

# Progression - Accounting

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## i. The basics and expectations

*Hopefully you have chosen Accounting as you have an interest in a subject which impacts on all businesses and affects our everyday lives. With that in mind, let's begin...*

**The basics:** Accounting is all around you every day, it isn't hard to see how it has affected you and will affect your future. Take Brexit for example, do you view that as a positive or a negative?

Accounting is likely to be a new subject for most and uses lots of technical terms, so here's a chance to get a head start.

### Task 1 – to be completed by September

Spend some time finding out the definitions below and create a glossary. Remember you want a definition of how they are used in an accounting context and not their wider everyday meaning.

<b>Easy Key Term</b>	<b>Challenging Terms</b>
Expenses	Gross profit
Assets	Profit margin
Drawings	Income Statement
Liabilities	Statement of Financial Position
Revenue	Ledger
Capital	Standing Order
Profit / Loss	Direct Debit
Sole trader	Unlimited liability
Limited company	Limited liability

That should have given you plenty to think about. These terms will be integral in your understanding of Accounting.

### The expectations

Accounting will help you to understand the responsibilities of the accountant and the impacts of their recommendations on the business and the wider environment. The differences and interrelationship between financial accounting and aspects of management accounting, along with the principles of ethical behaviour which inform the actions of all those working within an accounting environment.

To be successful you will need to show:

1. Awareness of businesses in the real world, by keeping up to date with financial news including announcements concerning the performance of leading UK businesses.
2. Demonstrate quantitative skills, knowledge of the formulae used for computations, carrying out computations and use the results of computations to inform judgements, solve problems and make decisions.
3. Students must focus on developing their ability to write effectively so that they can report to stakeholders, making logical arguments and providing sound judgements based on analysis of available evidence taking account of financial and non-financial factors.

## ii. The financial documents you should be familiar with!

It is impossible to know what type of business will be examined in your assessments, but we do know the basic accounting documents you will be tested on. Becoming familiar with these now will help your understanding when starting the course. Don't worry if these seem quite complex now, we're just getting started, you will become more confident with them as the course progresses.

### Task 2 – to be completed by September

*Your next Summer challenge is to find out some key information from two of the companies listed below, or two others of your choice. Pick two businesses that are in the same market and are therefore competitors. Go to their website, scroll to the bottom of the home page and pick the investors section, or search google, then download their most recent annual report.*

*Using the annual report, for each business:*

- Find the following figures for the most recent year, and look at how this has changed from the previous year (e.g. better or worse)*
  - Revenue
  - Gross Profit
  - Profit for the year
  - Total Assets
  - Total liabilities
  - Total Capital
- From the written part of the report identify any changes that have taken place over the last year and any that are planned.*
- Conduct a brief comparison between your two businesses, using the information above and any other relevant information, suggest which business is doing better and explain why.*



Nike



Vodafone

Apple

Nestle

Coca-Cola

BARCLAYS



Shell

Unilever

Mars

TESCO



Sainsbury's

### iii. The reading list for the summer

One of the best ways to spend time relaxing is by upgrading your knowledge. This can be done at the beach, in a café, your room, laying in a park, waiting at an airport-literally anywhere! Look for stories about businesses that are reporting on their recent financial performance, any financial scandals, or how the current national / global situation is impacting on businesses. The question is what to read....

### Task 3 – Optional Extension Activity

Download some of the following apps or go the websites and start following some business stories, try to think about the role the Accountant is playing within the business at this time and the financial consequences for the business.

#### APPS for Accounting /Business



#### News websites for Accounting / Business

1. The Guardian: <https://www.theguardian.com/uk/business>
2. The Independent: <https://www.independent.co.uk>
3. The FT: <https://www.ft.com>
4. Reuters: <https://www.reuters.com/>

#### Accounting Books

To supplement your reading these books will be of interest! The bold ones are easier reads!

<b>Course text – Provided</b>		
<i>Accounting for AQA A Level Year 1</i>	Cox, David	978-1911198-12-3
<i>Accounting for AQA A Level Year 2</i>	Cox, David	978-1-911198-25-3
<b>Revision Guide</b>		
<i>My Revision Notes – AQA A level Accounting</i>	Earley, John	978-1-5104-4936-7

#### **iv. The writing styles**

Accounting is not just about numbers, although you will spend quite a bit of time working with them. You will also need to answer extended writing questions. For written questions you will need to:

- 1) Show good knowledge and understanding of principles / concepts / techniques that have been applied to the context.
- 2) Provide clear and balanced analysis of data / information / issues that are provided, showing a logical chain of reasoning.
- 3) Demonstrate judgement that is fully supported by a wide range of evidence.

The exam board will provide you with a good understanding of what is needed for each. You can find these in the specifications, also look at example answers and mark schemes to see what is needed!

#### **Writing styles**

Tutor2u: Tutor2u recommend a style of writing called PeCAN PiE, you can watch a video on this here: <https://www.tutor2u.net/business/reference/effective-paragraph-technique-pecan-pie>

#### **Writing style examples**

The following is a past exam question and two short extracts from answers, the full answer would also contain discussion of overdrafts and advice as to the better source of finance. See if you can tell where balance and a logical chain of reasoning is shown.

*Q. Advise the partners whether they should finance the purchase of the car using the bank overdraft or a bank loan.*

#### **Example one**

A bank loan is a short to medium term source of finance that allows a business to receive a lump sum which it repays with interest over an agreed period, helping to plan their outgoings, whilst allowing them to have the car now.

#### **Example two**

A bank loan would allow the partners to purchase the car relatively quickly, whilst allowing them to spread the payments over a longer period of time. This means they can benefit from the car immediately but spreading the repayments out will help manage their cash flow, so that they are still able to pay their bills. However a bank loan requires the payment of interest, which means that the car will ultimately cost them more than if they bought it outright and the payments will need to be made at fixed intervals regardless of income, which will contribute to the worsening of their cashflow in the short-term.

*Where did you see context and balance?*

#### **Task 4 – Optional Extension Activity**

Research the following organisations, giving a brief overview of what they do and detailing their role in establishing and enforcing appropriate behaviour among Accounting professionals.

- Financial Reporting Council (FRC)
- Consultative Committee of Accounting Bodies (CCAB)
- Chartered Institute of Management Accountants (CIMA)

#### **Task 5 – to be completed by September**

Download the AQA Accounting specification. It can be found here:

<https://filestore.aqa.org.uk/resources/accounting/specifications/AQA-7127-SP-2017.PDF>

Look through the specification, it can be a real help in understanding your forthcoming course.

*Enjoy and most of all embrace Accounting as a diverse topic that isn't always about making the most revenue and profit.*

**Good luck!! 😊**

**Don't forget to have a well-deserved break and top up on folders, stationery, key terms cards, pens and of course a calculator.**