



JUNE AND DECEMBER 2007 – STUDY GUIDE  
CERTIFIED ACCOUNTING TECHNICIAN EXAMINATION



Paper 3 (INT)  
Maintaining Financial  
Records

# Introduction

This booklet contains the Study Guide for ACCA's Certified Accounting Technician Paper 3 (INT): Maintaining Financial Records.

The Study Guide is designed to help you plan your studies and to provide more detailed interpretation of the syllabus for ACCA's Certified Accounting Technician examinations. It contains both the Syllabus and the Study Sessions for the paper, which you can follow when preparing for the examination.

The Syllabus outlines the content of the paper and how that content is examined. The Study Sessions take the syllabus and expand it into teaching or study sessions of similar length. These sessions indicate what the examiner expects of candidates for each part of the syllabus, and therefore gives you guidance in the skills you are expected to demonstrate in the examinations. The time to complete each session will vary according to your individual capabilities and the time you have available to study. Tuition providers offering face-to-face tuition are recommended to design courses with a minimum of two hours tuition per study session. However, repeated coverage of the material is vital to ensure your understanding and recall of the subject. Be sure to practice past examination questions to consolidate your knowledge and read your *student accountant* magazine regularly.

If you have any queries concerning the study guide, please direct them to:

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[www.accaglobal.com](http://www.accaglobal.com)

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## **ABOUT ACCA**

ACCA is the largest and fastest-growing international accountancy body with 260,000 students and 110,000 members in 170 countries. We aim to offer first choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. ACCA works to achieve and promote the highest professional, ethical and governance standards and advance the public interest.

# Maintaining Financial Records (INT)

## AIMS

To develop knowledge and understanding of the techniques used to maintain accounting records and prepare final accounts of unincorporated entities.

## OBJECTIVES

On completion of this paper candidates should be able to:

- understand, describe and apply relevant accounting concepts, policies and standards
- maintain records relating to capital acquisition and disposal
- prepare reconciliations for the preparation of final accounts
- identify, calculate and record appropriate adjustments
- prepare and complete the extended trial balance
- prepare final accounts for a sole trader
- prepare final accounts for a partnership.

## POSITION OF THE PAPER IN THE OVERALL SYLLABUS

Before commencing this paper, a thorough knowledge of Paper 1, *Recording Financial Transactions*, is required. Paper 3 builds on the knowledge acquired in Paper 1, enabling students to prepare final accounts for a sole trader and for partnerships. This knowledge is further developed in Paper 6, *Drafting Financial Statements* which will enable students to prepare final accounts for limited liability companies.

## SYLLABUS CONTENT

### 1 Basic bookkeeping

- (a) The nature and confidentiality of business transactions
- (b) Double entry bookkeeping
- (c) Capital and revenue expenditure
- (d) Assets, liabilities, revenue and expenses
- (e) Initial trial balance
- (f) Format of simple final accounts
  - (i) income statement
  - (ii) balance sheet
- (g) The organisation's policies, regulations and timescales in the preparation of final accounts

### 2 Accounting standards, principles and policies

- (a) Accounting standards (IASs and IFRSs)
- (b) Accounting principles
  - (i) going concern
  - (ii) accruals
  - (iii) consistency
  - (iv) prudence
- (c) Accounting policies
  - (i) relevance
  - (ii) reliability
  - (iii) comparability
  - (iv) understandability

### 3 Non-current assets and depreciation

- (a) Non-current assets
  - (i) acquisition
  - (ii) asset register
  - (iii) accounting treatment
  - (iv) disposal
  - (v) part exchange
  - (vi) authorisation
  - (vii) maintenance of capital records
- (b) Depreciation
  - (i) straight line
  - (ii) reducing balance

### 4 Control accounts, reconciliations and errors

- (a) Reconciliations
  - (i) payables ledger reconciliation
  - (ii) receivables ledger reconciliation
  - (iii) bank reconciliation
- (b) Identification of errors
  - (i) incorrect double entry
  - (ii) missing entries
  - (iii) numerical errors
  - (iv) insufficient information
- (c) Correction of errors
  - (i) suspense account
  - (ii) journal entries

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## 5 Adjustments to the trial balance

- (a) Accruals and prepayments
- (b) Depreciation
- (c) Irrecoverable debts and allowances for receivables
- (d) Closing inventory (and inventory valuation)
- (e) Extended trial balance
- (f) Provisions

## 6 Final accounts

- (a) Incomplete records
- (b) Sole trader accounts
  - (i) income statement
  - (ii) balance sheet
- (c) Partnership accounts
  - (i) income statement
  - (ii) appropriation of profit
  - (iii) balance sheet
  - (iv) partners' capital and current accounts

### EXCLUDED TOPICS

The following topics are specifically excluded from Paper 3:

- club accounts
- manufacturing accounts
- detailed knowledge of sales tax
- tax computations
- foreign currency transactions
- goodwill arising on admission of a new partner
- cash flow statements.

### KEY AREAS OF THE SYLLABUS

The key topic areas are as follows:

- accounting concepts, policies and standards
- non-current assets and depreciation
- control accounts and bank reconciliations
- correction of errors
- post trial balance adjustments
- incomplete records
- final accounts for sole traders and partnerships.

## APPROACH TO EXAMINING THE SYLLABUS

The examination is a two-hour paper. It can be taken as a written paper or as a computer based exam. The questions in the computer based exam are objective test questions – multiple choice, number entry and multiple response.

The written exam consists of two sections structured as follows:

	<i>No. of marks</i>
Section A – 20 compulsory multiple choice questions of two marks each	40
Section B – four compulsory questions of 15 marks each (Question 1 of Section B will comprise a number of short form questions of between two and five marks each)	60
Total	<hr/> 100

## ADDITIONAL INFORMATION

Accounting standards will not be examined until six months after they have been issued. The cut off date for the June examination is 30 November preceding the June examination. The cut off date for the December examination is 31 May preceding the December examination.

## RELEVANT TEXTS

There are a number of sources from which you can obtain a series of materials written for the ACCA CAT examination. These are listed below:

ACCA's approved publishers:

### BPP Professional Education

Contact number: +44(0)20 8740 2222

Website: [www.bpp.com](http://www.bpp.com)

### Kaplan Publishing Foulks Lynch

Contact number: +44(0)118 989 0629

Website: [www.kaplanfoulkslynch.com](http://www.kaplanfoulkslynch.com)

# Maintaining Financial Records (INT)

Additional reading:

Accountancy Tuition Centre (ATC)

International

Contact number: +44(0)141 880 6469

Website: [www.atc-global.com](http://www.atc-global.com)

Candidates may also find the following texts useful, although they should be aware that these are based on UK accounting standards:

Cox, D. *Business Accounts* (Osborne Books)

Giles, R. *A Complete Course in Business Accounting* (Stanley Thornes)  
ISBN: 0748761594

Wood, F and Sangster, A. *Business Accounting 1* (Pitman Publishing)

Wider reading is also desirable, especially regular study of relevant articles in ACCA's *student accountant* magazine.

## STUDY SESSIONS

### 1 Recording transactions

- (a) Understand the nature of business transactions, including the need to maintain confidentiality
- (b) Explain the basis of double entry bookkeeping
- (c) Explain and illustrate the dual aspect convention
- (d) Apply the accounting equation (and derivatives thereof)
- (e) Distinguish between assets, liabilities, revenue and expenses
- (f) Prepare journal entries to record transactions
- (g) Prepare ledger accounts
- (h) Understand how the structure of accounting records contributes to providing useful accounting information and complies with organisational policies and deadlines

### 2 The trial balance

- (a) Initial trial balance
  - (i) explain the purpose of the trial balance
  - (ii) identify the limitations of the trial balance
  - (iii) extract the ledger balances to form a trial balance

### 3 Introduction to final accounts

- (a) Explain the format and purpose of the income statement
- (b) Explain the format and purpose of the balance sheet
- (c) Explain the influence of organisational structure on accounting systems
- (d) Identify the users of final accounts and their needs

### 4 Basic framework of accounting

- (a) Principles of accounting
  - (i) explain and apply the basic principles of accounting:
    - business entity
    - double entry
    - historic cost
    - materiality
    - going concern
    - accruals
    - prudence
    - consistency
  - (ii) discuss the overriding need for the fair presentation of financial information
- (b) Accounting policies
  - (i) distinguish between accounting policies, accounting estimates and measurement bases
  - (ii) explain and discuss accounting policies and their objectives:
    - relevance
    - reliability
    - comparability
    - understandability
- (c) Regulation
  - (i) explain the role of International Accounting Standards and International Financial Reporting Standards

### 5 Assets

- (a) Capital and revenue expenditure
  - (i) distinguish between capital expenditure and revenue expenditure
  - (ii) calculate and explain the effect of incorrectly classifying capital expenditure as revenue

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- expenditure, and vice versa, on the final accounts
- (b) Current assets
  - (i) define current assets
  - (ii) report current assets in the final accounts

### 6 Non-current assets I

- (a) Non-current assets
  - (i) define non-current assets
  - (ii) account for the acquisition of non-current assets
  - (iii) report non-current assets in the final accounts
- (b) Non-current asset records
  - (i) explain the purpose and function of an asset register
  - (ii) record data in an asset register
  - (iii) explain the purpose of data recorded in an asset register
  - (iv) explain how to identify and resolve any discrepancy between the asset register and the physical presence of assets
  - (v) explain the need for authorisation of the acquisition, disposal and part exchange of non-current assets

### 7 Non-current assets II

- (a) Depreciation
  - (i) define depreciation
  - (ii) explain the purpose of depreciation
  - (iii) calculate the charge for depreciation using the straight line and reducing balance methods
  - (iv) account for depreciation
- (b) Changes in non-current assets
  - (i) account for the disposal or scrapping of a non-current asset
  - (ii) account for the part exchange of a non-current asset
  - (iii) calculate the profit or loss arising on the disposal, scrapping or part exchange of a non-current asset

### 8 Errors

- (a) Distinguish between errors which will be detected by extracting a trial balance and those which will not
- (b) Identify and explain the action required to correct errors

- (c) Prepare correcting journal entries
- (d) Record correcting entries in the ledgers
- (e) Demonstrate how the income statement and balance sheet are affected by the correction of errors

### 9 Control and suspense accounts

- (a) Explain the purpose of a suspense account
- (b) Record entries in a suspense account
- (c) Make entries to clear a suspense account
- (d) Explain the nature and purpose of control accounts
- (e) Explain how control accounts relate to the double entry system

### 10 Payables ledger reconciliation

- (a) Explain the purpose of a payables ledger reconciliation
- (b) Identify errors in the ledger accounts and list of balances
- (c) Make correcting entries in the ledger accounts
- (d) Prepare a reconciliation between the list of balances and the corrected ledger balance
- (e) Identify the payables ledger balance to be reported in the final accounts
- (f) Report the payables ledger balance in the final accounts

### 11 Receivables ledger reconciliation

- (a) Explain the purpose of a receivables ledger reconciliation
- (b) Identify errors in the ledger accounts and list of balances
- (c) Make correcting entries in the ledger accounts
- (d) Prepare a reconciliation between the list of balances and the corrected ledger balance
- (e) Identify the receivables ledger balance to be reported in the final accounts
- (f) Report the receivables ledger balance in the final accounts

### 12 Bank reconciliation

- (a) Explain the purpose of a bank reconciliation
- (b) Identify errors and omissions in the ledger account and bank statement
- (c) Identify timing differences
- (d) Make correcting entries in the ledger account

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- (e) Prepare a reconciliation between the statement balance and the corrected ledger balance
- (f) Identify the bank balance to be reported in the final accounts
- (g) Report the bank balance in the final accounts

### 13 Accruals and prepayments

- (a) Describe the nature and purpose of accruals
- (b) Describe the nature and purpose of prepayments
- (c) Calculate accruals
- (d) Calculate prepayments
- (e) Account for accruals
- (f) Account for prepayments
- (g) Report accruals in the final accounts
- (h) Report prepayments in the final accounts

### 14 Irrecoverable debts and allowances for receivables

- (a) Calculate the allowance for receivables
- (b) Account for the write off of irrecoverable debts
- (c) Report the write off of debts in the final accounts
- (d) Account for the allowance for receivables
- (e) Account for the movement in the allowance for receivables
- (f) Report the movement in the allowance for receivables in the final accounts
- (g) Report the allowance for receivables in the final accounts

### 15 Closing inventory

- (a) Explain the application of accounting concepts to the valuation of inventory
- (b) Explain the methods of valuing inventory when items have been purchased at different prices (FIFO – first in first out; Periodic weighted average and Continuous weighted average)
- (c) Explain the impact of inventory valuation methods on profit and assets
- (d) Calculate the value of closing inventory
- (e) Report closing inventory in the final accounts

### 16 Provisions and liabilities

- (a) Explain the nature of provisions and liabilities
- (b) Distinguish between a current liability, a non-current liability and a provision
- (c) Distinguish between a provision and a liability
- (d) Calculate provisions and liabilities
- (e) Account for provisions and liabilities
- (f) Account for movements in provisions and liabilities
- (g) Report provisions, non-current liabilities and current liabilities in the final accounts

### 17 Extended trial balance (etb)

- (a) Record the correction of errors on the etb
- (b) Record post trial balance adjustments on the etb
  - (i) accruals and prepayments
  - (ii) depreciation
  - (iii) provisions
  - (iv) closing inventory
  - (v) allowances for receivables
  - (vi) irrecoverable debts written off
- (c) Extension and completion of the etb
  - (i) extend and complete the etb
  - (ii) calculate and record the net profit or loss for the period

### 18 Sole trader accounts

- (a) Prepare the final accounts (income statement and balance sheet) for a sole trader
- (b) Record the profit or loss for the period and drawings in the capital account
- (c) Prepare the opening trial balance for the next accounting period

### 19 Partnerships

- (a) Define a partnership
- (b) Explain the purpose and the main content of a partnership agreement
- (c) Explain and account for appropriations of profit
  - salaries of partners
  - interest on capital
  - interest on drawings

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- share of residual profit
- (d) Explain the difference between partners' capital accounts and partners' current accounts
- (e) Prepare the final accounts (income statement, appropriation account and balance sheet) for a partnership
- (f) Prepare the partners' capital and current accounts
- (g) Prepare the opening trial balance for the next accounting period

### 20 Incomplete records

- (a) Describe the circumstances which lead to incomplete records
- (b) Calculate the net assets and profit or loss for a sole trader who has incomplete records
- (c) Prepare and complete ledger accounts to derive missing figures
- (d) Calculate missing figures using margin or mark up percentages
- (e) Construct final accounts for a sole trader who has incomplete records.