



---

# A-LEVEL ACCOUNTING

7127

---

## Specification

For teaching from September 2017 onwards  
For A-level exams in 2019 onwards

---

Version 1.0 22 December 2016



# Contents

---

<b>1 Introduction</b>	<b>5</b>
1.1 Why choose AQA for A-level Accounting	5
1.2 Support and resources to help you teach	5
<b>2 Specification at a glance</b>	<b>7</b>
2.1 Subject content	7
2.2 Assessments	8
<b>3 Subject content</b>	<b>9</b>
3.1 An introduction to the role of the accountant in business	9
3.2 Types of business organisation	9
3.3 The double entry model	11
3.4 Verification of accounting records	13
3.5 Accounting concepts used in the preparation of accounting records	14
3.6 Preparation of financial statements of sole traders	15
3.7 Limited company accounts	16
3.8 Analysis and evaluation of financial information	17
3.9 Budgeting	17
3.10 Marginal costing	18
3.11 Standard costing and variance analysis	19
3.12 Absorption and activity based costing	20
3.13 Capital investment appraisal	20
3.14 Accounting for organisations with incomplete records	21
3.15 Partnership accounts	22
3.16 Accounting for limited companies	22
3.17 Interpretation, analysis and communication of accounting information	23
3.18 The impact of ethical considerations	24
<b>4 Scheme of assessment</b>	<b>27</b>
4.1 Aims	27
4.2 Assessment objectives	27
4.3 Assessment weightings	28
<b>5 General administration</b>	<b>29</b>
5.1 Entries and codes	29
5.2 Overlaps with other qualifications	29
5.3 Awarding grades and reporting results	29
5.4 Re-sits and shelf life	29
5.5 Previous learning and prerequisites	30

---

5.6 Access to assessment: diversity and inclusion	30
5.7 Working with AQA for the first time	30
5.8 Private candidates	31
5.9 Use of calculators	31
6 Appendix: international terminology	35
7 Annex: skills in accounting	37
8 Annex: quantitative skills in accounting	39

## Are you using the latest version of this specification?

- You will always find the most up-to-date version of this specification on our website at [aqa.org.uk/7127](https://www.aqa.org.uk/7127)
- We will write to you if there are significant changes to the specification.

# 1 Introduction

---

## 1.1 Why choose AQA for A-level Accounting

A qualification in accounting will always be helpful – whether it's used professionally or personally. This course helps students to understand the responsibilities of the accountant and the impacts of their recommendations on the business and the wider environment.

Students will build knowledge and understanding of key concepts, principles and techniques that they can apply to real-life scenarios, developing the ability to solve problems logically, analyse data methodically, make reasoned choices and communicate effectively.

You can find out about all our Accounting qualifications at [aqa.org.uk/accounting](http://aqa.org.uk/accounting)

### A specification designed for you and your students

We've created this specification with help from teachers and subject experts. You'll see that we've kept the content that you and your students enjoy and added new areas to keep content fresh and relevant. Students will gain core knowledge of financial accounting as well as cost and management accounting.

### Clear, well-structured exams, accessible for all

To enable your students to show their breadth of knowledge and understanding, we've created a simple and straightforward structure and layout for our papers, using a mixture of question types including multiple choice, short answer and scenario based questions. Assessment remains 100% exam-based.

For more information on our exciting new A-level Accounting qualification, visit [aqa.org.uk/accounting](http://aqa.org.uk/accounting)

## 1.2 Support and resources to help you teach

We've worked with experienced teachers to provide you with a range of resources that will help you confidently plan, teach and prepare for exams.

### Teaching resources

Visit [aqa.org.uk/7127](http://aqa.org.uk/7127) to see all our teaching resources. They include:

- sample schemes of work to help you plan your course with confidence
- detailed teacher guides on new topics
- marked exemplars with examiner commentary.
- training courses to help you deliver AQA Accounting qualifications
- subject expertise courses for all teachers, from newly-qualified teachers who are just getting started to experienced teachers looking for fresh inspiration.

---

## Preparing for exams

Visit [aqa.org.uk/7127](https://www.aqa.org.uk/7127) for everything you need to prepare for our exams, including:

- past papers, mark schemes and examiners' reports
- specimen papers and mark schemes for new courses
- Exampro: a searchable bank of past AQA exam questions
- exemplar student answers with examiner commentaries.

## Analyse your students' results with Enhanced Results Analysis (ERA)

Find out which questions were the most challenging, how the results compare to previous years and where your students need to improve. ERA, our free online results analysis tool, will help you see where to focus your teaching. Register at [aqa.org.uk/era](https://www.aqa.org.uk/era)

For information about results, including maintaining standards over time, grade boundaries and our post-results services, visit [aqa.org.uk/results](https://www.aqa.org.uk/results)

## Keep your skills up-to-date with professional development

Wherever you are in your career, there's always something new to learn. As well as subject-specific training, we offer a range of courses to help boost your skills.

- Improve your teaching skills in areas including differentiation, teaching literacy and meeting Ofsted requirements.
- Prepare for a new role with our leadership and management courses.

You can attend a course at venues around the country, in your school or online – whatever suits your needs and availability. Find out more at [coursesandevents.aqa.org.uk](https://www.coursesandevents.aqa.org.uk)

## Help and support available

Visit our website for information, guidance, support and resources at [aqa.org.uk/7127](https://www.aqa.org.uk/7127)

If you'd like us to share news and information about this qualification, sign up for emails and updates at [aqa.org.uk/from-2017](https://www.aqa.org.uk/from-2017)

Alternatively, you can call or email our subject team direct.

E: [business-studies@aca.org.uk](mailto:business-studies@aca.org.uk)

T: 01483 477 863

# 2 Specification at a glance

---

This qualification is linear. Linear means that students will sit all their exams at the end of the course.

## 2.1 Subject content

1. [An introduction to the role of the accountant in business](#) (page 9)
2. [Types of business organisation](#) (page 9)
3. [The double entry model](#) (page 11)
4. [Verification of accounting records](#) (page 13)
5. [Accounting concepts used in the preparation of accounting records](#) (page 14)
6. [Preparation of financial statements of sole traders](#) (page 15)
7. [Limited company accounts](#) (page 16)
8. [Analysis and evaluation of financial information](#) (page 17)
9. [Budgeting](#) (page 17)
10. [Marginal costing](#) (page 18)
11. [Standard costing and variance analysis](#) (page 19)
12. [Absorption and activity based costing](#) (page 20)
13. [Capital investment appraisal](#) (page 20)
14. [Accounting for organisations with incomplete records](#) (page 21)
15. [Partnership accounts](#) (page 22)
16. [Accounting for limited companies](#) (page 22)
17. [Interpretation, analysis and communication of accounting information](#) (page 23)
18. [The impact of ethical considerations](#) (page 24)

## 2.2 Assessments

Paper 1
<b>What's assessed</b> Sections 1–8, 14–18 of the subject content
<b>How it's assessed</b> <ul style="list-style-type: none"><li>• Written exam: 3 hours</li><li>• 120 marks</li><li>• 50% of A-level</li></ul>
<b>Questions</b> Three compulsory sections: <ul style="list-style-type: none"><li>• Section A has 10 multiple choice questions and several short answer questions. The section is worth 30 marks.</li><li>• Section B has two structured questions each worth 20 marks. The section is worth 40 marks.</li><li>• Section C has two extended answer questions each worth 25 marks. The section is worth 50 marks.</li></ul>



Paper 2
<b>What's assessed</b> Sections 1–3, 8–13, 17–18 of the subject content
<b>How it's assessed</b> <ul style="list-style-type: none"><li>• Written exam: 3 hours</li><li>• 120 marks</li><li>• 50% of A-level</li></ul>
<b>Questions</b> Three compulsory sections: <ul style="list-style-type: none"><li>• Section A has 10 multiple choice questions and several short answer questions. The section is worth 30 marks.</li><li>• Section B has two structured questions each worth 20 marks. The section is worth 40 marks.</li><li>• Section C has two extended answer questions each worth 25 marks. The section is worth 50 marks.</li></ul>

Before the qualification can be awarded, students must undertake both the assessments.

## 3 Subject content

The specification emphasises both financial accounting and the recording of past events, and management accounting as a means of planning and decision making. Students should appreciate that these are not totally distinct areas of study and that there is an interrelationship between financial accounting and aspects of management accounting. Students will develop an understanding of the principles of ethical behaviour which inform the actions of all those working within an accounting environment.

Students must demonstrate a good understanding of the double entry model and accounting principles and concepts as these form the foundation of all financial accounting techniques. They will also need to demonstrate quantitative skills that are relevant to the subject. Students will be expected to demonstrate knowledge of the formulae used for computations, carrying out computations and use the results of computations to inform judgements, solve problems and make decisions. 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. Students should be encouraged to keep up to date with financial news including announcements concerning the performance of leading UK businesses, and be given the opportunity to investigate their published accounts.

### 3.1 An introduction to the role of the accountant in business

Content	Additional information
The responsibilities of the accountant within business.	
The difference between financial accounting and management accounting and the purpose of each.	
The role of the accountant in developing and overseeing accounting information systems to provide reliable and relevant information for both financial and management purposes.	The role of the accountant includes overseeing the work of bookkeepers and ledger clerks.

### 3.2 Types of business organisation

Content	Additional information
Types of business organisations including different business ownership models.	Business organisations are: sole traders, partnerships, private (Ltd) and public limited liability companies (plc).

---

Content	Additional information
The associated benefits and risks and the impact on business reporting.	
Sources of finance for different forms of business organisation and the risks related to those.	Sources of finance are: owner's capital, partners' capital, bank overdraft, bank loan, mortgage, ordinary shares, debentures.

### 3.3 The double entry model

Content	Additional information
<p>The double entry system including the recording of transactions from source documents in books of prime entry and ledger accounts; transferring accounts to income statements, balancing accounts and the preparation of statements of financial position.</p>	<p>Source documents are:</p> <ul style="list-style-type: none"> <li>• purchase invoices</li> <li>• sales invoices</li> <li>• credit notes</li> <li>• cheque counterfoils</li> <li>• till rolls</li> <li>• cash receipts</li> <li>• paying-in slip counterfoils</li> <li>• bank statements (for standing orders, direct debits, credit transfers, dishonoured cheques, debit card transactions, direct transfers).</li> </ul> <p>Books of prime entry are:</p> <ul style="list-style-type: none"> <li>• purchases journal</li> <li>• sales journal</li> <li>• sales returns journal</li> <li>• purchases returns journal</li> <li>• general journal</li> <li>• three column cash book.</li> </ul> <p>Ledger accounts may be subdivided into:</p> <ul style="list-style-type: none"> <li>• receivables ledger</li> <li>• payables ledger</li> <li>• general ledger accounts.</li> </ul> <p>Transactions could be for service or trading businesses and, as well as those arising from the documents listed above, could include:</p> <ul style="list-style-type: none"> <li>• trade and cash discounts</li> <li>• disposal of non-current assets</li> <li>• irrecoverable debts</li> <li>• contra entries between accounts of credit customers and credit suppliers.</li> </ul> <p>The distinction between revenue expenditure and capital expenditure, and revenue income and capital income.</p>

Content	Additional information
The recording of adjustments in ledger accounts and financial statements.	Adjustments are: <ul style="list-style-type: none"> <li>• accruals</li> <li>• prepayments</li> <li>• income due</li> <li>• income received in advance</li> <li>• provisions for doubtful debts</li> <li>• depreciation charges</li> <li>• disposal of non-current assets</li> <li>• opening and closing inventory.</li> </ul>
Prepare and understand accounting records based on source documents and use the main books of prime entry and ledger accounts.	
Apply the double entry model in the preparation of financial statements for a range of business organisations.	
Prepare income statements (trading and profit and loss accounts) and statements of financial position (balance sheets) working from trial balances and additional information.	Financial statements could be for: <ul style="list-style-type: none"> <li>• service businesses</li> <li>• trading businesses.</li> </ul> Note: manufacturing accounts will not be examined.
Prepare statements of financial position (balance sheets) with subheadings.	Subheadings in a statement of financial position are: <ul style="list-style-type: none"> <li>• non-current assets</li> <li>• current assets</li> <li>• capital (equity)</li> <li>• non-current liabilities</li> <li>• current liabilities.</li> </ul>
Make entries for simple adjustments for expense prepayments and accruals in ledger accounts and in income statements and statements of financial position.	
Make entries for irrecoverable debts in the sales ledger and financial statements.	Entries could include those for the recovery of irrecoverable debts.
Make entries for depreciation in the income statement and statement of financial position.	Depreciation methods are: <ul style="list-style-type: none"> <li>• straight line method</li> <li>• reducing balance method.</li> </ul>

## 3.4 Verification of accounting records

Content	Additional information
Verification of the double entry records.	<p>Verification techniques are: trial balance, bank reconciliation statements, sales ledger control accounts, purchases ledger control accounts.</p> <p>Control accounts will be memorandum records and could include the following in addition to transactions stated or implied elsewhere:</p> <ul style="list-style-type: none"> <li>• contra entries</li> <li>• interest charged on overdue accounts</li> <li>• debit balances in purchases ledger</li> <li>• credit balances in sales ledger.</li> </ul>
How to correct errors in double entry records.	<p>Correcting errors includes the use of the general journal and suspense account.</p> <p>Errors could include those revealed by a trial balance as well as those that are not revealed.</p>
The effect of errors on profit calculations and statements of financial position.	<p>The effect of errors includes the redrafting of financial statements to correct errors.</p>
The benefits and limitations of verification techniques.	<p>The benefits and limitations may include identifying errors that are revealed and those that are not revealed by the relevant verification technique.</p> <p>Errors revealed by trial balance could include:</p> <ul style="list-style-type: none"> <li>• addition</li> <li>• partial omission</li> <li>• transposition</li> <li>• unequal posting.</li> </ul> <p>Errors not revealed by trial balance could include:</p> <ul style="list-style-type: none"> <li>• commission</li> <li>• complete reversal</li> <li>• compensating</li> <li>• omission</li> <li>• original entry</li> <li>• principle.</li> </ul> <p>Relevant errors (revealed and not revealed) from the lists above will apply to control accounts and bank reconciliations.</p>

## 3.5 Accounting concepts used in the preparation of accounting records

Content	Additional information
General accounting concepts.	Concepts are: <ul style="list-style-type: none"><li>• money measurement</li><li>• duality</li><li>• cost</li><li>• going concern</li><li>• accruals</li><li>• consistency</li><li>• prudence</li><li>• materiality</li><li>• realisation</li><li>• business entity.</li></ul>
The use of accounting concepts in a variety of situations.	Situations are: <ul style="list-style-type: none"><li>• preparation of financial statements</li><li>• asset valuation</li><li>• depreciation of non-current assets</li><li>• inventories (using cost or net realisable value as the basis for valuation).</li><li>• recording the purchase of non-current assets</li><li>• recording transactions in ledger accounts</li><li>• goods sold on a sale or return basis.</li></ul>

## 3.6 Preparation of financial statements of sole traders

Content	Additional information
The use of concepts in the preparation of financial statements.	<p>The use of concepts will result in recording:</p> <ul style="list-style-type: none"> <li>• accruals and prepayments</li> <li>• depreciation (using straight line and reducing balance methods)</li> <li>• disposal of non-current assets</li> <li>• provision for doubtful debts</li> <li>• irrecoverable debts</li> <li>• recovery of irrecoverable debts</li> <li>• income due</li> <li>• income received in advance</li> <li>• goods taken for own use</li> <li>• goods on sale or return</li> <li>• inventory.</li> </ul> <p>Note: first in, first out (FIFO), average cost (AVCO) and last in, first out (LIFO) methods of inventory valuation will not be examined.</p>
How to prepare financial statements of sole traders from ledger accounts including adjustments from the application of accounting concepts.	<p>Sole traders' financial statements could be for:</p> <ul style="list-style-type: none"> <li>• service businesses</li> <li>• trading businesses.</li> </ul> <p>Preparation of financial statements could include the recording of adjustments and items listed above in ledger accounts.</p>
How to prepare income statements and statements of financial position from a trial balance including adjustments from the application of accounting concepts.	

## 3.7 Limited company accounts

Content	Additional information
How to prepare the internal financial statements of limited liability companies.	<p>The financial statements will be:</p> <ul style="list-style-type: none"><li>• income statements</li><li>• statement of changes in equity</li><li>• statement of financial position.</li></ul> <p>Note: these statements will be for internal use and not for publication.</p> <p>The income statement should include the distinction between:</p> <ul style="list-style-type: none"><li>• profit from operations</li><li>• profit for the year before tax</li><li>• profit for the year after tax.</li></ul> <p>Statement of changes in equity could include entries for:</p> <ul style="list-style-type: none"><li>• opening balances</li><li>• share issues including those made at a premium</li><li>• dividends paid</li><li>• profit (or loss) for the year</li><li>• closing balances.</li></ul> <p>Statement of financial position will have the following sub-headings:</p> <ul style="list-style-type: none"><li>• current assets</li><li>• non-current assets</li><li>• equity</li><li>• current liabilities</li><li>• non-current liabilities.</li></ul> <p>Note: preference shares and general reserves will not be examined.</p>

## 3.8 Analysis and evaluation of financial information

Content	Additional information
Calculation and interpretation of financial measures and ratios.	Financial ratios and measures are: <ul style="list-style-type: none"> <li>• gross profit margin %</li> <li>• markup %</li> <li>• rate of inventory turnover</li> <li>• rate of inventory turnover (days)</li> <li>• profit in relation to revenue %</li> <li>• expenses in relation to revenue %</li> <li>• return on capital employed %</li> <li>• current ratio</li> <li>• liquid capital ratio</li> <li>• trade receivable days</li> <li>• trade payable days</li> <li>• capital gearing.</li> </ul>
Appraising business performance by using financial statements and ratios.	Appraisals could focus on: <ul style="list-style-type: none"> <li>• profitability</li> <li>• liquidity</li> <li>• efficiency</li> <li>• capital structure.</li> </ul>
The difference between cash and profits and the effect of transactions on profitability and liquidity.	
The limitations of financial statements and ratio analysis when assessing business performance.	Limitations will include those relating to both financial and non-financial factors.

## 3.9 Budgeting

Content	Additional information
The need for budgeting in business organisations.	The purpose of budgeting.

Content	Additional information
The benefits and limitations of budgeting and budgetary control.	<p>Benefits of budgeting and budgetary control will include generic benefits as well as the benefits of preparing specific budgets.</p> <p>The limitations of budgeting and budgetary control will include generic limitations as well as limitations relating to specific budgets.</p> <p>Benefits and limitations could include consideration of:</p> <ul style="list-style-type: none"> <li>• zero-based budgeting</li> <li>• incremental budgeting.</li> </ul>
The use of accounting techniques in the preparation and analysis of budgets.	<p>The budgets are:</p> <ul style="list-style-type: none"> <li>• cash</li> <li>• sales</li> <li>• purchases</li> <li>• production</li> <li>• labour</li> <li>• financial statements: income statement</li> <li>• financial statements: statements of financial position.</li> </ul>
How budgets are used in planning and control and the calculation and interpretation of variances.	

### 3.10 Marginal costing

Content	Additional information
Categorisation of costs by behaviour and understanding of terms.	<p>Costs and terms are:</p> <ul style="list-style-type: none"> <li>• direct costs</li> <li>• indirect costs</li> <li>• variable costs</li> <li>• semi-variable costs</li> <li>• fixed costs</li> <li>• stepped costs</li> <li>• marginal cost</li> <li>• contribution (total and per unit)</li> <li>• break-even.</li> </ul>
Calculation and interpretation of break-even point, interpreting break-even charts and the uses and limitations of break-even analysis methods.	Break-even analysis methods are break-even calculations and break-even charts.

Content	Additional information
The use of marginal costing in decision making situations.	<p>Decision making will involve the use of marginal costing techniques and consideration of non-financial factors.</p> <p>Decision making situations are:</p> <ul style="list-style-type: none"> <li>• make or buy</li> <li>• acceptance of additional work</li> <li>• price setting</li> <li>• optimum use of scarce resources</li> <li>• closing of potentially loss-making line or production department</li> <li>• target profit.</li> </ul>

### 3.11 Standard costing and variance analysis

Content	Additional information
The purpose, advantages and disadvantages of a standard costing system.	The purpose will include understanding relevant terminology: standard cost, variance analysis.
Calculation and interpretation of variances.	<p>Variances are:</p> <ul style="list-style-type: none"> <li>• materials (price and usage)</li> <li>• labour (efficiency and rate)</li> <li>• sales (volume and price).</li> </ul>
The interrelationship between variances.	
How to prepare statements and the use of accounting techniques to reconcile budgeted and actual figures.	<p>Reconciliation could be of:</p> <ul style="list-style-type: none"> <li>• budget and actual cost</li> <li>• budget and actual profit.</li> </ul>

## 3.12 Absorption and activity based costing

Content	Additional information
The use of absorption costing to calculate the total cost of a product.	<p>The use of absorption costing will include understanding relevant terminology: allocation, apportionment, absorption, under-absorption, over-absorption.</p> <p>Calculations are for:</p> <ul style="list-style-type: none"> <li>• allocation of direct costs</li> <li>• apportionment of indirect costs</li> <li>• overhead absorption rates.</li> </ul>
The use of activity based costing (ABC) to calculate the total cost of a product.	<p>The use of activity based costing will include understanding relevant terminology: cost pool, cost driver, attribution.</p> <p>Calculations are for:</p> <ul style="list-style-type: none"> <li>• allocation of direct costs</li> <li>• use of cost pools and cost drivers to attribute indirect costs to particular products.</li> </ul>
Use of absorption and ABC to calculate the selling price of a product.	
The benefits and limitations of absorption, ABC and marginal costing.	The benefits and limitations could include the comparison of inventory valuations and profit calculations made using absorption, ABC and marginal costing.

## 3.13 Capital investment appraisal

Content	Additional information
The calculation and use of cash flows in capital investment appraisal.	
Payback and net present value (discounted cash flow) of a capital project.	<p>Payback and net present value of a capital project will include understanding relevant terminology: payback period, net present value, discount factor, cost of capital.</p> <p>Calculate:</p> <ul style="list-style-type: none"> <li>• payback period</li> <li>• net present value.</li> </ul>

Content	Additional information
The benefits and limitations of the payback and net present value methods of capital investment appraisal.	
The use of capital appraisal measures in the evaluation of projects.	The evaluation of projects could include: <ul style="list-style-type: none"> <li>• financial factors</li> <li>• non-financial factors.</li> </ul>

### 3.14 Accounting for organisations with incomplete records

Content	Additional information
The calculation of profit of an organisation where there are insufficient records to prepare income statements.	Calculations could include the use of statements of affairs.
How accounting techniques are applied in the preparation and analysis of financial statements for a business with incomplete records.	Techniques to find missing information are: <ul style="list-style-type: none"> <li>• control/total accounts</li> <li>• cash accounts</li> <li>• bank accounts</li> <li>• ratios (mark up, gross profit margin, inventory turnover, profit in relation to revenue)</li> <li>• depreciation of non-current assets</li> <li>• calculation of profit or loss on disposal of non-current assets</li> <li>• the use of financial statements to find missing figures.</li> </ul>
The benefits and limitations of maintaining accounting records using different systems including single and double entry records.	

## 3.15 Partnership accounts

Content	Additional information
Prepare and comment on the financial statements of partnerships.	<p>Financial statements are:</p> <ul style="list-style-type: none"> <li>• income statement</li> <li>• appropriation account</li> <li>• statement of financial position.</li> </ul> <p>Preparing financial statements will involve the calculation and recording of:</p> <ul style="list-style-type: none"> <li>• interest on capital</li> <li>• interest on drawings</li> <li>• partnership salaries</li> <li>• interest on a partner's loan</li> <li>• shares of profit and losses</li> <li>• revaluation of assets and treatment of goodwill.</li> </ul>
Prepare capital and current accounts of partners.	Financial statements and partners' accounts could require the application of the relevant terms of the Partnership Act 1890 for partners operating without agreement.
Account for changes in partnership.	<p>Changes in partnership are:</p> <ul style="list-style-type: none"> <li>• the retirement of a partner</li> <li>• the admission of a new partner.</li> </ul> <p>Note: the dissolution of partnerships will not be examined.</p>

## 3.16 Accounting for limited companies

Content	Additional information
The use of accounting techniques and principles when drafting financial statements for limited companies (based on IAS1).	<p>Financial statements include those listed in <a href="#">Limited company accounts</a> (page 16) and:</p> <ul style="list-style-type: none"> <li>• statements of cash flow (in accordance with IAS7 using the indirect method)</li> <li>• schedules of non-current assets.</li> </ul> <p>Note: the financial statements of a group of companies will not be examined.</p> <p>Statement of comprehensive income will not be examined.</p>
Accounting for the revaluation of non-current assets.	

Content	Additional information
The difference between the issue of shares, a rights issue and a bonus issue, and recording the effect of such transactions in financial statements.	
The requirement to publish accounts and how these are used by a variety of stakeholders.	The requirement to publish accounts could include: <ul style="list-style-type: none"> <li>• the reasons for publishing accounts</li> <li>• benefits and limitations of published accounts</li> <li>• the main elements in published accounts and the purpose of each as required by: <ul style="list-style-type: none"> <li>• IAS1</li> <li>• Companies Acts.</li> </ul> </li> <li>• the limitations of published accounts.</li> </ul>
The purpose and importance of the international accounting standards framework.	Note: specific standards will not be examined (other than in reference to the IAS1 and IAS7 mentioned above).

### 3.17 Interpretation, analysis and communication of accounting information

Content	Additional information
How accounting techniques, measures and ratios are used to analyse and interpret accounting information (both financial and management) and the limitations of using financial statement and ratio analysis when assessing business performance.	Techniques, measures and ratios include those listed in analysis and evaluation of financial information and also investors' ratios: <ul style="list-style-type: none"> <li>• dividend yield</li> <li>• earnings per share</li> <li>• dividend cover</li> <li>• price earnings</li> <li>• interest cover.</li> </ul>
How performance is evaluated both internally and across accounting periods and externally in comparison to competitors.	The focus on performance could include: <ul style="list-style-type: none"> <li>• profitability</li> <li>• liquidity</li> <li>• efficiency</li> <li>• capital structure.</li> </ul>
The difference between cash and profits and the effect of transactions on profitability and liquidity.	

Content	Additional information
The interests of stakeholders and importance of effective communication to both internal and external stakeholders.	<p>Internal stakeholders are:</p> <ul style="list-style-type: none"> <li>• employees</li> <li>• management</li> <li>• owners/shareholders.</li> </ul> <p>External stakeholders are:</p> <ul style="list-style-type: none"> <li>• customers</li> <li>• suppliers</li> <li>• government</li> <li>• lenders</li> <li>• local community.</li> </ul> <p>Value of published accounts to relevant stakeholders.</p>
The impact, advantages and disadvantages of systems of recording data.	<ul style="list-style-type: none"> <li>• Features and main applications of accounting software.</li> <li>• Advantages and disadvantages of computerised systems for recording accounting data compared to manual methods.</li> <li>• Advantages and disadvantages of single entry and double entry recording systems.</li> </ul>
The critical assessment of recommendations and their impact on stakeholders, the local and national economy and the environment.	

### 3.18 The impact of ethical considerations

Content	Additional information
The fundamental principles of ethical behaviour.	<p>The fundamental principles are:</p> <ul style="list-style-type: none"> <li>• integrity</li> <li>• objectivity</li> <li>• professional competence and due care</li> <li>• confidentiality</li> <li>• professional behaviour.</li> </ul>

Content	Additional information
How the principles of ethical behaviour impact the behaviour of accounting professionals and organisations.	Impacts on: <ul style="list-style-type: none"> <li>• the role of the accountant in business</li> <li>• the role of the accountant in public practice</li> <li>• the role and composition of board of directors</li> <li>• the role of auditors and the audit report</li> <li>• the role and composition of remittance committee</li> <li>• corporate governance</li> <li>• corporate social responsibility.</li> </ul>
The legal and regulatory frameworks which relate to the accounting sector, the importance of working within regulatory guidelines and the consequences of failing to do so.	Regulatory frameworks include an understanding of the role of: <ul style="list-style-type: none"> <li>• Finance Reporting Council (FRC)</li> <li>• Government (Department of Business, Innovation and Skills – BIS)</li> <li>• European Union.</li> </ul>
The role of professional bodies in establishing and enforcing codes of conduct.	Professional bodies involved are: <ul style="list-style-type: none"> <li>• Consultative Committee of Accountancy Bodies (CCAB)</li> <li>• Chartered Institute of Management Accountants (CIMA).</li> </ul>
How to act ethically when working with clients, suppliers, colleagues and stakeholders and the importance of adhering to organisational and professional value, codes of practice and regulations.	Acting ethically includes understanding and applying: <ul style="list-style-type: none"> <li>• principles of ethical behaviour</li> <li>• codes of practice of CCAB and CIMA</li> <li>• regulatory framework, eg Companies Act, FRC, etc.</li> </ul>
Appropriate courses of action to take if there is a suspicion that an unethical or illegal act has been, or may be, committed by an employer, colleague or client.	Courses of action include applying codes of practice to: <ul style="list-style-type: none"> <li>• ensure safeguards are in place</li> <li>• evaluate the significance of threats to the fundamental principles</li> <li>• resolve conflicts of interest</li> <li>• seek external/professional help when necessary.</li> </ul>



# 4 Scheme of assessment

---

Find past papers and mark schemes, and specimen papers for new courses, on our website at [aqa.org.uk/pastpapers](http://aqa.org.uk/pastpapers)

This specification is designed to be taken over two years.

This is a linear qualification. In order to achieve the award, students must complete all assessments at the end of the course and in the same series.

A-level exams and certification for this specification are available for the first time in May/June 2019 and then every May/June for the life of the specification.

All materials are available in English only.

Our A-level exams in Accounting include questions that allow students to demonstrate their ability to:

- provide extended responses
- draw together their knowledge, skills and understanding from across the full course of study.

## 4.1 Aims

Courses based on this specification should encourage students to:

- understand the role and develop the skills of the accountant in developing and evaluating accounting information systems and in preparing financial and management accounting information
- apply the principles and techniques of accounting in the preparation of financial and management accounting information including using the double entry model to: record transactions; prepare financial statements for different types of organisations; and prepare management accounting information to enable management to plan, control and make decisions
- analyse and evaluate a range of financial and management information and communicate the outcomes numerically and verbally
- evaluate the impact of ethical considerations on the accountant and the duty to be truthful and accurately represent the facts when preparing and presenting accounting information, undertaking financial decision making and addressing the concerns of stakeholders
- develop the ability to solve problems logically, analyse data methodically, make reasoned and justified decisions and use different reporting methods to communicate these to stakeholders.

## 4.2 Assessment objectives

Assessment objectives (AOs) are set by Ofqual and are the same across all A-level Accounting specifications and all exam boards.

The exams will measure how students have achieved the following assessment objectives.

- AO1: Demonstrate knowledge and understanding of accounting principles, concepts and techniques.
- AO2: Apply knowledge and understanding of accounting principles, concepts and techniques.

- AO3: Analyse and evaluate accounting data to present information, make judgements and draw conclusions.

### 4.2.1 Assessment objective weightings for A-level Accounting

Assessment objectives (AOs)	Component weightings (approx %)		Overall weighting (approx %)
	Paper 1	Paper 2	
AO1	11.5–13.5	11.5–13.5	24–26
AO2	16–18	16–18	33–35
AO3	19.5–21.5	19.5–21.5	40–42
Overall weighting of components	50	50	100

## 4.3 Assessment weightings

The marks awarded on the papers will be scaled to meet the weighting of the components. Students' final marks will be calculated by adding together the scaled marks for each component. Grade boundaries will be set using this total scaled mark. The scaling and total scaled marks are shown in the table below.

Component	Maximum raw mark	Scaling factor	Maximum scaled mark
Financial accounting	120	×1	120
Accounting for analysis and decision-making	120	×1	120
Total scaled mark:			240

# 5 General administration

You can find information about all aspects of administration, as well as all the forms you need, at [aqa.org.uk/examsadmin](http://aqa.org.uk/examsadmin)

## 5.1 Entries and codes

You only need to make one entry for each qualification – this will cover all the question papers, non-exam assessment and certification.

Every specification is given a national discount (classification) code by the Department for Education (DfE), which indicates its subject area.

If a student takes two specifications with the same discount code, further and higher education providers are likely to take the view that they have only achieved one of the two qualifications. Please check this before your students start their course.

Qualification title	AQA entry code	DfE discount code
AQA Advanced Level GCE in Accounting	7127	TBC

This specification complies with:

- Ofqual *General conditions of recognition* that apply to all regulated qualifications
- Ofqual GCE qualification level conditions that apply to all GCEs
- Ofqual GCE subject level conditions that apply to all GCEs in this subject
- all other relevant regulatory documents.

The Ofqual qualification accreditation number (QAN) is 603/0920/9.

## 5.2 Overlaps with other qualifications

There is overlapping content in the AS and A-level Accounting specifications. This helps you teach the AS and A-level together.

## 5.3 Awarding grades and reporting results

The A-level qualification will be graded on a six-point scale: A\*, A, B, C, D and E.

Students who fail to reach the minimum standard for grade E will be recorded as U (unclassified) and will not receive a qualification certificate.

## 5.4 Re-sits and shelf life

Students can re-sit the qualification as many times as they wish, within the shelf life of the qualification.

---

## 5.5 Previous learning and prerequisites

There are no previous learning requirements. Any requirements for entry to a course based on this specification are at the discretion of schools and colleges.

## 5.6 Access to assessment: diversity and inclusion

General qualifications are designed to prepare students for a wide range of occupations and further study. Therefore our qualifications must assess a wide range of competences.

The subject criteria have been assessed to see if any of the skills or knowledge required present any possible difficulty to any students, whatever their ethnic background, religion, sex, age, disability or sexuality. If any difficulties were encountered, the criteria were reviewed again to make sure that tests of specific competences were only included if they were important to the subject.

As members of the Joint Council for Qualifications (JCQ) we participate in the production of the JCQ document *Access Arrangements and Reasonable Adjustments: General and Vocational qualifications*. We follow these guidelines when assessing the needs of individual students who may require an access arrangement or reasonable adjustment. This document is published on the JCQ website at [jcq.org.uk](http://jcq.org.uk)

### 5.6.1 Students with disabilities and special needs

We can make arrangements for disabled students and students with special needs to help them access the assessments, as long as the competences being tested are not changed. Access arrangements must be agreed **before** the assessment. For example, a Braille paper would be a reasonable adjustment for a Braille reader but not for a student who does not read Braille.

We are required by the Equality Act 2010 to make reasonable adjustments to remove or lessen any disadvantage that affects a disabled student.

If you have students who need access arrangements or reasonable adjustments, you can apply using the Access arrangements online service at [aqa.org.uk/eaqa](http://aqa.org.uk/eaqa)

### 5.6.2 Special consideration

We can give special consideration to students who have been disadvantaged at the time of the assessment through no fault of their own – for example a temporary illness, injury or serious problem such as the death of a relative. We can only do this **after** the assessment.

Your exams officer should apply online for special consideration at [aqa.org.uk/eaqa](http://aqa.org.uk/eaqa)

For more information and advice about access arrangements, reasonable adjustments and special consideration please see [aqa.org.uk/access](http://aqa.org.uk/access) or email [accessarrangementsqueries@aqa.org.uk](mailto:accessarrangementsqueries@aqa.org.uk)

## 5.7 Working with AQA for the first time

If your school or college has not previously offered any AQA specification, you need to register as an AQA centre to offer our specifications to your students. Find out how at [aqa.org.uk/becomeacentre](http://aqa.org.uk/becomeacentre)

## 5.8 Private candidates

This specification is available to private candidates.

A private candidate is someone who enters for exams through an AQA-approved school or college but is not enrolled as a student there.

A private candidate may be self-taught, home-schooled or have private tuition, either with a tutor or through a distance learning organisation. You must be based in the UK.

If you have any queries as a private candidate, you can:

- speak to the exams officer at the school or college where you intend to take your exams
- visit our website at [aqa.org.uk/privatecandidates](http://aqa.org.uk/privatecandidates)
- email: [privatecandidates@aqa.org.uk](mailto:privatecandidates@aqa.org.uk)

## 5.9 Use of calculators

Students must use a calculator in the exam. They must ensure that their calculator meets the requirements as set out in the *JCQ Instructions for conducting examinations*. These instructions make it clear what the requirements are for calculators (what they must be) and what they are not (what they must not be). The instructions are regularly updated and can be found at [jcq.org.uk](http://jcq.org.uk).



# Appendix: accounting ratios

Students will be required to know the formulae for the following accounting ratios.

Ratio	Formula
Capital gearing	$\frac{\text{Non-current liabilities}}{\text{Issued share capital} + \text{Reserves} + \text{Non-current liabilities}} \times 100$
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$ Expressed as x:1
Dividend cover	$\frac{\text{Profit after interest and tax}}{\text{Ordinary share dividends paid}}$
Dividend yield	$\frac{\text{Dividend per share}}{\text{Market price per share}} \times 100$
Earnings per share	$\frac{\text{Earnings in pence (ie profit after tax in pence)}}{\text{Number of issued ordinary shares}}$ Note: for a group the ratio is: Profit attributable to ordinary shareholders of the parent company (Profit after tax in pence)/Number of issued ordinary shares.
Expenses in relation to revenue	$\frac{\text{Expenses}}{\text{Revenue}} \times 100$
Gross profit margin	$\frac{\text{Gross profit}}{\text{Revenue}} \times 100$
Interest cover	$\frac{\text{Profit before interest and tax}}{\text{Interest payable}}$
Liquid capital ratio (acid test ratio)	$\frac{\text{Current assets - inventory}}{\text{Current liabilities}}$ Expressed as x:1
Markup	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times 100$
Price earnings	$\frac{\text{Current market price}}{\text{Earnings per share}}$
Profit in relation to revenue	$\frac{\text{Profit for year (before tax)}}{\text{Revenue}} \times 100$

Ratio	Formula
Rate of inventory turnover	$\frac{\text{Cost of sales}}{\text{Average inventory}}$ <p>Average inventory: normally the average of the opening and closing inventories.</p>
Rate of inventory turnover (days)	$\frac{\text{Average inventory}}{\text{Cost of sales}} \times 365$
Return on capital employed (sole trader)	$\frac{\text{Profit before interest}}{\text{Capital employed}} \times 100$ <p>Capital employed is capital + non-current liabilities (either opening or closing capital could be used in the calculation).</p>
Return on capital employed (limited company)	$\frac{\text{Profit from operations}}{\text{Capital employed}} \times 100$ <p>Capital employed is Equity + non-current liabilities (either opening or closing figure for equity could be used in the calculation).</p>
Trade payable days	$\frac{\text{Trade payables}}{\text{Credit purchases}} \times 365$
Trade receivable days	$\frac{\text{Trade receivables}}{\text{Credit sales}} \times 365$

# 6 Appendix: international terminology

International terminology	Terminology used previously
<b>Financial statements</b>	
Appropriation account (partnerships)	Profit and loss appropriation account
Cash and cash equivalents (limited companies)	Cash in hand, cash at bank/bank overdraft
Financial statements	Final accounts and balance sheets
Income statement	Trading and profit and loss account
Inventory	Stock
Irrecoverable debt	Bad debt
Loss for year	Net loss
Non-current assets	Fixed assets
Non-current liabilities	Long-term liabilities
Other payables	Expenses due; income received in advance
Other receivables	Expenses prepaid; income due
Profit for year	Net profit
Revenue (within an income statement)	Sales
Statement of financial position	Balance sheet
Trade payables	Trade creditors (creditors)
Trade receivables	Trade debtors (debtors)
<b>Accounting ratios</b>	
Expenses in relation to revenue %	Expenses in relation to sales %
Profit to revenue %	Net profit to sales %
Rate of inventory turnover	Rate of stock turnover
Trade payable days	Creditor payment period
Trade receivable days	Debtor collection period



# 7 Annex: skills in accounting

---

In relation to the knowledge and understanding outlined in the subject content for A-level Accounting, students need to have acquired competence in the following skills:

- record transactions using double entry bookkeeping, verify the accuracy of the bookkeeping and correct any errors
- prepare financial statements for sole traders and limited companies, including recording adjustments, by applying knowledge of accounting concepts
- calculate and interpret accounting ratios
- analyse and evaluate business performance using accounting techniques to interpret financial information
- develop a logical and methodical approach to problem solving through the analysis and evaluation of financial and management information
- prepare, analyse and evaluate budgets including the calculation and interpretation of variances
- prepare information using costing techniques to enable managers to make decisions
- present and communicate accounting information, numerically, graphically and in written form, so that it can be understood by non-accountants and can be used by stakeholders for decision making purposes
- analyse and evaluate projects through the application of capital investment appraisal measures
- prepare financial statements for businesses with incomplete records
- prepare financial statements for partnerships
- prepare information to enable managers to plan, control and make decisions using a range of accounting techniques such as: absorption costing, activity based costing and standard costing
- evaluate the benefits and limitations of management accounting systems and techniques in providing information to enable managers to plan, control and make decisions
- prepare statements of cash flow
- evaluate the benefits and limitations of financial reporting in communicating information to a range of stakeholders to enable them to reach informed opinions about the organisation
- analyse situations to identify ethical considerations and suggest appropriate actions.

These skills may be assessed across the assessment objectives.



# 8 Annex: quantitative skills in accounting

---

In order to develop their skills, knowledge and understanding in accounting, students need to have acquired competence in the quantitative skills that are relevant to the subject content and which are applied in the context of an accounting A-level, including:

- calculate, use and understand ratios and fractions
- calculate, use and understand percentages and percentage changes
- calculate cost, revenue, profit and break-even
- calculate investment appraisal outcomes and interpret results
- calculate and apply payback and net present value including the use of discounting techniques
- calculate and interpret variances
- calculate total product cost and selling price using activity based costing and absorption costing
- interpret, apply and analyse information in written, graphical and numerical forms
- use and interpret quantitative and non-quantitative information in order to make decisions.

A minimum of 20% of the overall A-level marks will be attributed to the assessment of quantitative skills at a level of demand which is not lower than that which is expected of learners in assessments for the higher tier in a GCSE qualification in mathematics. These skills may be assessed across the assessment objectives.

## Get help and support

Visit our website for information, guidance, support and resources at [aqa.org.uk/7127](https://www.aqa.org.uk/7127)

You can talk directly to the Accounting subject team:

E: [business-studies@aca.org.uk](mailto:business-studies@aca.org.uk)

T: 01483 477 863