



Singapore Examinations and Assessment Board



CAMBRIDGE
International Education

Singapore–Cambridge Secondary Education Certificate (2027)

G3 Principles of Accounts (Syllabus K342)

(First year of examination in 2027)

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INTRODUCTION

Accounting is an information system based on generally accepted accounting principles. It involves the recording and processing of business transactions, and communicating the information to stakeholders. The accounting information is used to evaluate business performance and facilitate decision-making. What sets the accountancy profession apart is the responsibility to act in the public's interest.

Principles of Accounts (K342) is designed to teach age-appropriate and relevant accounting knowledge, skills, dispositions and values. In addition, students will understand how businesses use accounting and non-accounting information to make decisions. Through the subject, they will acquire transferrable skills that they can apply in their daily lives.

This subject forms part of a broad-based education to equip students with strong fundamentals for future learning. It is offered as an elective subject at Secondary Three and examinable at the SEC G3-Level.

AIMS

The primary aim of the Principles of Accounts syllabus is to develop in students the knowledge and skills to prepare, communicate and use both accounting information and non-accounting information related to the business to make decisions.

Students need to understand the purpose of the information and how business activities are measured and represented before becoming users of accounting information. Hence, the syllabus aims to first equip students with the basic knowledge and skills on how to prepare and present accounting information and communicate them in a useful manner that can be understood by others.

The syllabus then aims to help students to become users of accounting information and make informed decisions using both accounting and non-accounting business-related information. By learning to become users of information, students understand:

- what business decisions are
- how decisions are made using accounting information
- the limitations of relying only on accounting information; and
- the consideration of non-accounting business-related information.

Knowledge and understanding

The syllabus intends for students to develop knowledge and understanding of the:

- role of accountants and the ethical values desired in the people who prepare the information
- purpose of accounting as providing accounting information to support and facilitate decision-making
- consideration of accounting and non-accounting information in decision-making
- use of financial ratios for evaluation of profitability, liquidity and efficiency of inventory management and trade receivables management
- basic forms of business entities
- elements of the financial statements as representation of business activities and how they are presented on Financial Statements
- principles underlying accounting as a measurement system
- accounting information system and accounting cycle, and the double-entry recording method in maintaining records of business activities
- internal controls to ensure accuracy of information.

Skills

The syllabus intends for students to develop the skills of:

- applying the double-entry system of recording business transactions
- synthesis and presentation skills in the preparation of accounting information in a suitable form
- analytical skill in interpreting financial statements and analysing the effects of business transactions and accounting adjustments on financial statements
- evaluative skill in evaluating businesses for their profitability, liquidity and efficiency of inventory and trade receivables management using financial information and ratios
- decision-making skill in evaluating choices using both accounting and non-accounting information.

Dispositions and values

The syllabus intends for students to develop the dispositions and values of:

- having integrity, objectivity and being socially responsible in one's thinking and decisions, considering how one's decisions can affect users of accounting information
- being open to perspectives and ready to reassess conclusions and consider alternatives
- being logical, methodical, consistent and accurate in preparing and communicating accounting information
- being discerning in distilling and critically assessing both accounting and non-accounting information.

ASSESSMENT OBJECTIVES

Students should be able to:

AO1 *Knowledge and Comprehension*

Identify and comprehend accounting knowledge appropriate to the syllabus.

AO2 *Application*

Select and apply accounting knowledge to various accounting situations.

AO3 *Analysis and Synthesis*

Analyse, interpret, organise and synthesise accounting information.

AO4 *Evaluation*

Interpret and evaluate accounting information to make judgements and recommendations.

SCHEME OF ASSESSMENT

There are *two compulsory papers*.

	Details	Weighting	Duration
Paper 1	Answer 3 to 4 compulsory structured questions. (40 marks)	40%	1 hour
Paper 2	Answer 4 compulsory structured questions. (60 marks) <ul style="list-style-type: none"> One question requires the preparation of financial statements for a business for one financial year. (20 marks) A scenario-based question (7 marks) will be part of one of the 3 remaining questions. 	60%	2 hours

Candidates will write their answers on the question paper in **Paper 1** and **Paper 2**.

Scenario-Based Question

The scenario-based question requires candidates to make a decision between two possible choices within a fictional business context. Each scenario will include both accounting and non-accounting information which candidates are expected to use to support their decision. Candidates will be required to explain 3 reasons to justify their decision.

The business context for a scenario will be based on one of the 5 topics prescribed for the scenario-based question:

- Inventory
- Trade Payables
- Trade Receivables
- Non-Current Assets
- Business Entities

Information on accounting concepts can be taken from the whole syllabus and beyond the prescribed topics, while non-accounting information can be taken from the specific topics related to the context given for a scenario.

Marking of the scenario-based question will consider candidates' decision of a choice, and explanation of the reasons using evidence from the scenario.

Assessment specification grid

The following weighting of the assessment objectives gives an indication of their relative importance. They are not intended to provide a precise statement of the number of marks allocated to particular assessment objective.

	AO1 Knowledge and Comprehension	AO2 Application	AO3 Analysis and Synthesis	AO4 Evaluation	Total
Paper 1	15%	10%	10%	5%	40%
Paper 2	10%	15%	20%	15%	60%
Total	25%	25%	30%	20%	100%

USE OF CALCULATORS

The use of a calculator as approved by the Singapore Examinations and Assessment Board is allowed for **both** papers.

SYLLABUS OUTLINE

Key Understanding 1:

Accounting and non-accounting information is used to support and facilitate decision-making

This key understanding focuses on the relationship between business activities and its stakeholders. Stakeholders provide resources for the business, while the performance of business activities affect stakeholders' decisions concerning the business. Stakeholders rely on accounting information generated by the accounting information system to make decisions. The stakeholders also use non-accounting information to make well-informed decisions and judgements.

This key understanding will cover the following:

Accounting and its role in Stakeholders' Decision-making Process

- 1.1 Roles of accounting and accountants
- 1.2 Stakeholders and their decision-making needs

Analysis of Financial Statements for Decision-making

- 1.3 Financial statements analysis
 - 1.3.1 Profitability
 - 1.3.2 Liquidity
 - 1.3.3 Efficiency

Key Understanding 2:

Accounting is a language used to represent business activities

Accounting is considered the language of business as it allows stakeholders to think about, discuss and evaluate business activities. This key understanding looks into how accounting acts as this language and how it provides the concepts and framework to represent the physical flow of resources, and the performance and position of the business, by grouping the effects of business activities according to their characteristics.

Businesses

- 2.1 Types of businesses
- 2.2 Forms of business ownerships

Measurement and Presentation of Business Activities

- 2.3 Elements of financial statements
- 2.4 Accounting equation
- 2.5 Financial statements
 - 2.5.1 Statement of financial position
 - 2.5.2 Statement of financial performance
- 2.6 Income and expenses
 - 2.6.1 Revenue and other income
 - 2.6.2 Cost of sales and other expenses

- 2.7 Assets
 - 2.7.1 Cash in hand and cash at bank
 - 2.7.2 Inventories
 - 2.7.3 Trade receivables
 - 2.7.4 Non-current assets
- 2.8 Liabilities
 - 2.8.1 Trade payables
 - 2.8.2 Long-term borrowings
- 2.9 Equities
 - 2.9.1 Capital and share capital
 - 2.9.2 Drawings
 - 2.9.3 Transfer of profits/loss for the year and retained earnings

Correction of Errors

- 2.10 Correction of errors

Key Understanding 3:

Accounting is an information system to measure business activities.

This key understanding looks into how business activities and physical flow of resources are quantified and measured in monetary value. When business activities and the flow of resources are expressed in a numerical form, it facilitates comparisons to be done, performance to be tracked and evaluations to be made. A reliable measurement system must be supported by an information system, which systematically collects, records and organises business economic activities into information.

Accounting Assumptions and Principles

- 3.1 Accounting theories

Accounting Information System and Accounting Cycle

- 3.2 Accounting information system and accounting cycle
- 3.3 Understanding double-entry recording system
- 3.4 Internal controls

For the purpose of examination, questions can only be set for a maximum of three financial periods except for the following:

- 1 For the comparison of profitability, liquidity and efficiency under section 1.3, the comparison is either over three financial years or against one other business.**
- 2 The preparation of financial statements is only for one financial year under section 2.5 for Question 1 of paper 2.**
- 3 Analysis of the effects of understatement or overstatement of inventory on gross profit/loss and profit/loss for the period is only for one financial period under section 2.7.2.**

SUBJECT CONTENT

Key Understanding 1: Accounting and non-accounting information are used to support and facilitate decision-making

Stakeholders require accounting and non-accounting information on business activities for decision-making, which in turn affects the business and its activities.

Content	Learning Outcomes Students will be able to:
1.1 Roles of accounting and accountants	
<p><u>Role of accounting</u></p> <ul style="list-style-type: none"> Accounting provides accounting information for decision-making by business owners and other stakeholders <p><u>Role of accountants</u></p> <ul style="list-style-type: none"> Through providing accounting information for stakeholders' decision-making, accountants act as <u>stewards of businesses</u> They set up the accounting information system to collate, record, organise and report accounting information so that owners and other stakeholders can make decisions regarding the management of resources and the performance of businesses They <u>think critically, solve problems, adapt and meet the need for sophisticated accounting and business information</u> In the face of an evolving business environment and rapid technological advancement, accountants have to provide relevant information in a timely manner for decision-making and insights that are easily and appropriately understood by owners and other stakeholders based on accounting theories Stakeholders place trust in the information provided by accountants who must adhere to professional ethics, uphold <u>integrity and be objective (1)(2)</u> <ul style="list-style-type: none"> <u>integrity</u> is being straightforward and honest in all professional and business relationships <u>objectivity</u> is not letting bias, conflict of interest or undue influence of others override professional judgement <p>Note:</p> <p>(1) <i>Includes only the effects of unethical behaviour on decisions made by stakeholders; the legal consequences of unethical behaviour are not required</i></p> <p>(2) <i>In the Institute of Singapore Chartered Accountants' Code of Professional Conduct and Ethics, the first two principles are integrity and objectivity</i></p>	<ul style="list-style-type: none"> state the role of accounting state the role of accountants define integrity and objectivity explain the importance of having integrity and objectivity in preparing and presenting accounting information

Content	Learning Outcomes Students will be able to:
1.2 Stakeholders and their decision-making needs	
<p><u>Stakeholders</u></p> <ul style="list-style-type: none"> Users of accounting and non-accounting information of a business for decision-making <p><u>Accounting and non-accounting information</u></p> <ul style="list-style-type: none"> Making decisions with only accounting information may cause stakeholders to leave out important business-related factors that are not shown on financial statements but may affect decisions <ul style="list-style-type: none"> <u>accounting information</u> refers to information usually generated by the accounting information system and is largely information that can be extracted from journals, ledger accounts and financial statements (including financial ratios) <u>non-accounting information (3)</u> refers to the information about the operation of a business not found in journals, ledger accounts or financial statements. <p>Note: (3) Refer to sections 2.2, 2.7.2 to 2.7.4, and 2.8.1 for the specific non-accounting information for this syllabus</p>	<ul style="list-style-type: none"> state the stakeholders who are interested in the affairs of the business and make use of the accounting information for decision-making state examples of accounting information needed by stakeholders of a business for decision-making state examples of non-accounting information needed by owners and managers of a business for decision-making explain why stakeholders of a business are interested in accounting information explain why owners and managers of a business are interested in non-accounting information
1.3 Financial statements analysis This section looks at how businesses make comparisons against themselves or one other business over a period of time, using both absolute values and financial ratios to make decisions.	
1.3.1 Profitability	
<ul style="list-style-type: none"> Measures the ability of a business to earn revenue and manage expenses Importance of being profitable in its trading activities Importance of being profitable as a whole business Consequences of not being profitable in its trading activities Consequences of not being profitable as a whole business <p><u>Analysis of absolute values (4)</u></p> <ul style="list-style-type: none"> Analysing the components of gross profit/loss such as net sales revenue and cost of sales Analysing the components of profit/loss for the year such as net sales revenue, service fee revenue, cost of sales, gross profit and expenses Comparing sales revenue, service fee revenue, cost of sales, gross profit/loss, expenses and profit/loss for the year across a maximum of three financial years 	<ul style="list-style-type: none"> explain the importance of being profitable <p><u>Analysis of absolute values</u></p> <ul style="list-style-type: none"> analyse the gross profit/loss and profit/loss for the year interpret sales revenue, cost of sales, gross profit/loss and profit/loss for the year across a maximum of three financial years evaluate the profitability of businesses from the trend of sales revenue, service fee revenue, cost of sales, gross profit/loss and profit/loss for the year across a maximum of three financial years recommend means to improve gross profit/loss and profit/loss for the year

Content	Learning Outcomes Students will be able to:
1.3.1 Profitability (continued)	
<u>Analysis of absolute values (4)</u> (continued)	
<ul style="list-style-type: none"> Analysing the trend of financial figures across time with respect to the given scenario and their implications for the business Analysing the probable reasons for changes in absolute values such as net sales revenue, service fee revenue and cost of sales and the implications of such changes for the business Improving gross profit/loss and/or profit/loss for the year with respect to the given scenario May include presentation of figures in, or in an extract of, the Statement of Financial Performance <p><u>Analysis of ratios</u></p> <ul style="list-style-type: none"> Understanding and computing the profitability ratios: <ol style="list-style-type: none"> gross profit margin mark-up on cost profit margin return on equity Understanding the relationship between gross profit margin and profit margin. Comparing profitability ratios across a maximum of three financial years or against one other business Analysing the trend of ratios across time and against one other business with respect to the given scenario and their implications for the business Analysing the probable reasons for changes in ratios and the implications of such changes for the business Improving the profitability ratios with respect to the given scenario <p>Note: (4) Analysis at the unit cost level is not required</p>	<p><u>Analysis of ratios</u></p> <ul style="list-style-type: none"> state and calculate the profitability ratios interpret profitability ratios across a maximum of three financial years or against one other business evaluate the profitability of businesses from the trend of profitability ratios across a maximum of three financial years or against one other business recommend means to improve profitability ratios

Content	Learning Outcomes Students will be able to:
1.3.2 Liquidity	
<ul style="list-style-type: none"> Liquidity measures the ability of a business to meet its short-term financial obligations Importance of being liquid Consequences of not being liquid Differences between liquidity and profitability <p><u>Analysis of absolute values</u></p> <ul style="list-style-type: none"> Understanding and computing working capital Analysing the components of working capital and means of improvement Comparing working capital, total current assets or its components, and total current liabilities or its components across a maximum of three financial years Analysing the trend of financial figures across time with respect to the given scenario and their implications for the business Analysing the probable reasons for change in working capital, current assets and current liabilities and the implications of such changes for the business Improving liquidity for the year with respect to the given scenario May include presentation of figures in, or in an extract of, the Statement of Financial Position <p><u>Analysis of ratios</u></p> <ul style="list-style-type: none"> Understanding and computing liquidity ratios: <ol style="list-style-type: none"> current ratio quick ratio Understanding the difference between current ratio and quick ratio and why quick ratio is a better indicator of liquidity than current ratio Comparing liquidity ratios across a maximum of three financial years or against one other business Analysing the trend of ratios across time and against one other business with respect to the given scenario Analysing probable reasons for changes in ratios and the implications of such changes for the business Improving the liquidity ratio with respect to the given scenario 	<ul style="list-style-type: none"> explain the importance of being liquid state and explain the differences between liquidity and profitability <p><u>Analysis of absolute values</u></p> <ul style="list-style-type: none"> state and calculate working capital analyse the components of total current assets and total current liabilities interpret current asset items and current liability items across a maximum of three financial years evaluate the liquidity of businesses from the trend of working capital, current asset items and current liability items across a maximum of three financial years recommend means to improve liquidity <p><u>Analysis of ratios</u></p> <ul style="list-style-type: none"> state and calculate liquidity ratios interpret liquidity ratios across a maximum of three financial years or against one other business evaluate the liquidity of businesses from the trend of liquidity ratios across a maximum of three financial years or against one other business recommend means to improve liquidity ratios

Content	Learning Outcomes Students will be able to:
1.3.3 Efficiency	
<p><u>Inventory management</u></p> <ul style="list-style-type: none"> • Efficiency of inventory management measures the ability of a business to manage its inventory to meet customer demand • Importance of a trading business being able to manage its inventory through monitoring the rate of inventory turnover • Consequences of not being able to manage inventory efficiently <p><u>Trade receivables management</u></p> <ul style="list-style-type: none"> • Efficiency of trade receivables management measures the ability of a business to collect its debts quickly • Importance of managing its trade receivables through monitoring the rate of trade receivable turnover • Consequences of not being able to manage trade receivables efficiently <p><u>Analysis of absolute values</u></p> <ul style="list-style-type: none"> • Comparing inventory balances, cost of sales, net credit sales revenue, credit service fee revenue and trade receivables balances across a maximum of three financial years • Analysing the trend of financial figures across time with respect to the given scenario and their implications for the business • Analysing the probable reasons for change in inventory balances, cost of sales, net credit sales revenue, credit service fee revenue and trade receivables balances and the implications of such changes for the business • May include presentation of figures in the Statement of Financial Performance and Statement of Financial Position, or in an extract of both the financial statements 	<ul style="list-style-type: none"> • explain the importance of being able to manage inventory and trade receivables efficiently <p><u>Analysis of absolute values</u></p> <ul style="list-style-type: none"> • analyse inventory balances, cost of sales, trade receivables balances, net credit sales revenue, and credit service fee revenue balances across a maximum of three financial years or against one other business • interpret inventory balances, cost of sales, trade receivables balances, net credit sales revenue, and net credit service fee revenue balances across a maximum of three financial years • evaluate the efficiency of businesses from the trend of inventory balances, cost of sales, trade receivables balances, net credit sales revenue, credit service fee revenue across a maximum of three financial years

Content	Learning Outcomes Students will be able to:
1.3.3 Efficiency (continued)	
<p><u>Analysis of ratios</u></p> <ul style="list-style-type: none"> Understanding and computing the efficiency ratios: <ul style="list-style-type: none"> (i) rate of inventory turnover (times) (ii) days sales in inventory (days) (iii) rate of trade receivables turnover (times) (iv) trade receivables collection period (days) Comparing the rate of inventory turnover (times), days sales in inventory (days), rate of trade receivables turnover (times) and trade receivables collection period (days) across a maximum of three financial years or against one other business Analysing the trend of ratios across time and against one other business with respect to the given scenario and their implications for the business Analysing the probable reasons for changes in ratios and the implications of such changes for the business Improving the rate of inventory turnover (times), days sales in inventory (days), rate of trade receivables turnover (times) and trade receivables collection period (days) with respect to the given scenario 	<p><u>Analysis of ratios</u></p> <ul style="list-style-type: none"> state and calculate the rate of inventory turnover (times) and days sales in inventory (days) state and calculate the rate of trade receivables turnover (times) and trade receivables collection period (days) interpret the rate of inventory turnover (times) and days sales in inventory (days) across a maximum of three financial years or against one other business interpret the rate of trade receivables turnover (times) and trade receivables collection period (days) across a maximum of three financial years or against one other business evaluate the ability to manage inventory from the trend of rate of inventory turnover (times) or days sales in inventory (days) across a maximum of three financial years or against one other business evaluate the ability to collect debt from the trend of rate of trade receivables turnover (times) and trade receivables collection period (days) across a maximum of three financial years or against one other business recommend means to improve the rate of inventory turnover or days sales in inventory (days) recommend means to improve the rate of trade receivables turnover (times) and trade receivables collection period (days)

Key Understanding 2: Accounting is a language used to represent business activities

Accounting is the language of business as it provides the concepts and framework to represent business activities.

Content	Learning Outcomes Students will be able to:
2.1 Types of businesses	
<ul style="list-style-type: none"> Main business activities of profit-making businesses: trading and service Difference between the business activities of trading and service businesses as seen in the Statement of Financial Position and Statement of Financial Performance 	<ul style="list-style-type: none"> explain the differences between trading and service businesses distinguish between financial statements of businesses in trading and services
2.2 Forms of business ownerships	
<ul style="list-style-type: none"> Forms of entities: sole proprietorship, limited liability partnership and private limited company Distinguish the features of different forms of entities: sole proprietorship, limited liability partnership and private limited company Differences in terms of capital structure, access to funds, extent of liability, level of control desired, lifespan and transferability of ownership for sole proprietorship, limited liability partnership and private limited company (5) Differences in the Statement of Financial Position and Statement of Financial Performance for only sole proprietorship and private limited company Factors to consider when selecting a legal form of business: <ol style="list-style-type: none"> owner/owners' expertise nature of the business capital commitment for initial set-up (access to funds) lifespan and transferability of ownership risk (e.g. limited liability) level of control desired <p>Note: (5) <i>Excludes the legal formations of business entities and knowledge of Board of Directors and Annual General Meeting</i></p>	<ul style="list-style-type: none"> explain the features of a sole proprietorship, limited liability partnership and private limited company distinguish between the financial statements of a sole proprietorship and private limited company analyse, evaluate and make decisions about the forms of business ownership (sole proprietorship, limited liability partnership and private limited company) when setting up a business
2.3 Elements of financial statements	
<ul style="list-style-type: none"> All business activities are represented by these elements: asset, liability, equity, income and expense Examples of assets, liabilities, equity, income and expenses Understand how the trade of the business and the use of the items affect how they are classified 	<ul style="list-style-type: none"> define asset, liability, equity, income and expenses give examples of assets, liabilities, equity, income and expenses for a specific business classify items as assets, liabilities, equity, income and expenses for a specific business

Content	Learning Outcomes Students will be able to:
2.4 Accounting equation	
<ul style="list-style-type: none"> • Basic accounting equation of assets = equity + liabilities, and its expansion to include income and expenses • The basic accounting equation is the basis of the Statement of Financial Position • Accounting transactions for analysis are limited to those covered in this syllabus only 	<ul style="list-style-type: none"> • state the basic accounting equation and its expansion • calculate the values of assets, liabilities and equity using the accounting equation • apply the accounting equations to the Statement of Financial Position • analyse the effects of business transactions on the accounting equation

Content	Learning Outcomes Students will be able to:
2.5 Financial statements This section looks at the Statement of Financial Position and Statement of Financial Performance of both sole proprietorships and private limited companies, and the end-of-period accounting adjustments included in this syllabus.	
2.5.1 Statement of Financial Position	
<p><u>Purpose of the Statement of Financial Position</u></p> <ul style="list-style-type: none"> Statement of Financial Position lists the assets, liabilities and equity of a business at a point in time (6)(7) Represents the accounting equation <p><u>Items in the Statement of Financial Position</u></p> <ul style="list-style-type: none"> Classification of items as non-current assets, current assets, non-current liabilities, current liabilities and equity Examples of non-current assets, current assets, non-current liabilities, current liabilities and equity Owner's equity for a sole proprietor and shareholders' equity for a private limited company (8) <p><u>Valuation methods</u></p> <ul style="list-style-type: none"> Accounting theories that apply to each valuation method Valuation methods used for assets: <ul style="list-style-type: none"> non-current assets at net book value, i.e., cost less accumulated depreciation inventory values at the lower of cost and net realisable value trade receivables at trade receivables less allowance for impairment of trade receivables <p><u>Presentation of the Statement of Financial Position</u></p> <ul style="list-style-type: none"> Narrative format of Statement of Financial Position Presentation details to show: <ul style="list-style-type: none"> non-current and current assets (current assets are not required to be listed in order of liquidity) non-current and current liabilities capital of the sole proprietor or share capital and retained earnings of a private limited company 	<ul style="list-style-type: none"> define and distinguish between non-current and current assets define and distinguish between non-current and current liabilities define net assets, equity and working capital calculate net assets, equity and working capital analyse the effects of business transactions and accounting adjustments on the owner's or shareholders' equity, non-current assets, current assets, non-current liabilities, current liabilities, net assets and working capital prepare a Statement of Financial Position with end-of-financial-period accounting adjustments for a sole proprietorship or private limited company prepare a Statement of Financial Position with end-of-financial-period accounting adjustments for a trading or service business

Content	Learning Outcomes Students will be able to:
2.5.1 Statement of Financial Position (continued)	
<p><u>Presentation of the Statement of Financial Position (continued)</u></p> <ul style="list-style-type: none"> Accounting adjustments can be done at the end of a financial period or year, and they include only: <ul style="list-style-type: none"> declared dividends (private limited company) depreciation of non-current assets, with or without beginning accumulated depreciation impairment loss on inventory impairment loss on trade receivables arising during the financial period, with or without beginning allowance for impairment of trade receivables prepaid expenses, expenses payable, service fee revenue received in advance, income receivable and income received in advance re-classification of current portion of long-term borrowings correction of errors not revealed by the Trial Balance Basic interpretation and significance of relationships of financial figures in the Statement of Financial Position (9); understanding the relationships of financial figures in the Statement of Financial Position will aid in understanding Section 1.3 <p>Note:</p> <p>(6) <i>The Statement of Financial Position is to be prepared from a list of account balances or a trial balance</i></p> <p>(7) <i>The Statement of Financial Position includes only that for</i></p> <p style="padding-left: 20px;">(i) <i>trading and service businesses</i></p> <p style="padding-left: 20px;">(ii) <i>sole proprietorships and private limited companies</i></p> <p>(8) <i>The terms net worth and capital owned are not used</i></p> <p>(9) Includes only the following:</p> <p style="padding-left: 20px;">(i) <i>how resources are obtained and used</i></p> <p style="padding-left: 20px;">(ii) <i>current assets, current liabilities and working capital (current assets – current liabilities)</i></p> <p style="padding-left: 20px;">(iii) <i>equity and net assets (total assets – total liabilities)</i></p> <p style="padding-left: 20px;">(iv) <i>changes in net assets between two points in time and the profit for the period</i></p>	

Content	Learning Outcomes Students will be able to:
2.5.2 Statement of Financial Performance	
<p><u>Purpose of the Statement of Financial Performance</u></p> <ul style="list-style-type: none"> The Statement of Financial Performance shows the income and expenses of a business for a period of time (10) Shows the profit for the period, i.e., the excess of income over expenses for a period of time <p><u>Items in the Statement of Financial Performance</u></p> <ul style="list-style-type: none"> For a trading business, the perpetual inventory recording method is adopted The following details are shown in the trading portion of the Statement of Financial Performance: <ul style="list-style-type: none"> net sales revenue (sales revenue - sales returns) cost of sales gross profit/loss For a service business, service fee revenue is shown as a line item separate from other income <p><u>Presentation of the Statement of Financial Performance</u></p> <ul style="list-style-type: none"> Narrative format of Statement of Financial Performance Presentation of sales revenue, sales returns and cost of sales on the Statement of Financial Performance for a trading business Presentation of service fee revenue on the Statement of Financial Performance for a service business Other expenses in the profit and loss portion of the Statement of Financial Performance are not required to be classified by function Accounting adjustments can be done at the end of a period or financial year, and they include only: <ul style="list-style-type: none"> depreciation of non-current assets, with or without beginning accumulated depreciation impairment loss on inventory impairment loss on trade receivables arising during the financial period, with or without beginning allowance for impairment of trade receivables prepaid expenses, expenses payable, income receivable, income received in advance and service fee revenue received in advance correction of any errors not revealed by the Trial Balance 	<ul style="list-style-type: none"> define and distinguish gross profit/loss and profit/loss for the financial period explain the purposes of the trading portion and profit and loss portion of the Statement of Financial Performance calculate net sales revenue, service fee revenue, gross profit/loss and profit/loss for the period prepare a Statement of Financial Performance with end-of-financial-period accounting adjustments for a sole proprietorship or a private limited company prepare a Statement of Financial Performance with end-of-financial-period accounting adjustments for a trading or service business

Content	Learning Outcomes Students will be able to:
2.5.2 Statement of Financial Performance (continued)	
<p><u>Presentation of the Statement of Financial Performance (continued)</u></p> <ul style="list-style-type: none"> Basic interpretation and significance of relationships of financial figures in the Statement of Financial Performance (11); understanding the relationships of financial figures in the Statement of Financial Performance will aid in understanding Section 1.3 <p>Note:</p> <p>(10) <i>The Statement of Financial Performance is to be prepared from a list of account balances or a trial balance and includes only that for:</i></p> <ol style="list-style-type: none"> trading and service businesses sole proprietorships and private limited companies <p>(11) Includes only the following relationships between:</p> <ol style="list-style-type: none"> sales revenue, cost of sales and gross profit/loss gross profit/loss, other income, other expenses and profit/loss for the period sales revenue, cost of sales, other income, other expenses and profit/loss for the period 	

Content	Learning Outcomes Students will be able to:
2.6 Income and expenses This section looks into the revenue, other income and other expense items in a Statement of Financial Performance, and the adjustments to be made to these items at the end of a financial period.	
2.6.1 Revenue and other income	
<u>Accounting theories</u> <ul style="list-style-type: none"> Revenue recognition theory Accrual basis of accounting theory <u>Accounting for transactions</u> <ul style="list-style-type: none"> Accounting for: <ul style="list-style-type: none"> (i) sale of goods on cash and credit basis (ii) provision of services on cash and credit basis (iii) returns of goods (iv) service fee revenue received in advance (v) other income (12) (vi) income receivable (12) (vii) income received in advance (12) Calculation of service fee revenue received in advance, income receivable and income received in advance Amounts received are recorded as income at the points of receipt, and any unearned or not received portions are adjusted at the end of the financial period Adjustments at end of period are to be made against separate service fee revenue received in advance, income receivable and income received in advance ledger accounts Closing of sales revenue, sales returns, service fee revenue and other income are performed only at the end of the financial year, and the amounts are transferred to the income summary (for periods in between the financial year, there will be balances in these accounts) 	<u>Accounting theories</u> <ul style="list-style-type: none"> explain the accounting of sales revenue, service fee revenue, other income, service fee revenue received in advance, income receivable and income received in advance in relation to relevant accounting theories <u>Accounting for transactions</u> <ul style="list-style-type: none"> calculate the sales revenue adjusted for sales returns calculate the service fee revenue adjusted for service fee revenue received in advance calculate other income adjusted for income receivable and income received in advance prepare the journal entries for transactions affecting sales revenue, sales returns, service fee revenue, other income, service fee revenue received in advance, income receivable and income received in advance interpret the sales revenue, sales returns, service fee revenue, other income ledger accounts with adjustments for service fee revenue received in advance, income receivable and income received in advance analyse the effects of service fee revenue received in advance, income receivable and income received in advance on current liabilities, current assets and profit/loss for the period

Content	Learning Outcomes Students will be able to:
2.6.1 Revenue and other income (continued)	
<p><u>Presentation</u></p> <ul style="list-style-type: none"> • Presentation of sales revenue, sales returns, service fee revenue and other income in the Statement of Financial Performance • Presentation of income receivable in the Statement of Financial Position • Presentation of service fee revenue received in advance and income received in advance in the Statement of Financial Position • Income receivable is shown as current assets in the Statement of Financial Position • Service fee revenue received in advance and income received in advance are shown as current liabilities in the Statement of Financial Position <p>Note: (12) Excludes the following:</p> <ul style="list-style-type: none"> (i) dividend income (ii) adjustment for service fee revenue received in advance, income receivable and income received in advance at the start of financial period 	<p><u>Presentation</u></p> <ul style="list-style-type: none"> • prepare an extract of the Statement of Financial Performance showing the presentation of sales revenue, sales returns, and other income for a trading business • prepare an extract of the Statement of Financial Performance showing the presentation of service fee revenue and other income for a service business • prepare an extract of the Statement of Financial Position showing the presentation of service fee revenue received in advance for a service business • prepare an extract of the Statement of Financial Position showing the presentation of income receivable and income received in advance for both a trading and a service business
2.6.2 Cost of sales and other expenses	
<p><u>Accounting theories</u></p> <ul style="list-style-type: none"> • Matching theory • Accrual basis of accounting theory <p><u>Accounting for transactions</u></p> <ul style="list-style-type: none"> • Accounting for: <ul style="list-style-type: none"> (i) cost of sales (ii) other expenses paid by cash/bank transfer (iii) expenses incurred but not paid (expenses payable) (13) (iv) expenses not incurred but paid (prepaid expenses) (13) • Calculation of cost of sales and other expenses, prepaid expenses and expenses payable • Amounts paid are recorded as other expenses at the points of payments, and any unused or outstanding portions are adjusted at the end of the financial period • Adjustments at end of period are to be made against separate prepaid expenses and expenses payable ledger accounts • Closing of all cost of sales and expenses accounts are performed only at the end of the financial year and amounts are transferred to the income summary (for periods in between the financial year, there will be balances in these accounts) 	<p><u>Accounting theories</u></p> <ul style="list-style-type: none"> • explain the accounting of cost of sales, other expenses, and adjustments for prepaid expenses and expenses payable in relation to relevant accounting theories <p><u>Accounting for transactions</u></p> <ul style="list-style-type: none"> • calculate the cost of sales • calculate other expenses adjusted for prepaid expenses and expenses payable • prepare the journal entries affecting cost of sales, other expenses, prepaid expenses and expenses payable • interpret the cost of sales and other expenses ledger accounts with adjustments for prepaid expenses and expenses payable • analyse the effects of prepaid expenses and expenses payable on current liabilities, current assets and profit/loss for the period

Content	Learning Outcomes Students will be able to:
<p><u>Presentation</u></p> <ul style="list-style-type: none"> • Presentation of cost of sales and other expenses in the Statement of Financial Performance • Presentation of prepaid expenses and expenses payable in the Statement of Financial Position • Prepaid expenses are shown as current assets in the Statement of Financial Position • Expenses payables are shown as current liabilities in the Statement of Financial Position <p>Note: (13) <i>Excludes adjustment for prepaid expenses and expenses payable at the start of financial period</i></p>	<p><u>Presentation</u></p> <ul style="list-style-type: none"> • prepare an extract of the Statement of Financial Performance showing the presentation of cost of sales and other expenses for a trading business • prepare an extract of the Statement of Financial Performance showing the presentation of other expenses for a service business • prepare an extract of the Statement of Financial Position showing the presentation of prepaid expenses and expenses payable for both a trading and a service business
<p>2.7 Assets This section looks into the asset items in a Statement of Financial Position and the adjustments to be made to these items at the end of a financial period.</p>	
<p>2.7.1 Cash in hand and cash at bank</p>	
<p><u>Cash management</u></p> <ul style="list-style-type: none"> • Understand why businesses need to keep cash for operational needs • Understand how businesses manage cash in hand, cash at bank, cash in transit, cash receipts and cash payments (14) <p><u>Accounting for transactions</u></p> <ul style="list-style-type: none"> • Accounting for receipts and payments <ul style="list-style-type: none"> – cash at bank account reflects the amount deposited in the bank for safe-keeping <p><u>Presentation</u></p> <ul style="list-style-type: none"> • Presentation of cash in hand, cash at bank and bank overdraft in the Statement of Financial Position <p>Note: (14) <i>The internal control of cash is covered in section 3.4</i></p>	<p><u>Accounting for transactions</u></p> <ul style="list-style-type: none"> • prepare the journal entries related to receipts and payments • interpret the cash in hand and cash at bank ledger accounts <p><u>Presentation</u></p> <ul style="list-style-type: none"> • prepare an extract of the Statement of Financial Position showing the presentation of cash at bank, bank overdraft and cash in hand

Content	Learning Outcomes Students will be able to:
2.7.2 Inventories	
<u>Inventory management</u> <ul style="list-style-type: none"> Understand why businesses keep inventories to avoid out-of-stock situations Understand how businesses manage inventories by: <ul style="list-style-type: none"> keeping proper records to track inventory keeping physical inventory in the warehouse buying insurance to insure the inventory Understand how businesses manage and make decisions about types of inventory to buy by considering both accounting and non-accounting information <ul style="list-style-type: none"> <u>accounting information</u>: cost of inventory, storage cost, gross profit margin, rate of inventory turnover (times) or days sales in inventory (days) <u>non-accounting information includes only</u>: <ul style="list-style-type: none"> (i) types of storage (ii) nature of product (iii) customer preference <u>Accounting theories</u> <ul style="list-style-type: none"> Prudence theory <u>Accounting for transactions</u> <ul style="list-style-type: none"> Accounting for purchases of inventory, return of inventory, sales of inventory and sales returns for a trading business <ul style="list-style-type: none"> perpetual inventory recording method (15) goods are inventoried at the points of purchases and expensed as cost of sales at the points of sales costs of purchases inventoried include the purchase price and costs to bring in inventory less returns (16) Accounting for cost of sales <ul style="list-style-type: none"> calculation of cost of sales and ending inventory using the FIFO method (17) <u>Valuation</u> <ul style="list-style-type: none"> Valuation of ending inventory (18) <ul style="list-style-type: none"> Singapore's Financial Reporting Standard (FRS) 2 states that "inventories shall be measured at the lower of cost and net realisable value" accounting for impairment loss on inventory when the net realisable value of inventory is lower than book value of inventory at the end of the financial period 	<u>Inventory management</u> <ul style="list-style-type: none"> explain why businesses keep inventories describe how businesses manage inventories analyse, evaluate and make decisions about the purchase of inventory by considering accounting and non-accounting information <u>Accounting theories</u> <ul style="list-style-type: none"> explain the valuation of inventory in relation to relevant accounting theories <u>Accounting for transactions</u> <ul style="list-style-type: none"> identify the costs of purchases calculate the cost of sales and ending inventory calculate the impairment loss on inventory adjusted for insurance claims if any prepare the journal entries on inventory at points of purchases and cost of sales at points of sales prepare the journal entry to record impairment loss on inventory interpret the inventory ledger account with adjustments for impairment loss on inventory and/or insurance claims analyse the effects of understatement or overstatement of inventory on gross profit/loss and profit/loss for the period for the current financial period <u>Valuation</u> <ul style="list-style-type: none"> state the valuation method for inventory in the Statement of Financial Position

Content	Learning Outcomes Students will be able to:
2.7.2 Inventories (continued)	
<p><u>Presentation</u></p> <ul style="list-style-type: none"> • Presentation of inventory, cost of sales and impairment loss on inventory in the Statement of Financial Position and Statement of Financial Performance <p>Note:</p> <p>(15) <i>Adjustment for differences between ending inventory values derived from perpetual inventory recording method and physical inventory count arise is not required</i></p> <p>(16) <i>The FRS 2 states that “the cost of inventories shall comprise all cost of purchases and other costs incurred in bringing the inventories to their present location and condition”. Prepaid expenses or expenses payable on purchase are excluded. In addition, adjustments to costs of purchases that will affect cost of sales and ending inventory are excluded. Adjustment to inventory value includes only impairment loss on inventory</i></p> <p>(17) Scenarios to exclude:</p> <ul style="list-style-type: none"> (i) <i>more than one financial period,</i> (ii) <i>beginning inventory comprising more than one batch of goods,</i> (iii) <i>a batch of goods with only value or quantity</i> (iv) <i>partial apportionment of any batch of inventory</i> <p>(18) <i>Calculating unit cost, deriving inventory value from unit cost and quantity, and recording in stock cards are not required, and goods returned from customers will not lead to return of the same goods to the supplier</i></p>	<p><u>Presentation</u></p> <ul style="list-style-type: none"> • prepare an extract of the Statement of Financial Position and Statement of Financial Performance showing the values and presentation of ending inventory, cost of sales and impairment loss on inventory

Content	Learning Outcomes Students will be able to:
2.7.3 Trade receivables	
<p><u>Trade receivables management</u></p> <ul style="list-style-type: none"> Understand why businesses give credit to customers to increase revenue Understand how businesses manage and make decisions about trade receivables through considering the credit worthiness of existing and new customers/ trade receivables by considering both accounting and non-accounting information <ul style="list-style-type: none"> <u>accounting information</u>: trade receivables balance, credit terms and cash discount, number of days trade receivables are overdue, existing customers' history of repayment rate of trade receivables turnover (times), trade receivable collection period (days) <u>non-accounting information includes only (19) the following</u> <ul style="list-style-type: none"> (i) economic outlook (ii) specific industry outlook (iii) reputation of customer (e.g. socially responsible, history of the business) (iv) customers' history of repayment <p><u>Accounting theories</u></p> <ul style="list-style-type: none"> Matching theory Prudence theory <p><u>Accounting for transactions</u></p> <ul style="list-style-type: none"> Accounting for transactions affecting trade receivables of a <u>trading business</u>: <ul style="list-style-type: none"> credit sales and sales returns cash discounts and trade discounts, including their purposes and calculations write-off of full or partial amount of debt receipts in full or partial amount of debt owed Accounting for transactions affecting trade receivables of a <u>service business</u>: <ul style="list-style-type: none"> services provided on credit cash discounts and trade discounts, including their purposes and calculations write-off of full or partial amount of debt receipts in full or partial amount of debt owed 	<p><u>Trade receivables management</u></p> <ul style="list-style-type: none"> analyse, evaluate and make decisions about the credit worthiness of existing and new customers/trade receivables by considering both accounting and non-accounting information <p><u>Accounting theories</u></p> <ul style="list-style-type: none"> explain the accounting of impairment loss on trade receivables in relation to relevant accounting theories <p><u>Accounting for transactions</u></p> <ul style="list-style-type: none"> define trade discount explain why a trade discount is given define cash discount explain why a cash discount is given distinguish between trade and cash discounts calculate the trade discount at the sale of and return of goods calculate cash discount prepare the journal entries to record transactions affecting trade receivables prepare the journal entries on allowance for impairment of trade receivables interpret the (i) trade receivables, (ii) allowance for impairment of trade receivables, (iii) impairment loss on trade receivables ledger accounts analyse the effects of cash discount on profit for the period and trade receivables analyse the effects of changes in allowance for impairment of trade receivables and impairment loss on trade receivables on the profit/loss for the period and trade receivables

Content	Learning Outcomes Students will be able to:
2.7.3 Trade receivables (continued)	
<p><u>Valuation</u></p> <ul style="list-style-type: none"> Valuation of trade receivables (20) <ul style="list-style-type: none"> trade receivables represent the collections in the immediate future allowance for impairment of trade receivables is an estimate of the value of debts that may be uncollectible in the future (21) calculation and accounting of allowance for impairment of trade receivables a decrease in allowance is treated as a reduction against expenses in the Statement of Financial Performance <p><u>Presentation</u></p> <ul style="list-style-type: none"> Presentation of trade receivables, allowance for impairment of trade receivables, and impairment loss on trade receivables in the Statement of Financial Position and Statement of Financial Performance <p>Note:</p> <p>(19) <i>Information about economic outlook and specific industry outlook are to be explicitly given (students are not expected to read and interpret related graphs, charts or any forms of reports to extract this information)</i></p> <p>(20) Scenarios to include only:</p> <ul style="list-style-type: none"> (i) <i>providing allowance for the first time</i> (ii) <i>increase in allowance over prior year</i> (iii) <i>decrease in allowance over prior year</i> <p>(21) <i>Singapore's Financial Reporting Standard 109 on Financial Instruments states that 'when making the assessment of credit risk, an entity shall use the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses'. Thus, the general provision for allowance for impairment of trade receivables will be used for this syllabus</i></p>	<p><u>Valuation</u></p> <ul style="list-style-type: none"> state the valuation method for trade receivables in the Statement of Financial Position <p><u>Presentation</u></p> <ul style="list-style-type: none"> prepare an extract of the Statement of Financial Position and Statement of Financial Performance showing the presentation of trade receivables, discount allowed, allowance for impairment of trade receivables and impairment loss on trade receivables

Content	Learning Outcomes Students will be able to:
2.7.4 Non-current assets	
<p><u>Non-current assets management</u></p> <ul style="list-style-type: none"> Understand the types of expenditure that businesses can capitalise Understand how businesses make decisions about <u>buying or renting non-current assets</u> by considering both accounting and non-accounting information <ul style="list-style-type: none"> <u>accounting information</u>: <ul style="list-style-type: none"> (i) current financial situation of the business (ii) cost of ownership versus renting <u>non-accounting information includes only</u>: advantages or disadvantages of buying or renting Understand how businesses manage and make decisions about the <u>acquisition of non-currents assets</u> (what to buy) by considering both accounting and non-accounting information. <ul style="list-style-type: none"> <u>accounting information</u>: price of non-current assets, installation cost, cost of maintaining the non-current assets and related repair cost <u>non-accounting information includes only</u> the following: <ul style="list-style-type: none"> (i) purpose of the non-current asset (ii) features of the non-current asset (22) (iii) customer reviews of the non-current assets (iv) warranty <p><u>Accounting theories</u></p> <ul style="list-style-type: none"> Matching theory Consistency theory Materiality theory Prudence theory 	<p><u>Non-current assets management</u></p> <ul style="list-style-type: none"> analyse, evaluate and make decisions about whether to buy or rent non-current assets by considering both accounting and non-accounting information analyse, evaluate and make decisions about the buying of non-current assets by considering both accounting and non-accounting information <p><u>Accounting theories</u></p> <ul style="list-style-type: none"> explain the application of the materiality theory on the treatment of capital and revenue expenditure explain the need to charge depreciation in relation to relevant accounting theories explain the presentation of net book value in relation to relevant accounting theories <p><u>Accounting for transactions</u></p> <p><u>Capital and revenue expenditure</u></p> <ul style="list-style-type: none"> define capital and revenue expenditure distinguish between capital and revenue expenditure classify accounting transactions as capital and revenue expenditure analyse the effects of differences in classification and treatments of capital and revenue expenditure on profit/loss for the period and non-current assets <p><u>Purchase of non-current assets</u></p> <ul style="list-style-type: none"> prepare the journal entries on purchases of non-current assets interpret the non-current asset ledger account

Content	Learning Outcomes Students will be able to:
2.7.4 Non-current assets (continued)	
<p><u>Accounting for transactions</u></p> <ul style="list-style-type: none"> Accounting for revenue versus capital expenditure <ul style="list-style-type: none"> the accounting treatment of capital and revenue expenditure, specifically whether expenditure incurred in relation to a non-current asset is to be capitalised as part of the non-current asset's cost or recorded in the Statement of Financial Performance as an expense examples of capital and revenue expenditure expenditure on non-current assets subsequent to acquisition can only be capitalised if it increases the capacity and useful life of the non-current assets and improves their function effects of erroneous classification and treatment of expenditure on financial statements Accounting for purchase of non-current assets (23) <ul style="list-style-type: none"> cost of non-current assets comprising purchase prices and the costs of bringing the non-current assets to operating condition Accounting for depreciation and accumulated depreciation (depreciation to date) (24) <ul style="list-style-type: none"> causes of depreciation methods of depreciation <ul style="list-style-type: none"> (i) straight line (ii) reducing balance suitability of depreciation methods for different classes of non-current assets net book value represents the estimated future economic value of a non-current asset accumulated depreciation is an approximation of the reduction in economic value of a non-current asset Accounting for the sale of non-current assets (25) <p><u>Valuation</u></p> <ul style="list-style-type: none"> Valuation of non-current assets <ul style="list-style-type: none"> at cost less accumulated depreciation 	<p><u>Depreciation and accumulated depreciation</u></p> <ul style="list-style-type: none"> define depreciation and accumulated depreciation state the causes of depreciation state and distinguish the depreciation methods of (i) straight-line and (ii) reducing-balance methods explain the suitability of selected depreciation methods for different types of non-current assets calculate depreciation and accumulated depreciation according to the (i) straight-line and (ii) reducing-balance methods calculate the rate of depreciation, length of useful life, annual depreciation, accumulated depreciation and net book value or cost of non-current assets prepare the journal entries on depreciation and accumulated depreciation analyse the effects of different depreciation methods on profit/loss for the period and net book value of non-current assets interpret the (i) depreciation and (ii) accumulated depreciation ledger accounts <p><u>Sale of non-current assets</u></p> <ul style="list-style-type: none"> calculate the gain or loss on the sale of non-current assets prepare the journal entries on the sale of non-current assets interpret the sale of non-current asset ledger account <p><u>Valuation</u></p> <ul style="list-style-type: none"> state the valuation method for non-current assets in the Statement of Financial Position

Content	Learning Outcomes Students will be able to:
2.7.4 Non-current assets (continued)	
<p><u>Presentation</u></p> <ul style="list-style-type: none"> • Presentation of non-current assets at net book value (cost less accumulated depreciation) in the Statement of Financial Position • Presentation of depreciation and gain/loss on the sale of non-current asset in the Statement of Financial Performance <p>Note:</p> <p>(22) <i>The features of the non-current assets to be considered during purchase refers to possible product specifications such as efficiency of the product</i></p> <p>(23) <i>Scenario to include only: purchases of non-current assets by cash and on credit, and contribution of non-current assets by the owner</i></p> <p>(24) <i>Scenarios to include only: partial (by whole month) or full year of depreciation in the year of acquisition.</i></p> <p>(25) <i>For sale of non-current assets, only the following scenarios are included:</i></p> <ol style="list-style-type: none"> <i>starting from purchase of one non-current asset that is subsequently sold, with or without replacement</i> <i>starting from purchase of two or more non-current assets and subsequently sold one of them, with or without replacement</i> <i>starting with balances in the non-current asset and accumulated depreciation ledger accounts and one of the non-current assets is sold in the current financial period</i> <i>partial (by whole month) or full year of depreciation in the year of purchase but no depreciation in the year of sale,</i> <i>either the straight-line or reducing-balance depreciation methods</i> 	<p><u>Presentation</u></p> <ul style="list-style-type: none"> • prepare an extract of Statement of Financial Position and Statement of Financial Performance showing the presentation of net book value, accumulated depreciation and depreciation • prepare an extract of the Statement of Financial Performance showing the presentation of gain or loss on the sale of non-current assets

Content	Learning Outcomes Students will be able to:
2.8 Liabilities This section looks into the liability in a Statement of Financial Position and the adjustments to be made to these items at the end of a financial period.	
2.8.1 Trade Payables	
<p><u>Supplier management</u></p> <ul style="list-style-type: none"> Understand why businesses buy on credit instead of paying cash Understand how businesses manage suppliers and decide which supplier to buy from by considering both accounting and non-accounting information <ul style="list-style-type: none"> <u>Accounting information</u>: cost of inventory, credit terms and cash discount, cost of supplies, cost of non-current assets, delivery charges, trade discount and cost of services (installation and maintenance) <u>Non-accounting information</u> includes only the following: <ol style="list-style-type: none"> local or overseas supplier after-sales service return policy online vs brick-and-mortar supplier reputation of supplier (e.g., socially responsible, history of the business) warranty <p><u>Accounting for transactions</u></p> <ul style="list-style-type: none"> Accounting for transactions affecting the credit purchase of goods and services and non-current assets: <ul style="list-style-type: none"> credit purchases of goods and services credit purchases of non-current assets returns of goods cash discounts and trade discounts, including their purposes and calculations full or partial payments freight charges <p><u>Presentation</u></p> <ul style="list-style-type: none"> Presentation of trade payables in the Statement of Financial Position 	<p><u>Supplier management</u></p> <ul style="list-style-type: none"> analyse, evaluate and make decisions about which supplier to buy from by considering both accounting and non-accounting information <p><u>Accounting for transactions</u></p> <ul style="list-style-type: none"> define trade discount explain why a trade discount is received define cash discount explain why a cash discount is received distinguish between trade and cash discounts calculate the trade discount at the purchase and return of goods calculate the cash discount at payment prepare the journal entries to record transactions affecting trade payables interpret a trade payable ledger account analyse the effects of cash discount on profit/loss for the period and trade payables <p><u>Presentation</u></p> <ul style="list-style-type: none"> prepare an extract of the Statement of Financial Performance showing the presentation of discount received prepare an extract of the Statement of Financial Position showing the presentation of trade payables

Content	Learning Outcomes Students will be able to:
2.8.2 Long-term borrowings	
<p><u>Long-term borrowings management</u></p> <ul style="list-style-type: none"> Understand why businesses obtain loans to finance its business operations <p><u>Accounting theories</u></p> <ul style="list-style-type: none"> Matching theory Accrual basis of accounting theory <p><u>Accounting for transactions</u></p> <ul style="list-style-type: none"> Accounting for new loan and loan repayment (26) Reclassify portion of long-term borrowings within the next financial year as current liability Accounting for interest expense and interest expense payable (26) <p><u>Presentation</u></p> <ul style="list-style-type: none"> Presentation of long-term borrowings, interest expense and interest expense payable in the Statement of Financial Performance and Statement of Financial Position <p>Note: <i>(26) The financial year end for scenarios that include the taking up of long-term borrowing will always end on 31 December. The obtaining of loans, repayment of loans and interest paid can take place at any time during the financial year. Loans are assumed to be repaid in equal instalments over the loan tenure. This syllabus does not include loans borrowed on a short-term basis</i></p>	<p><u>Accounting theories</u></p> <ul style="list-style-type: none"> explain the accounting of long-term borrowings interest expense in relation to relevant accounting theories <p><u>Accounting for transactions</u></p> <ul style="list-style-type: none"> distinguish between bank loan and bank overdraft calculate interest expense and interest expense payable prepare the journal entries on new loan, loan repayment, interest expense and interest expense payable interpret the long-term borrowings ledger account interpret the interest expense ledger accounts with adjustment for interest expense payable <p><u>Presentation</u></p> <ul style="list-style-type: none"> prepare an extract of the Statement of Financial Position and Statement of Financial Performance showing the presentation of loan, interest expense payable and interest expense

Content	Learning Outcomes Students will be able to:
2.9 Equities This section looks into the equity items of a sole proprietorship and a private limited company in a Statement of Financial Position, and the adjustments to be made to these items at the end of a financial period.	
2.9.1 Capital and Share Capital	
<u>Accounting theories</u> <ul style="list-style-type: none"> Accounting entity theory <u>Accounting for transactions</u> <ul style="list-style-type: none"> Accounting for transactions affecting the sole proprietor's interest (owner's equity) (27) Accounting for transactions affecting the shareholders' interests (shareholders' equity) (28): <ul style="list-style-type: none"> Issuance of capital only <u>Presentation</u> <ul style="list-style-type: none"> Presentation of capital and share capital in the Statement of Financial Position Note: (27) Scenarios to include only contribution of capital in cash or in kind (28) Shareholders' interests include only the following <ol style="list-style-type: none"> ordinary shares as the unit of ownership in the company issuance of ordinary shares fully paid up calculation of share capital based on unit issue price and quantity issued 	<u>Accounting theories</u> <ul style="list-style-type: none"> explain the accounting of capital and share capital in relation to relevant accounting theories <u>Accounting for transactions</u> <ul style="list-style-type: none"> calculate share capital prepare the journal entries on capital contributed and share capital interpret the capital and share capital ledger accounts analyse the changes in the owner's and shareholders' equity to identify the reasons for the changes <u>Presentation</u> <ul style="list-style-type: none"> prepare an extract of the Statement of Financial Position showing the presentation of the sole proprietor's interest in the business and the shareholders' interests in the private limited company

Content	Learning Outcomes Students will be able to:
<p>2.9.2 Drawings</p> <p><u>Accounting theories</u></p> <ul style="list-style-type: none"> Accounting entity theory <p><u>Accounting for transactions</u></p> <ul style="list-style-type: none"> Drawings in cash or in kinds would reduce the sole proprietor's equity in the Statement of Financial Position Closing of the drawings ledger account to the capital ledger account at the end of the financial year <p><u>Presentation</u></p> <ul style="list-style-type: none"> Presentation of drawings in the capital account 	<p><u>Accounting theories</u></p> <ul style="list-style-type: none"> explain the accounting of drawings in relation to relevant accounting theories <p><u>Accounting for transactions</u></p> <ul style="list-style-type: none"> define drawings prepare the journal entries related to drawings and the transfer of drawings to the capital account interpret the drawings ledger account analyse the impact of drawings on the sole proprietor's equity <p><u>Presentation</u></p> <ul style="list-style-type: none"> prepare an extract of the Statement of Financial Position showing the presentation of capital less drawings as a single line item

Content	Learning Outcomes Students will be able to:
2.9.3 Transfer of profit/loss for the year and retained earnings	
<p><u>Accounting for transactions</u></p> <ul style="list-style-type: none"> • Sole proprietorship <ul style="list-style-type: none"> – profit/loss for the year is added/deducted to/from the capital – transfer of profit/loss for the year to the sole proprietor's capital ledger account at the end of the financial year • Private limited companies <ul style="list-style-type: none"> – retained earnings/accumulated losses: accumulation of past profit/loss less declared dividends <ul style="list-style-type: none"> (i) transfer of profit/loss for the financial year to the retained earnings ledger account at the end of the financial year (ii) movements in retained earnings to include only profit/loss for the year and dividends declared during the financial year – dividends: the return on shareholders' interests in the business (29) <ul style="list-style-type: none"> (i) calculation of declared dividends based on dividend per share and quantity of issued ordinary shares (ii) accounting for declared dividends and payment of dividends <p><u>Presentation</u></p> <ul style="list-style-type: none"> • Presentation of the sole proprietor's capital account (after adding or deducting profit or loss for the year) in the statement of Financial Position • Presentation of retained earnings or accumulated losses in the Statement of Financial Position <p>Note: (29) Dividends includes only one final dividend paid, and the declared dividend is paid out in full and excludes the decision on how the amount of dividend per share is arrived at and the legal procedures for declared dividends.</p>	<p><u>Accounting for transactions</u></p> <ul style="list-style-type: none"> • define dividends and retained earnings • calculate the ending retained earnings after adjusting for profit/loss for the year and declared dividend • prepare the journal entries on the transfer of profit/loss for the year to the sole proprietor's capital account • prepare the journal entries on the transfer of profit/loss for the year to retained earnings, declaration of dividends, payment of dividends and transfer of dividends for the year to retained earnings account • interpret the retained earnings ledger account • interpret the dividends ledger account • analyse the impact of profit/loss on the owner's equity • analyse the impact of declared dividends and profit/loss for the year on retained earnings and shareholders' equity <p><u>Presentation</u></p> <ul style="list-style-type: none"> • prepare an extract of the Statement of Financial Position showing the presentation of capital after adjusting for drawings and profit/loss for the year as a single line item • prepare an extract of the Statement of Financial Position showing the presentation of retained earnings/accumulated losses

Content	Learning Outcomes Students will be able to:
2.10 Correction of Errors	
<ul style="list-style-type: none"> • Correction of errors not revealed by the Trial Balance • Adjusted Trial Balance and Statement of Financial Position after correction of errors (30) • Statement to show adjusted profits <p>Note: (30) This includes only one financial period; errors revealed by a Trial Balance are not required</p>	<ul style="list-style-type: none"> • explain how errors not revealed by a Trial Balance happen • prepare the journal entries to correct errors • analyse the effects of errors on profit/loss for the period and on items in the Statement of Financial Position • analyse the effects of correction of errors on profit/loss for the period and on items in the Statement of Financial Position • prepare an adjusted Trial Balance after correction of errors • prepare a statement of adjusted profits after correction of errors • prepare an adjusted Statement of Financial Position, or an extract of one, after correction of errors

Key Understanding 3: Accounting is an information system to measure business activities

The accounting information system measures business activities by identifying, recording, analysing and reporting accounting information.

Content	Learning Outcomes Students will be able to:
3.1 Accounting theories	
<ul style="list-style-type: none"> Accounting theories and their implications for the preparation and presentation of Statement of Financial Position and Statement of Financial Performance The accounting theories are: <ul style="list-style-type: none"> (i) accounting entity (ii) going concern (iii) monetary (iv) accounting period (v) accrual basis of accounting (vi) objectivity (vii) historical cost (viii) consistency (ix) materiality (x) prudence (xi) revenue recognition (xii) matching The accounting theories applicable to the financial elements are mainly laid out in Key Understanding 2 	<ul style="list-style-type: none"> define each accounting theory identify the accounting theory applied in a given scenario explain how each accounting theory affects the preparation and presentation of financial statements

Content	Learning Outcomes Students will be able to:
3.2 Accounting information system and accounting cycle	
<ul style="list-style-type: none"> The accounting cycle is the processing of accounting transactions through the accounting information system. The stages of accounting cycle are: <ol style="list-style-type: none"> identifying and recording adjusting reporting closing The closing of accounts is only done at the end of a financial year A computerised accounting information system generally comprises the following: <ol style="list-style-type: none"> source documents journal ledgers Trial Balance Statement of Financial Performance Statement of Financial Position <p><u>Source Documents</u></p> <ul style="list-style-type: none"> Purposes of source documents Issue and receipt of documents in relation to seller/provider and buyer/consumer of goods/services (31) Types of transactions and their source documents: <ul style="list-style-type: none"> cash purchases and sales: receipts credit purchases and sales: invoices receipt of money: remittance advice (credit customer), receipt, bank statement payment of money: payment voucher, receipt, bank statement overcharges and returns of inventory: credit notes undercharges: debit notes <p><u>Journal</u></p> <ul style="list-style-type: none"> Representation of transactions in journal <p><u>Ledger account</u></p> <ul style="list-style-type: none"> Representation of transactions in ledger accounts 	<ul style="list-style-type: none"> state the order in which each type of transaction is processed through the accounting information system explain how each type of transaction is processed through the accounting information system. state the purposes of source documents state the purpose of each type of source document state the source documents used in the transaction explain the purpose of the Trial Balance explain the limitation of the Trial Balance prepare a Trial Balance

Content	Learning Outcomes Students will be able to:
3.2 Accounting information system and accounting cycle (continued)	
<u>Trial Balance</u> <ul style="list-style-type: none"> • Format of a Trial Balance • Facilitates the preparation of financial statements and can also be used as a check on arithmetic accuracy • Limitation as an absolute proof of accuracy <p>Note: (31) <i>Excludes details about the content of source documents</i></p>	
3.3 Understanding the double-entry recording system	
<u>Method of recording</u> <ul style="list-style-type: none"> • Double-entry recording method and rules <u>Journal entries</u> <ul style="list-style-type: none"> • Preparation of journal entries <u>Ledger accounts</u> <ul style="list-style-type: none"> • Analysing the effects of transactions on ledger balances • Understanding that the beginning and ending ledger balances represent the cumulative values to date • Closing of all income and expenses to an income summary account (an intermediate account during closing phase), which is then closed to the capital account (for sole proprietorships) or retained earnings account (for private limited companies) (32) • Closing of the drawings account to the capital account for sole proprietorships (32) • Closing of the dividends account to the retained earnings account for private limited companies (32) <p>Note: (32) <i>Closing of income and expenses accounts, drawings and dividends accounts will only be done at the end of the financial year.</i></p>	<ul style="list-style-type: none"> • state the ledger accounts to be debited and credited • prepare the journal entries • calculate ending balances for ledger accounts • interpret the transactions recorded and the balances in the ledger accounts

Content	Learning Outcomes Students will be able to:
3.4 Internal controls	
<ul style="list-style-type: none"> • Purpose of internal controls: <ul style="list-style-type: none"> – safeguard assets of the business – ensure business transactions are recorded accurately – comply with laws and regulations • Internal controls to safeguard cash by having controls over: <ul style="list-style-type: none"> – cash in hand – cash at bank – cash in transit – cash receipts – cash payments • Internal controls over cash: <ul style="list-style-type: none"> – segregation of duties – custody of cash – authorisation – bank reconciliation • Purpose of preparing bank reconciliation: check the cash at bank balance of the business against the bank's record as shown on the bank statement • Reconciliation of differences between the business cash at bank balance and the balance in the bank statement (33) • Differences are due to the timing of the transactions recorded by the business and the bank, and errors in recording • Types of differences (34): <ul style="list-style-type: none"> (i) direct deposits (ii) direct payments (iii) payments in transit (iv) deposits in transit (v) errors made by the business or the bank • Format of a bank reconciliation statement 	<ul style="list-style-type: none"> • explain the purpose of internal controls • explain the ways of internal controls over cash in hand, cash at bank, cash in transit, cash receipts and cash payments • explain the purpose of preparing bank reconciliation • identify the differences between the business cash at bank balance and the balance in the bank statement • explain the causes of differences between the business cash at bank balance and the balance in the bank statement • calculate the updated cash at bank amount • prepare the bank reconciliation statement • analyse the effects of adjusting for the differences between the cash at bank balance and the balance in the bank statement on cash at bank and profit for the period

Content	Learning Outcomes Students will be able to:
3.4 Internal controls (continued)	
<p>Note:</p> <p>(33) <i>Includes only the following scenarios:</i></p> <ul style="list-style-type: none"> (i) <i>same opening balance between cash at bank and bank statement</i> (ii) <i>different opening balance between cash at bank and bank statement, and the difference is limited to only one transaction</i> (iii) <i>opening balance in cash at bank and bank statement can be either a positive balance or a bank overdraft</i> (iv) <i>ending balance in cash at bank and bank statement can either be a positive balance or a bank overdraft</i> (v) <i>bank reconciliation must be performed by comparing cash at bank ledger account and a bank statement</i> <p>(34) <i>Understanding how electronic bank transactions (e.g., credit transfer, standing order) are recorded in the accounts of the business is required but descriptions of their processing are not required</i></p>	

APPENDICES

Appendix A

Profitability Ratios

(i)	Gross profit margin (%)	=	$\frac{\text{Gross profit}}{\text{Net sales revenue}}$	×	100
(ii)	Mark-up on cost (%)	=	$\frac{\text{Gross profit}}{\text{Cost of sales}}$	×	100
(iii)	Profit margin (%)	=	$\frac{\text{Profit for the period}}{\text{Net sales revenue}}$	×	100
(iv)	Return on equity (%)	=	$\frac{\text{Profit for the period}}{\text{Average equity}}$	×	100

Average equity = (Total equity at the beginning of the financial period + Total equity at the end of the financial period) / 2

For a sole proprietor, total equity is the owner's equity, which comprises the capital amount after profit/loss and drawings.

For a private limited company, total equity is the shareholders' equity, which comprises issued capital and retained earnings.

Liquidity Ratios

(i)	Working capital	=	Total current assets – Total current liabilities
(ii)	Current ratio	=	$\frac{\text{Total current assets}}{\text{Total current liabilities}}$
(iii)	Quick ratio	=	$\frac{\text{Total current assets} - \text{inventory} - \text{prepayments}}{\text{Total current liabilities}}$

Efficiency Ratios

- (i) Rate of inventory turnover (times) = $\frac{\text{Cost of sales}}{\text{Average inventory}}$
- Average inventory = (Inventory at the beginning of the financial period + Inventory at the end of the financial period) / 2
- (ii) Days sales in inventory (days) = $\frac{\text{Average inventory}}{\text{Cost of sales}} \times 365 \text{ days}$
- (iii) Trade receivables collection period (days) = $\frac{\text{Average net trade receivables}}{\text{Net credit sales / service fee revenue}} \times 365 \text{ days}$
- Average net trade receivables = (Net trade receivables at the beginning of the financial period + Net trade receivables at the end of the financial period) / 2
- (iv) Rate of trade receivables turnover (times) = $\frac{\text{Net credit sales / service fee revenue}}{\text{Average net trade receivables}}$

Others

- (i) Rate of depreciation for straight-line method (%) = $\frac{\text{Yearly depreciation}}{\text{Original cost} - \text{Scrap value}} \times 100$
- (ii) Owner's Equity = Total assets – Total liabilities
- (iii) Net sales revenue (for trading business) = Sales revenue – Sales returns
- (iv) Cost of purchases = Purchase price – Returns + Expenses on purchases

FORMATS OF FINANCIAL STATEMENTS APPENDIX B**1 Statement of Financial Performance****(A) Trading Business**

Name of Business		
Statement of Financial Performance for the year ended...		
	\$	\$
Sales revenue	XXXX	
less: Sales returns	<u>XXXX</u>	
Net sales revenue		XXXX
less: Cost of sales		<u>XXXX</u>
Gross profit		XXXX
Other income		
Commission income	XXXX	
Discount received	XXXX	
Gain on sale of non-current assets ¹	XXXX	
Rent income	<u>XXXX</u>	XXXX
less: Other expenses ³		
Impairment loss on trade receivables	XXXX	
Depreciation of fixtures and fittings ²	XXXX	
Depreciation of office equipment ²	XXXX	
Depreciation of motor vehicles ²	XXXX	
Interest	XXXX	
Insurance	XXXX	
Loss on sale of non-current assets ¹	XXXX	
Motor vehicle expenses	XXXX	
Office expenses	XXXX	
Rent and rates	XXXX	
Wages and salaries	<u>XXXX</u>	<u>XXXX</u>
Profit for the year		<u>XXXX</u>

1 Either one of these items will appear if only one asset was sold during the year.

2 The depreciation amounts may be aggregated and presented as one figure.

3 It is not required to classify expenses by function.

* The above statement does not show all the income and expense items covered in this syllabus.

(B) Service Business

Name of Business		
Statement of Financial Performance for the year ended...		
	\$	\$
Service Fee revenue		xxxx
Other income		
Commission income	xxxx	
Discount received	xxxx	
Gain on sale of non-current assets ¹	xxxx	
Rent income	<u>xxxx</u>	<u>xxxx</u>
less: Other expenses ³		
Impairment loss on trade receivables	xxxx	
Depreciation of fixtures and fittings ²	xxxx	
Depreciation of office equipment ²	xxxx	
Depreciation of motor vehicles ²	xxxx	
Interest	xxxx	
Insurance	xxxx	
Loss on sale of non-current assets ¹	xxxx	
Motor vehicle expenses	xxxx	
Office expenses	xxxx	
Rent and rates	xxxx	
Wages and salaries	<u>xxxx</u>	<u>xxxx</u>
Profit for the year		<u>xxxx</u>

1 Either one of these items will appear if only one asset was sold during the year.

2 The depreciation amounts may be aggregated and presented as one figure.

3 It is not required to classify expenses by function.

* The above statement does not show all the income and expense items covered in this syllabus.

2 Statement of Financial Position**(A) Sole Proprietorship**

Name of Business			
Statement of Financial Position as at ...			
	\$	\$	\$
Assets			
<u>Non-current assets</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Property	xxxx	xxxx	xxxx
Fixtures and fittings	xxxx	xxxx	xxxx
Office equipment	xxxx	xxxx	xxxx
Motor vehicles	xxxx	xxxx	xxxx
			xxxx
<u>Current assets</u>			
Inventory		xxxx	
Trade receivables	xxxx		
less: Allowance for impairment of trade receivables	xxxx	xxxx	
Other receivables/ prepaid expenses/ income receivables		xxxx	
Cash at bank		xxxx	
Cash in hand		xxxx	xxxx
Total assets			xxxx
Equity and Liabilities			
<u>Owner's equity</u>			
Capital			xxxx
<u>Non-current liabilities</u>			
Long-term borrowings			xxxx
<u>Current liabilities</u>			
Trade payables		xxxx	
Expenses payable/income received in advance		xxxx	
Current portion of long-term borrowings		xxxx	xxxx
Total equity and liabilities			xxxx

- * It is not required to classify assets and liabilities by order of liquidity.
- * The above statement does not show all asset and liability items in this syllabus.
- * Each line item represents a consolidation of assets or liabilities of a similar nature, e.g., computers, fax machines and printers have to be consolidated and represented as office equipment.

(B) Private Limited Company

Name of Business			
Statement of Financial Position as at ...			
	\$	\$	\$
Assets			
<u>Non-current assets</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Property	xxxx	xxxx	xxxx
Fixtures and fittings	xxxx	xxxx	xxxx
Office equipment	xxxx	xxxx	xxxx
Motor vehicles	<u>xxxx</u>	<u>xxxx</u>	<u>xxxx</u>
			xxxx
<u>Current assets</u>			
Inventory		xxxx	
Trade receivables	xxxx		
less: Allowance for impairment of trade receivables	<u>xxxx</u>	xxxx	
Other receivables/ prepaid expenses/ income receivables		xxxx	
Cash at bank		xxxx	
Cash in hand		<u>xxxx</u>	<u>xxxx</u>
Total assets			<u>xxxx</u>
Equity and Liabilities			
<u>Shareholders' equity</u>			
Share capital, xxx ordinary shares		xxxx	
Retained earnings		<u>xxxx</u>	xxxx
<u>Non-current liabilities</u>			
Long-term borrowings			xxxx
<u>Current liabilities</u>			
Trade payables		xxxx	
Expenses payable/income received in advance		xxxx	
Current portion of long-term borrowings		<u>xxxx</u>	<u>xxxx</u>
Total equity and liabilities			<u>xxxx</u>

- * The Singapore Companies Act has abolished par value shares and authorised share capital.
- * It is not required to classify assets and liabilities by order of liquidity.
- * The above statement does not show all the asset and liability items covered in this syllabus.
- * Each line item represents a consolidation of assets or liabilities of a similar nature, e.g., computers, fax machines and printers have to be consolidated and represented as office equipment.