeks 13 to 24 for the end of semester examination.

SECTION 6 REVIEW

This section introduced learners to essential costing and budgeting techniques that support business decision-making and control. Spanning Weeks 19 to 24, it covered Activity-Based Costing (ABC), marginal and absorption costing, break-even analysis, standard costing, budgetary control and variance analysis. Learners gained both conceptual understanding and practical application skills through varied strategies, including Talk for Learning, think-pair-share, and problem-solving tasks. Differentiation and inclusive teaching practices ensured accessibility for all learners. Assessments were diversified and aligned with Depth of Knowledge (DoK) levels, using written tasks, discussions and project work to evaluate understanding and analytical skills. Teachers were supported with guidance for providing feedback, recording progress and addressing learning needs. This section fostered critical thinking, financial reasoning and strategic planning, empowering learners to apply cost accounting tools effectively in real-world business contexts.



APPENDIX H: STRUCTURE OF THE EXAMINATION

PART 1- 40 MULTIPLE-CHOICE QUESTIONS FOR 40 MARKS. (45 MINS)

PART 2 - FIVE (5) THEORY=BASED EXTENDED RESPONSE QUESTIONS. LEARNERS MUST ANSWER 3 FOR A TOTAL OF 60 MARKS, 20 MARKS EACH. (1HR. 15MINS)

TOTAL – 100 MARKS

Sample Table of Specification for End of Semester Examination

Below is a Table of specification that provides the number of items to be constructed on the various indicators as well as the DoK levels. Please ensure to follow it to construct your items.

WEEK	LEARNING INDICATOR	TYPES OF QUESTION	DOK LEVEL				TOTAL
			1	2	3	4	
13	Explain the nature of Cost Accounting, its scope and its functions and the basic terminologies used in Cost Accounting.	Multiple Choice	1	2	-	-	3
		Essay	-	-	-	-	-
14	Identify the factors to consider when installing a cost accounting system and type of information produced.	Multiple Choice	1	1	1	-	3
		Essay	-	-	-	-	-
	Differentiate between cost accounting and financial accounting.	Multiple Choice	1	1	1	-	3
		Essay	-	-	-	-	-
15	Explain the basis of cost classification and discuss its importance.	Multiple Choice	1	1	-	-	2
		Essay	-	-	-	-	-
	Explain the composition of cost of products, services and operations.	Multiple Choice	-	1	1	-	2
		Essay	-	-	-	-	-
16	Explain the term Overheads Analysis, terminologies used in overhead analysis and types of overheads.	Multiple Choice	1	1	-	-	2
17	Discuss the characteristics of Specific Order Costing – Job and Contract.	Multiple Choice	1	1	1	-	3
	Analyses the difference between Job and Contract Costing.	Essay	-	-	1	-	1

18	Identify Processing organisations and explain the characteristics of Process costing.	Multiple Choice	1	-	-		1
	Identify service organisations and explain the characteristics of Service Costing.		-	1	-		1
19	Explain Activity Based Costing, its importance, limitations and terminologies used in activity-based costing.	Multiple Choice	1	1	1	-	3
		Essay	-	-	1	-	1
20	Explain the concept of Marginal and Absorption Costing and their importance and differences.	Multiple Choice	1	2	1	-	4
		Essay	-	1	-	-	1
21	Explain the concept of Break-Even Analysis, its importance, assumptions and limitations.	Multiple Choice	1	1	-	-	2
		Essay	-	-	1	-	1
22	Explain Standard Costing and its importance. Explain Budgetary Control and its importance.	Multiple Choice	1	1	1	-	3
23	Identify different types of budgets, advantages of budgeting, limitations, attributes of budgets and terminologies used in budgeting.	Multiple Choice	1	2	2	-	5
		Essay	-	-	1	-	1
24	Discuss the concept of variances and its importance.	Multiple Choice	1	1	1	-	3
Total			13	18	14		45

Total Number of Questions

Multiple choice questions	40
Theory	5

Exemplar questions for Section A

Which of the following statements **best** describes a primary characteristic of process costing?

- A Costs are accumulated separately for each unique job or customer order.
- B It is used by companies that produce large quantities of identical or homogeneous products.
- C It is exclusively used for service-based industries rather than manufacturing.
- D The focus is on tracking costs for individual, high-value inventory items

Key = B

Widget Co. manufactures a single product. Their break-even analysis shows that they must **sell** 5,000 units each month to cover all costs. In April, the company produced 7,000 units but only

managed to sell 4,500 units, leaving the unsold units in their warehouse. The production manager is confused because the company produced well over the break-even quantity, yet the finance department is reporting a loss for the month.

Which of the following limitations of the break-even concept best explains why Widget Co. experienced a loss in April?

A The analysis assumes that variable costs per unit will remain constant, but the company may have received a bulk discount on raw materials for producing more units.

B The analysis assumes that fixed costs remain constant, but the factory may have incurred extra maintenance costs due to the higher production level.

C The analysis is based on the number of units sold, not the number of units produced, and does not account for changes in inventory levels.

D The analysis assumes a constant selling price, but the company might have been forced to lower its price to try and sell the extra units.

Key = C

Exemplar Question for Section B

CASE STUDY

Scenario

Fresh Bakes Ltd. is a medium-sized bakery producing two main products: **Chocolate Muffins** and **Banana Bread**. The company has been using traditional costing, allocating all overheads based on direct labour hours. Recently, the management has decided to switch to **Activity-Based Costing (ABC)** to get more accurate cost information.

The following activities, cost pools, and cost drivers have been identified for the month of **September 2025**:

Activity	Total Cost (GH¢)	Cost Driver	Total Driver Units
Purchasing Ingredients	12,000	Number of Purchase Orders	300 orders
Mixing & Baking	25,000	Machine Hours	2,500 hours
Packaging	8,000	Number of Packages	4,000 packages
Quality Inspection	5,000	Number of Batches	250 batches

The products consumed the following resources in September:

Product	Purchase Orders	Machine Hours	Packages	Batches
Chocolate Muffins	180	1,500	2,500	150
Banana Bread	120	1,000	1,500	100

Your Tasks

1. Meaning & Importance (3 marks)

Briefly explain what Activity-Based Costing is and give two reasons why it might be more useful to FreshBakes Ltd. than traditional costing.

2. Terminology Identification (3 marks)

From the case, identify one example each of:

- Cost pool
- Cost driver
- Cost object

3. Activity Rate Calculation (4 marks)

For each activity, calculate the **activity rate** using the formula:

$$\text{Activity Rate} = \text{Total Activity Cost Pool} \div \text{Total Cost Driver Units}$$

4. Cost Assignment (5 marks)

Use the activity rates you have calculated to assign the overhead costs to each product (Chocolate Muffins and Banana Bread), based on their usage of cost drivers.

5. Analysis (3 marks)

- a. Using Activity Based costing and considering the results of your calculations, which product is more costly to produce?
- b. Suggest one action FreshBakes Ltd. could take based on this information.

6. Limitations (2 marks)

State two possible challenges FreshBakes Ltd. might face in implementing ABC.

Scoring Rubric – Total 20 Marks

Criteria	Description	Marks												
Meaning & Importance	Accurate explanation of ABC and two valid reasons for its usefulness in the case	3												
Terminology Identification	Correct identification of cost pool, cost driver, and cost object from the case	3												
Activity Rate Calculation	<p>Correct formula application and calculation for all activities</p> <p>Solution</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Purchasing ingredients</td> <td style="width: 30%; text-align: right;">12,000/300</td> <td style="width: 30%; text-align: right;">= 40</td> </tr> <tr> <td>Mixing</td> <td style="text-align: right;">25,000/2500</td> <td style="text-align: right;">= 10</td> </tr> <tr> <td>Packaging</td> <td style="text-align: right;">8000/4000</td> <td style="text-align: right;">= 2</td> </tr> <tr> <td>Quality inspection</td> <td style="text-align: right;">5000/250</td> <td style="text-align: right;">= 20</td> </tr> </table>	Purchasing ingredients	12,000/300	= 40	Mixing	25,000/2500	= 10	Packaging	8000/4000	= 2	Quality inspection	5000/250	= 20	4
Purchasing ingredients	12,000/300	= 40												
Mixing	25,000/2500	= 10												
Packaging	8000/4000	= 2												
Quality inspection	5000/250	= 20												

Cost Assignment	<p>Accurate allocation of overhead costs to both products with correct workings</p> <p>Solution</p> <p>Chocolate muffins</p> <p>Purchasing ingredients 40 x 180 orders = 7,200</p> <p>Mixing 10 x 1500 hours = 15,000</p> <p>Packaging 2 x 2500 packages = 5,000</p> <p>Quality inspection 20 x 150 batches = 3,000</p> <p>Total = 30,200</p> <p>Banana bread</p> <p>Purchasing ingredients 40 x 120 orders = 4,800</p> <p>Mixing 10 x 1000 hours = 10,000</p> <p>Packaging 2 x 1500 packages = 3,000</p> <p>Quality inspection 20 x 100 batches = 2,000</p> <p>Total = 19,800</p>	5 (0.5 marks per cost)
Analysis	Correct interpretation of which product is costlier and a logical suggestion	3
Limitations	Two valid challenges stated	2
TOTAL		20

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