

Endorsed for
**Pearson Edexcel
Qualifications**



PEARSON EDEXCEL INTERNATIONAL GCSE (9–1)

ACCOUNTING

Student Book

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Pearson

TEACHER RESOURCE PACK

Lesson guide 6: Ledger accounting and double entry bookkeeping

→ **Alignment with Student Book:** Chapter 6 (pages 60–85)

→ **Resources:** Student Book, mini-whiteboards or true or false cards, prepared questions

Learning objectives
<p>By the end of the lesson, students should be able to:</p> <ul style="list-style-type: none"> explain the purpose of the nominal ledger, the receivables ledger and the payables ledger record transactions in the ledgers using the double entry principle.
Possible misconceptions and barriers
<ul style="list-style-type: none"> Students may record purchase and revenue of inventory as purchases and revenue, not inventory. Students may record the incorrect details in the t-account – not using the other entry account, i.e. not cash in the cash account. Students may have little prior knowledge of credit transactions.
Specification alignment
<ul style="list-style-type: none"> 2.3

Starter activity

At the start of the lesson, hand out questions relating to Sections 6.1/6.2/6.3 in the Student Book (pages 60–62); include a blank t-account for students to fill in headings and the letters for DEADCLIC for students to complete.

Students to answer questions in a given time.

Differentiation

Opportunity for support: Questions given could be very basic knowledge-based and could closely follow the text in the Student Book.

Opportunity for challenge: Questions could consist of both closed and open questions to test knowledge and understanding.

Main teaching activities

Activity 1

- 1 Explain the rules of double entry and the accounting equation – students to make notes.
- 2 Demonstrate the effect on the accounting equation of some simple transactions, students making notes.
- 3 As a class, work through the worked examples in Section 6.7 (pages 64–68). Students should complete the t-accounts, making notes on the rules as appropriate. The value of the transactions could be changed to ensure students do not simply copy work.

Activity 2

- 1 Explain the concept of cash transactions.
- 2 Whole class Q&A. Using Example 8 (pages 66–67), students could be asked in turn to state one of the double entries for each transaction; enter the transaction on the board for students to copy.

Differentiation

Opportunity for support: Students could be given prepared t-accounts.

Activity 3

- 1 Explain the concept of credit transactions, purchases on credit and revenue on credit.
- 2 Present, apply, review. Work through the worked example for purchases on credit (pages 68–69) on the board with the students, completing each transaction.
- 3 Students to attempt, individually, the transactions for revenue on credit (pages 69–70) to apply their knowledge. Values could be changed to avoid copying of the textbook solution.

Activity 5

- 1 Explain the concept of purchases returns and revenue returns.
- 2 Present, apply, review. Work through the example of purchase returns (pages 70–71) on the board with the students, completing each transaction.

Differentiation

Opportunity for support: Students could be given the Student Book to refer to while completing the tasks.

Opportunity for challenge: Students could be given additional, more complex examples, with solutions for self-assessment.

Activity 6

- 1 Explain the concept of expenses on credit.
- 2 Students to complete an example like that on pages 71–72 of Student Book.

Activity 7

- 1 In pairs, students are given a copy of Figure 6.17, pages 73–74, and asked to write down the transactions that took place.
- 2 Students to compare their answers with the correct solution.

Activity 8

- 1 Explain the purpose and process of balancing off accounts in the ledger (pages 75–79).
- 2 Students are given several t-accounts to balance off.

Differentiation

Opportunity for support: Students could be given the solutions to self-check progress.

Opportunity for challenge: Students could be given additional, more complex examples, with one or two transactions to enter before balancing off the accounts.

Plenary

- 1 Quick-fire true or false questions on content covered, using mini-whiteboards.
- 2 Students to make notes from the checklist (page 82).

Homework

End of chapter questions 1, 2 and 4.

Income Statement and Statement of Financial Position

Learning Tips

In an exam you might be asked to calculate the final accounts for a business. You will probably be given a list of balances or a trial balance to use. You need to know the layouts of these final accounts if you want to maximise your marks.

Below we will use a trial balance. Always remember you will only use each figure once; the only exception is closing inventories. This appears in both financial statements.

Remember the key headings for the different accounts.

Trial Balance: Worked Example 1

	Dr £	Cr £
Sales Revenue		878 000
Sales Returns	12 365	
Inventories at 1.1.16	23 333	
Purchases	355 467	
Purchase Returns		7365
Rent	33 000	
Wages	89 000	
Electricity	25 000	
Administration	13 330	
Fuel	8000	
Carriage Inwards	5000	
Insurance	15 000	
Buildings	2 50 000	
Motor Vehicles	100 000	
Trade Receivables	43 000	
Bank	15 000	
Cash	5000	
Trade Payables		18 000
Bank Loan		25 000
Capital		90 000
Drawings	25 870	
	<u>1 018 365</u>	<u>1 018 365</u>

Notes:

Inventories 31.12.16	15 000
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Income Statement: Worked Example 1

		£	£
	Sales Revenue		878 000
minus	Sales Returns		<u>12 365</u>
equals	Net Revenue		865 635
	Cost of Sales		
	Opening Inventories	23 333	
Add	Purchases	355 467	
Add	Carriage In	5 000	
minus	Purchase Returns	<u>7 365</u>	
equals	Net Purchases	376 435	
minus	Closing Inventories	<u>15 000</u>	
equals	Cost of Goods Sold		<u>361 435</u>
	Gross Profit		504 200
	Less Expenses		
	Rent	33 000	
	Wages	89 000	
	Electricity	25 000	
	Administration	13 330	
	Fuel	8 000	
	Insurance	<u>15 000</u>	<u>183 330</u>
	Profit for the Year		<u><u>320 870</u></u>

Trial Balance: Worked Example 2

	Dr	Cr
	£	£
Sales Revenue		344 500
Administration	12 457	
Bank		22 000
Bank Loan		15 000
Buildings	120 000	
Capital		105 000
Carriage Inwards	200	
Cash	12 446	
Drawings	17 500	
Electricity	9500	
Fuel	3000	
Insurance	4300	
Inventories at 1.1.16	17 345	
Motor Vehicles	40 000	
Purchase Returns		5527
Purchases	162 559	
Rent	47 820	
Sales Returns	8999	
Trade Payables		23 599
Trade Receivables	7500	
Wages	52 000	
	515 626	515 626
	515 626	515 626

Notes:

Inventories 31.12.16 8000

Income Statement: Worked Example 2

	£	£
Sales Revenue		344 500
Sales Returns		<u>8999</u>
Net Revenue		335 501
Cost of Sales		
Opening Inventories	17 345	
Purchases	162 559	
Carriage In	200	
Purchase Returns	<u>(5527)</u>	
Net Purchases	174 577	
Closing Inventories	<u>(8000)</u>	
Cost of Goods Sold		<u>166 577</u>
Gross Profit		168 924
Less Expenses		
Rent	47 820	
Wages	52 000	
Electricity	9500	
Administration	12 457	
Fuel	3000	
Insurance	<u>4300</u>	<u>129 077</u>
Profit for the Year		<u><u>39 847</u></u>

Statement of Financial Position: Worked Example 2

	£	£
Non-Current Assets		
Buildings		120 000
Motor Vehicles		<u>40 000</u>
		160 000
Current Assets		
Inventories	8000	
Trade Receivables	7500	
Cash	<u>12 446</u>	<u>27 946</u>
Net Assets		<u>187 946</u>
Equity and Liabilities		
Opening Equity	105 000	
Add Profit for the Year	39 847	
Less Drawings	<u>(17 500)</u>	
Closing Equity		127 347
Non-Current Liabilities		
Bank Loan		15 000
Current Liabilities		
Trade Payables	23 599	
Bank	<u>22 000</u>	
		<u>45 599</u>
Total Equity and Liabilities		<u>187 946</u>

Exam Practice Paper 2 ‘Recommend’

Edexcel International GCSE 9-1
Accounting

Seeta is a retailer who buys and sells goods on credit. She has been operating successfully for a number of years. She wishes to expand her business. She has decided on two options – purchase another business or obtain additional external finance.

Evaluate the use of accounting concepts in the preparation of the financial statements. **(8)**

Mock student response (a)

- Using concepts makes the accounts more accurate and stakeholders can rely on the information. They can trust the financial statements and make decisions based on them.
- However, it is time-consuming and it will require professional input to correctly apply the concepts when preparing financial statements. Seeta may not have the knowledge of accounting concepts and so will have to employ somebody. This will cost her money.
- The business entity concept ensures the affairs of the business are treated separately from the personal affairs of Seeta.

Mock student response (a)

What are the strengths and weaknesses of this answer?

- There is a good opening sentence which demonstrates knowledge of the benefits. Some attempt has been made to develop understanding but it is limited.
- The limitations show both knowledge and understanding and provide a much better development of the relevant accounting principles. It would have been better to state that she 'may' have to employ somebody, as this is evaluative rather than assertive.
- The final point is not creditworthy as it does not answer the question set; a justified decision on the use of concepts is required. It is common to see answers that describe concepts.

Mock student response (b)

- Accounting concepts provide a framework for preparing financial statements. They provide a systematic way of preparing financial statements which makes them free from bias and therefore they show a true and fair view of a business.
- Using concepts means that accounting processes are standardised, as all businesses follow the same rules. This means that different businesses' financial statements can be accurately compared and valid decisions made with confidence. This will be beneficial to Seeta if she has to choose the best business to purchase.

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Mock student response (b)

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- However, accounting concepts are open to different interpretations. For example, the concept of materiality may be viewed differently and it may well depend on the size of the business revenue. What is materially significant for a small business might not be so for a business with a large turnover. Since different businesses may interpret concepts differently, it will make comparisons less reliable.
- In conclusion, I think the use of concepts is beneficial as it follows standard and realistic methods when preparing financial statements and allows fairly accurate comparisons between businesses to be made, despite difference in their interpretation.

Mock student response (b)

What are the strengths and weaknesses of this answer?

- The student demonstrates excellent knowledge and understanding.
- Explanations are well developed and in the context of the question – Seeta possibly purchasing another business and needing to see the financial statements.
- Both benefits and limitations are considered.
- A well-supported judgement has been given, which again is in the context of the question set, with the student clearly justifying in their conclusion that the use of concepts is beneficial.