



For Performance Measurement

**ZIMBABWE SCHOOL EXAMINATIONS
COUNCIL
(ZIMSEC)**

**ZIMBABWE GENERAL CERTIFICATE OF EDUCATION
(ZGCE)**

O Level Syllabus

PRINCIPLES OF ACCOUNTS (7112)

1.0 PREAMBLE

This syllabus is a two year course for O-Level candidates. The syllabus is intended to develop the learners' awareness, skills and understanding of the principles of double-entry book-keeping and how these principles are applied to produce the financial information required in business. It is the gateway to a career in the accountancy profession and provides a strong foundation for further studies in related disciplines. It also exposes the learners to the various basic concepts necessary to be self-reliant in their own day to day personal transactions and in running their own business.

2.0 AIMS

The syllabus will enable learners to:

- 2.1 gain knowledge and understanding of the aims and activities of business and non-trading organisations;
- 2.2 acquire practical skills in understanding the accounting techniques and procedures appropriate to business organisations and the implications of these;
- 2.3 develop an understanding of the principles and purposes of accounting in providing an information system for monitoring progress and decision making;
- 2.4 acquire a broad understanding of accounting concepts, conventions and terminologies so that they can meet the requirements of the accountancy profession;
- 2.5 develop skills of numeracy, literacy, investigation, interpretation and presentation in accountancy;
- 2.6 develop attitudes of accuracy, orderliness and logical thought;
- 2.7 inculcate self-reliance;
- 2.8 establish a basis for further studies;
- 2.9 prepare for the world of work.

3.0 ASSESSMENT OBJECTIVES

Learners should be able to:

- 3.1 demonstrate knowledge of facts and terms relevant to the syllabus;
- 3.2 demonstrate knowledge of appropriate concepts, conventions, principles and techniques;

- 3.3 carry out accurate calculations;
- 3.4 recognise, select, organise and interpret information in written, numerical and diagrammatic form;
- 3.5 apply knowledge and information to given accounting situations and problems;
- 3.6 analyse and explain the value of record keeping to organisations.

4.0 SCHEME OF ASSESSMENT

The course will be examined by **two** papers: Paper 1 and Paper 2. Candidates are required to answer all questions in both papers.

SCHEME OF ASSESSMENT

	PAPER 1	PAPER 2
Weighting	40%	60%
Structure of paper	40 multiple Choice Question with 4 Options per question.	4 Compulsory structured questions.
Total Marks Per Paper	40	100
Duration	1 ½ Hours	2 ½ Hours

5.0 SKILLS WEIGHTING SPECIFICATION GRID

Paper	Skill 1	Skill 2	Skill 3
	Knowledge with understanding	Application	Analysis
Paper 1	65%	30%	5%
Paper 2	20%	70%	10%

SKILL 1 KNOWLEDGE WITH UNDERSTANDING

Candidates should be able to:

- demonstrate knowledge of facts and terms relevant to the syllabus;
- demonstrate knowledge of appropriate concepts, conventions, principles and techniques;
- carry out accurate calculations.

Questions testing this skill will often have the following action verbs:

calculate, complete, credit, debit, define, explain, fill in, identify, label, list, make, match, name, outline, record, state, write up.

SKILL 2 APPLICATION

Candidates should be able to:

- carry out accurate calculations;
- recognise, select, organise and interpret information in written, numerical and diagrammatic form;
- apply knowledge and information to given accounting situations and problems.

Questions testing this skill will often have the following action verbs:

adjust, amend, apply, balance, calculate, classify, close, compare, compute, correct, depreciate, draft, drawn up, effect, extract, interpret, journalise, post, prepare, reconcile, redraft, select, show, update, use, write up.

SKILL 3 ANALYSIS

Candidates should be able to:

- recognise, select, organise and interpret information in written, numerical and diagrammatic form;
- analyse and explain the value of record keeping to organisations.

Questions testing this skill will often have the following action verbs:

analyse, compare, differentiate, distinguish, explain, order, outline, prepare, present.

6.0 METHODOLOGY

Six to eight periods per week must be allocated. To achieve the stated aims and objectives the following approaches are necessary:

- 6.1 Any of these approaches are necessary depending on the ability and understanding of the learners – Journal approach, Ledger approach, Balance sheet approach, Single entry approach or Cash Book approach.
- 6.2 Projects and seminars have to be organised by the teacher to give the learners an opportunity for an in-depth study of topics of their choice.
- 6.3 Individual written assignments as well as group work must be given.
- 6.4 Visits to the accounting departments of local organisations must be organised to expose learners to a working environment.
- 6.5 Emphasis must be laid on record keeping as an aid to efficient management, their value as a record of past performance and as a guide to future policy.

7.0 CURRICULUM CONTENT

SECTION	TOPIC	NOTES	CANDIDATES SHOULD BE ABLE TO
7.1	Introduction to Principles of Accounts	<ul style="list-style-type: none"> • types of business organisations; • importance of accounting; • definition of terms; 	<ul style="list-style-type: none"> • state the types of business organisations and their differences; • show the differences between bookkeeping and accounting; • state the importance of accounting in commerce and industry; • identify the users of accounting information; • describe the accounting cycle; • define the various accounting terms.
7.2	Data processing	<ul style="list-style-type: none"> • electronic methods of processing data, e.g. use of computer software; • manual and mechanical methods of data processing; 	<ul style="list-style-type: none"> • compare manual and mechanical methods of data processing; • explain how electronic methods of data processing are used in accounting; • state advantages and disadvantages of using computers in data processing; • identify computer software used in processing accounting data.
7.3	The main documents	<ul style="list-style-type: none"> • documentary records and their significance; • invoice; • credit note • debit note • cheque • voucher • receipt 	<ul style="list-style-type: none"> • identify source documents for particular transactions; • explain the purpose of source documents; • state the significance of each source document; • state the use of each source document

SECTION	TOPIC	NOTES	CANDIDATES SHOULD BE ABLE TO
		<ul style="list-style-type: none"> • bank statement • statement of accounts 	<p>outlined in the NOTES section;</p> <ul style="list-style-type: none"> • interpret the information on the source document.
7.4	The Subsidiary Books	<ul style="list-style-type: none"> • the journal, purchases journal, sales journal, returns and allowances journals, cash book and petty cash book; • use of subsidiary books; • correction of errors and closing transfers by journal entry. 	<ul style="list-style-type: none"> • name the subsidiary books; • state the purpose of each subsidiary books; • explain the purpose of using books of prime entry; • record transactions in the appropriate subsidiary books; • calculate trade discounts before entering transactions in the relevant book of original entry; • interpret entries in subsidiary books; • correct errors by journal entry; • make closing transfers.
7.5	The Ledger	<ul style="list-style-type: none"> • forms of ledger; • posting to the ledger; • use of folio columns; • balancing; • interpretation of ledger accounts; • division of the ledger; • classification of ledger accounts; • capital and revenue /expenditure; • the construction and importance of control accounts. 	<ul style="list-style-type: none"> • identify different sections of the ledger; • state forms of ledger accounts; • explain forms of ledger accounts; • prepare ledger accounts using either 'T' account format or running balance format; • analyse transactions before posting to the ledger; • post entries from subsidiary books to the relevant ledger showing correct narrations;

SECTION	TOPIC	NOTES	CANDIDATES SHOULD BE ABLE TO
			<ul style="list-style-type: none"> • balance ledger accounts; • interpret the details and balances in the ledger accounts; • show the division of the ledger; • classify ledger accounts; • explain the purpose of the Debtors and Creditors control accounts; • write up control accounts showing correct details; • outline the advantages of keeping control accounts; • identify the sources of information for the control account entries from the books of original entry; • define capital and revenue expenditure; • show the difference between capital and revenue expenditure; • classify business expenditure into capital or revenue expenditure; • distinguish between capital and revenue receipts.
7.6	Trial Balance	<ul style="list-style-type: none"> • trial balance, its extraction, uses, limitations and use of the suspense account; • errors and their corrections. 	<ul style="list-style-type: none"> • define a trial balance; • explain the purpose of preparing a trial balance; • outline the uses and limitations of a trial balance; • extract a trial balance;

SECTION	TOPIC	NOTES	CANDIDATES SHOULD BE ABLE TO
			<ul style="list-style-type: none"> • state the types of errors that are revealed by a trial balance; • explain the effect of errors on the profit and asset valuation; • correct errors by way of journal entries; • correct errors by means of a suspense account; • adjust gross or net profit or losses after the correction of errors; • re-draft the trial balance after the correction of errors;
7.7	The Cash Book	<ul style="list-style-type: none"> • use of discount, cash and bank columns; • petty cash book and analysis columns; • bank reconciliation statement; • bank current account and deposit account. Treatment of overdraft, bank loan and other loans; 	<ul style="list-style-type: none"> • explain the purpose of a cash book; • explain the purpose of keeping cash in the bank; • identify source documents used in recording entries in the cash book; • write up the cash book showing correct narrations in a three column cash book; • interpret transaction and entries in the cash book; • balance the cash book; • show the difference between a favourable bank balance and an overdraft; • explain the meaning of cash discount; • enter cash discounts in either the discounts allowed or discounts received columns;

SECTION	TOPIC	NOTES	CANDIDATES SHOULD BE ABLE TO
			<ul style="list-style-type: none"> • distinguish between cash discount and trade discount; • calculate cash discount; • outline the reasons for a dishonoured cheque; • record a dishonoured cheque; • distinguish between a bank loan and a bank overdraft, and a bank current account and deposit account; • show how the various types of interest are entered in the cash book; • interpret a bank statement; • explain the purpose of a bank reconciliation statement; • identify possible causes of differences between the cash book and bank statement balances; • update the cash book by preparing a supplementary cash book (an amended cash book); • reconcile the cash book balance with the bank statement balance by preparing a bank reconciliation statement; • explain the need for preparing a bank reconciliation statement; • explain the need for a petty cash book;

SECTION	TOPIC	NOTES	CANDIDATES SHOULD BE ABLE TO
			<ul style="list-style-type: none"> • explain the purpose of a petty cash book in relation to the cash book; • explain the meaning of 'float' and 'petty cash'; • explain the meaning of the imprest system; • enter petty cash transactions into the petty cash book applying the imprest system; • post the petty cash book to the relevant ledger; • balance the petty cash book on the last day of the period; • reimburse the petty cashier either on the first day of a new period or the last day of a period.
7.8	The Accounts Of A Non-Trading Concern (Not For Profit Organisations)	<ul style="list-style-type: none"> • receipts and payments account and its limitations; • subscriptions account; • income generating activities; • income and expenditure account; • the balance sheet/statement of financial position; 	<ul style="list-style-type: none"> • prepare the receipts and payments account; • state the limitations of the receipt and payments account; • draw up the subscriptions account taking note of subscriptions in advance and in arrears; • prepare bar/refreshments trading account taking note of bar/refreshments purchases and expenses; • prepare the income and expenditure account up to the balance sheet;

SECTION	TOPIC	NOTES	CANDIDATES SHOULD BE ABLE TO
			<ul style="list-style-type: none"> • calculate the accumulated fund from assets and liabilities;
7.9	The Final Accounts Of Sole-Traders And Partnerships	<ul style="list-style-type: none"> • trading and profit and loss accounts/income statement; • the nature of profit or loss and its ascertainment for a specific period; • net profit or loss as the increase or decrease in the net value of assets during that period; • gross and net profits and their relation to valuation of stock/inventory to the rate of inventory/turnover, expenses and capital, quick ratio and current ratio; • valuation of stock/inventory – lower of cost and net realisable value; • simple columnar trading account when dealing with departments; • treatments of payments in advance and of amount due but unpaid and stocks/inventories of consumables; • causes of depreciation; • provision for depreciation: straight line, diminishing balance and revaluation; • disposal of fixed assets/non-current assets; • provision for bad and doubtful debts; • provision for discounts allowance and receivable and other contingencies; • ledger accounts for provisions; • treatment of ancillary income; 	<ul style="list-style-type: none"> • explain the reasons for preparing the profit and loss account; • explain the difference between gross profit and net profit, and profit and loss; • prepare income statements of sole traders and partnerships showing clearly net sales, net purchases, cost of sales, gross profit or gross loss and net profit or loss using either the horizontal or vertical presentation of final accounts; • state the basis of inventory valuation • explain the basis of the valuation of inventory at the lower of cost and realisable value; • calculate the following accounting ratios and show formulae: <ul style="list-style-type: none"> – working capital ratio (current ratio), – quick ratio (acid test ratio), – gross profit margin (gross profit as a percentage of sales), – mark-up on cost, – percentage of expenses to turnover, – net profit margin (net profit as a percentage of sales),

SECTION	TOPIC	NOTES	CANDIDATES SHOULD BE ABLE TO
			<ul style="list-style-type: none"> – rate of stock turnover/rate of inventory turnover; • prepare simple columnar trading account when dealing with departments ascertaining gross profit/loss for each department (two departments will be required); • prepare a combined departmental profit and loss account; • charge expenses to the trading account and profit and loss account according to a given ratio; • draft ledger accounts that show payments and receipts in advance and in arrears, stock of consumables, and transfers to the final accounts; • define depreciation; • state the causes of depreciation; • calculate depreciation using the straight line method (equal instalments), reducing (diminishing/declining) balance method and revaluation; • draw up the depreciation account and provision for depreciation account, and asset account; • show depreciation in the profit and loss account;

SECTION	TOPIC	NOTES	CANDIDATES SHOULD BE ABLE TO
			<ul style="list-style-type: none"> • draw up the disposal account of a fixed asset and show profit/loss in the profit and loss account; • explain the meaning of bad debts and bad debts recovered; • prepare ledger accounts and journal entries to record bad debts written off and bad debts recovered; • state reasons for maintaining a provision for doubtful debts; • prepare adjusting entries in the general journal and ledgers to record the creation of, and adjustments to, a provision for doubtful debts; • calculate the provision for doubtful debts based on the adjusted value of debtors after writing off all bad debts; • record the provision for discounts allowable and receivable in the relevant accounts; • make closing transfers to the profit and loss account (income statements) of all adjusted figures including for goods taken by the owner for own use;
7.9.1	Partnership entries	<ul style="list-style-type: none"> • formation of partnership; • entries on formation; • appropriation of profit or loss and appropriation accounts of partners in the 	<ul style="list-style-type: none"> • explain the advantages and disadvantages of forming a partnership; • outline the importance and contents of a partnership agreement;

SECTION	TOPIC	NOTES	CANDIDATES SHOULD BE ABLE TO
		ledger; <ul style="list-style-type: none"> • methods of setting partners' capital and current accounts in the ledger and balance sheet; • necessary entries on the admission of a new partner; • revaluation of assets and goodwill; 	<ul style="list-style-type: none"> • explain the purpose of an appropriation account and current accounts of partners; • prepare income statements, appropriation accounts, current accounts and capital accounts in either horizontal or vertical form; • show current accounts in the relevant ledger or as presentations in the balance sheet; • show the treatment of interest on partners' loans, interest on capital, interest on drawings, partners' salaries and the division of the balance of profit or loss; • prepare journal entries on admission of a new partner; • explain the meaning of goodwill; • calculate goodwill on the admission of a new partner; • record the revaluation of assets and goodwill;
7.9.2.	Business Purchase	<ul style="list-style-type: none"> • purchase of a business by either a sole trader or a partnership, including the calculation and recording of goodwill; • revaluation of assets and goodwill; 	<ul style="list-style-type: none"> • show journal entries on the purchase of a business by a sole trader or a partnership of all assets and liabilities taken over; • show the business purchase account; • calculate goodwill;

SECTION	TOPIC	NOTES	CANDIDATES SHOULD BE ABLE TO
			<ul style="list-style-type: none"> • record the revaluation of assets and goodwill; • draft the new balance sheet of the business after the purchase transaction;
7.9.3.	The Balance Sheet/Statement of financial position	<ul style="list-style-type: none"> • the balance sheet as a statement of balances as at a specified date; • structure and interpretation; • significance of the interrelationship of its items; • capital; • valuation of assets; • the meaning, importance and designation in the balance sheet of fixed assets/non-current assets, current assets, current liabilities, working capital and long term liabilities/non-current liabilities; • meaning and importance of fictitious assets; • the difference between capital shown in the records and capital employed; 	<ul style="list-style-type: none"> • define a balance sheet (statement of financial position); • define non-current assets (fixed assets), intangible assets, current assets, long-term liabilities (non-current liabilities), current liabilities, working capital, capital employed and capital owned; • classify items into fixed assets(non-current assets) intangible assets, current assets, long-term liabilities (non-current liabilities) and current liabilities; • determine the cost, accumulated depreciation and net book value of an asset; • show the cost, accumulated depreciation and net book value of an asset in the balance sheet; • comment on the significance of the inter-relationship of items in the balance sheet; • state the effect of transactions on items in the balance sheet/statement of financial position, and on working capital and capital employed;

SECTION	TOPIC	NOTES	CANDIDATES SHOULD BE ABLE TO
			<ul style="list-style-type: none"> • prepare the balance sheet as a statement of balances as at a specified date; • interpret the balance sheet items; • explain the meaning of fictitious assets;
7.10	Special forms of accounts	<ul style="list-style-type: none"> • simple manufacturing or production account up to balance sheet; • prime cost and overheads; • incomplete records; • ascertainment of gross and net profits; • calculation of total credit sales and purchases, opening capital and any other missing items; • simple form of contract accounts. Accounts of co-operatives; appropriation of surplus and deficit; 	<ul style="list-style-type: none"> • distinguish between direct and indirect costs; • distinguish between direct materials, direct labour, direct expenses, prime cost, factory overheads and work-in-progress; • calculate factory cost of production; • prepare manufacturing financial statements, income statements and balance sheets/statement of financial position; • prepare a statement of affairs for a business that does not keep/adhere to proper double-entry system; • calculate net profit/loss by comparing the capital at the end of the period with capital at the beginning of the period, taking note of adjustments to drawings and new capital contributions; • calculate total credit sales and purchases, expenses and incomes for the period, depreciation and bad debts written off;

SECTION	TOPIC	NOTES	CANDIDATES SHOULD BE ABLE TO
			<ul style="list-style-type: none"> • prepare income statements and balance sheets with appropriate adjustments to financial statements; • apply the techniques of mark-up, margin and inventory turnover in the calculation of missing figures;
7.11	The accounts of joint stock companies	<ul style="list-style-type: none"> • the appropriation account in simplified form; • the capital structure of a joint stock company and how it appears in the balance sheet; • basic knowledge of the distinction between share capital; authorised, called up, issued and paid up capital; • different types of shares: preference and ordinary; • loan capital, e.g. debentures; <p>NB: The following are not required: Entries to record the issue of capital and a knowledge of the accounting requirements of Zimbabwe's Companies Act.</p>	<ul style="list-style-type: none"> • explain the meaning of the term <i>Limited Liability</i>; • prepare simple appropriation accounts in either horizontal or vertical presentation; • distinguish between authorised, called-up, paid-up share capital; • distinguish between share capital: preference shares and ordinary shares and loan capital (debentures); • state the capital structure of a limited liability company comprising preference share capital, ordinary share capital, general reserves and retained profits; • prepare balance sheets in either horizontal or vertical form;