



**education**

Department:  
Education  
REPUBLIC OF SOUTH AFRICA

# **NATIONAL CERTIFICATES (VOCATIONAL)**

## **SUBJECT GUIDELINES**

### **APPLIED ACCOUNTING**

#### **NQF LEVEL 2**

September 2007



## INTRODUCTION

### **A. What is Applied Accounting?**

Applied Accounting teaches students the basic day-to-day bookkeeping of a small business enterprise. Once students are confident with the basic accounting entries, the work is expanded to year-end procedures which also include the interpretation and analysis of relevant information to help the owner of the small business enterprise to make decisions.

Applied Accounting develops the logical and analytical ability of students. Students are encouraged to develop a systematic approach to the solution of problems. The subject also develops characteristics such as neatness, thoroughness, accuracy, sound judgment and orderliness. The students' understanding of financial principles will be meaningful in their future lives.

Students who have experience of being an entrepreneur can also benefit from this subject by learning generally accepted accounting practice (GAAP) and familiarising themselves with current legislation.

### **B. Why is Applied Accounting important in a vocational programme?**

A sound knowledge of accounting and accounting principles serves as a usable foundation for all role-players when involved in a small business enterprise. Applied Accounting prepares students for the world of work in general and for the execution of accounting functions specifically. The practical components of Applied Accounting aim at increasing students' competences level in such a way that they can be productive in posts which require an accounting background. The practical component is further directed to the learning of an accountancy package on the personal computer to keep pace with the modern computer developments.

### **C. The link between the Applied Accounting Learning Outcomes and the Critical and Developmental Outcomes**

Applied Accounting develops students' skill to plan before commencing any work. Students also develop logical thought processes so that instead of relying on set rules, they can apply basic principles to new and unfamiliar situations. Students also acquire and develop a systematic approach to the solution of problems. They also learn to understand and adapt to the social environment by meaningfully interpreting accounting information.

### **D. Factors that contribute to achieving the Applied Accounting Learning Outcomes**

Students interested in commerce or the business world will benefit from Applied Accounting. Furthermore, the accounting knowledge is part of the management function of any business and is essential for any student exploring management as a future career opportunity.

Students who have developed specific characteristics, such as thoroughness, accuracy and orderliness, usually enjoy Applied Accounting.

# **APPLIED ACCOUNTING – LEVEL 2**

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## 1 DURATION AND TUITION TIME

This is a one-year instructional programme comprising 200 teaching and learning hours. The subject may be offered on a part-time basis provided the student meets all the assessment requirements.

Students with special education needs (LSEN) must be catered for in a way that eliminates barriers to learning.

## 2 SUBJECT LEVEL FOCUS

The student should be able to:

- Prepare elementary bookkeeping for various transactions,

## 3 ASSESSMENT REQUIREMENTS

### 3.1 Internal assessment (50 percent)

#### 3.1.1 Theoretical component

The theoretical component forms 40 percent of the internal assessment mark.

Internal assessment of the theoretical component in Applied Accounting Level 2 takes the form of observation, class questions, group work, informal group competitions with rewards, individual discussions with students, class, topic and semester tests and internal examinations. Lecturers can observe students when marking exercises from the previous day and asking class questions.

Assignments, case studies and tests can be completed at the end of a topic. Tests and internal examinations must form part of the internal assessment.

#### 3.1.2 Practical component

The practical component forms 60 percent of the internal assessment mark.

Practical components include applications and exercises. All practical components must be indicated in a Portfolio of Evidence (PoE).

Internal assessment of the practical component in Applied Accounting Level 2 takes the form of assignments, practical exercises, case studies and practical examinations in a simulated business environment.

Students may complete practical exercises daily. Assignments and case studies can be completed at the end of a topic. Practical examinations can form part of internal practical assessment.

- **Some examples of practical assessments include, but are not limited to:**

- A. Presentations (lectures, demonstrations, group discussions and activities, practical work, observation, role-play, independent activity, synthesis and evaluation)
- B. Exhibitions by students
- C. Visits undertaken by students based on a structured assignment task
- D. Research
- E. Task performance in a “Structured Environment”

- **Definition of the term “Structured Environment”**

For the purposes of assessment, “Structured Environment” refers to a simulated workplace or workshop environment. A practicum room should be available at each campus for students to do practical assessments.

### • Evidence in practical assessments

All evidence pertaining to evaluation of practical work must be reflected in the students' Portfolio of Evidence (PoE). The tools and instruments constructed and used to conduct these assessments must be clear from the evidence contained in the Portfolio of Evidence (PoE).

#### 3.1.3 Processing of internal assessment mark for the year

A year mark out of 100 is calculated by adding the marks of the theoretical component (40 percent) and the practical component (60 percent) of the internal continuous assessment (ICASS).

#### 3.1.4 Moderation of internal assessment mark

Internal assessment is subjected to internal and external moderation procedures as set out in the *National Examinations Policy for FET College Programmes*.

### 3.2 External assessment (50 percent)

A National Examination is conducted annually in October or November by means of a paper(s) set and moderated externally. A practical component will also be assessed.

External assessment details and procedures are set out in the *Assessment Guidelines: Applied Accounting (Level 2)*.

## 4 WEIGHTED VALUES OF TOPICS

TOPICS	WEIGHTED VALUE
1 Basic Accounting Concepts	25
2 Payments and Receipt Transactions in the Cash Book	20
3 Basic Credit Sales Transactions	20
4 Basic Credit Purchase Transactions	20
5 Elementary Financial Year-end Procedures	15
<b>TOTAL</b>	<b>100</b>

## 5 CALCULATION OF FINAL MARK

Internal assessment mark: Student's mark/100 x 50 = a mark out of 50 (a)

Examination mark: Student's mark/100 x 50 = a mark out of 50 (b)

**Final mark: (a) + (b) = a mark out of 100**

All marks are systematically processed and accurately recorded to be available as hard copy evidence for, amongst others, reporting, moderation and verification purposes.

## 6 PASS REQUIREMENTS

The student must obtain at least fifty (50) percent in ICASS and fifty (50) percent in the examination.

## 7 SUBJECTS AND LEARNING OUTCOMES

On the completion of Applied Accounting Level 2, the student should have covered the following topics:

- Topic 1 Basic Accounting Concepts
- Topic 2 Payments and Receipts Transactions in the Cash Book
- Topic 3 Basic Credit Sales Transactions
- Topic 4 Basic Credit Purchase Transactions
- Topic 5 Elementary Financial Year-end Procedures

### 7.1 Topic 1: Basic Accounting Concepts

**Subject Outcome 1:** Identify and describe the different types of businesses.

**Learning Outcomes:**

The student should be able to:

- Explain the gaining of capital to start a new business venture.
- Explain the profit motive for a business.
- Identify and discuss different types of business.
- Describe the characteristics of the different types of businesses.

*Different types of businesses include sole trader, partnership, private and public companies, closed corporations, clubs and non-profit organisations.*

**Subject Outcome 2:** Explain basic accounting principles.

**Learning Outcomes:**

The student should be able to:

- Explain the term accounting.
- Explain the concepts of assets, owner's equity, liabilities, income and expenses.
- Identify and describe different types of asset, owner's equity, liability, income and expense.
- Explain the concepts of profit and loss.
- Explain the accounting cycle (documents – journals – ledgers – statements).

**Subject Outcome 3:** Explain and demonstrate an understanding of source documents.

**Learning Outcomes:**

The student should be able to:

- Explain the concept of source documents.
- Complete source documents correctly.
- Identify and sort different source documents as internal, external, duplicate and original.
- Identify supporting documents.
- Number and archive the documents.

**Source documents** include receipts, cash register slips, bank deposit slips, cheques and cheque counterfoils, invoices, credit notes, debit notes, petty cash vouchers and internal office memoranda.

**Supporting documents** include receipts, cheques, invoices, bank statements and bank debit notes.

**Subject Outcome 4:** Explain and demonstrate the functioning of the double entry system.

**Learning Outcomes:**

The student should be able to:

- Understand and explain the concept of debit and credit in relation to assets, owner's equity and liabilities.
- Demonstrate the principles of the double entry system in T-shape accounts for basic transactions.
- Demonstrate the effect of transactions on the accounting equation.

**Transactions** include capital contribution, drawings, addition of non-current assets, elementary payments and elementary receipts.

## 7.2 Topic 2: Payments and Receipts Transactions in the Cash Book

**Subject Outcome 1:** Explain the purpose of the cash book (receipts and payments).

**Learning Outcomes:**

The student should be able to:

- Understand the purpose of the cash book.
- Identify source documents for cash book transactions.
- Identify the different cash book transactions.
- Explain the purpose of the debit and the credit side of the cash book.

**Subject Outcome 2:** Prepare the cash book.

**Learning Outcomes:**

The student should be able to:

- Identify the relationship between the source documents and the cash book transactions.
- Prepare the cash book from source documents.
- Total or balance the cash book at the end of the month or period.

**Subject Outcome 3:** Post the cash book transactions to the general ledger.

**Learning Outcomes:**

The student should be able to:

- Understand the purpose of the general ledger.
- Identify the different sections of the general ledger.
- Post transactions from the cash book to the general ledger.
- Total or balance the general ledger accounts.

**Subject Outcome 4:** Prepare the trial balance

**Learning Outcomes:**

The student should be able to:

- Understand the purpose of the trial balance.
- Identify the different sections of the trial balance.
- Complete a trial balance.

### 7.3 Topic 3: Basic Credit Sales Transactions

**Subject Outcome 1:** Explain the concept of credit sales and returns (allowances).

**Learning Outcomes:**

The student should be able to:

- Understand the concept of debtors.
- Identify source documents for credit sales and returns (allowances) transactions.

**Documents** include invoices, credit notes and general journal vouchers.

**Subject Outcome 2:** Record credit sales transactions in the appropriate journals.

*Range:* Use the control account system in the continuous stock system.

**Learning Outcomes:**

The student should be able to:

- Explain the relationship between source documents and the credit sales and returns transactions.
- Complete the journals correctly.
- Close or total the journals at the end of the month or period.

**Subject Outcome 3:** Record other credit-related transactions in the general journal.

*Range:* Use the control account system in the continuous stock system.

**Learning Outcomes:**

The student should be able to:

- Identify credit-related transactions.
- Record credit-related transactions in the general journal.
- Close or total the general journal at the end of the month or period.

**Credit-related transactions** include bad debts, interest on overdue accounts, cancelled discount on dishonoured cheques and corrected errors.

**Subject Outcome 4:** Post the journals to the general ledger.

**Learning Outcomes:**

The student should be able to:

- Post transactions from the journals to the general ledger accounts.
- Total or balance the general ledger accounts at the end of the month or period.

**Journals** include debtors' journal, debtors' allowances journal and general journal.

**Subject Outcome 5:** Maintain debtors' accounts.

*Range:* Use the control account system.

**Learning Outcomes:**

The student should be able to:

- Explain the use of the debtors' ledger.



- Post transactions from the journals to the individual debtors' accounts in the debtors' ledger.
- Reconcile debtors' accounts with the debtors' control account.
- Prepare an age analysis for the current month.
- Prepare monthly statements.

#### 7.4 Topic 4: Basic Credit Purchases Transactions

**Subject Outcome 1:** Explain the concept of credit purchases and returns (allowances).

**Learning Outcomes:**

The student should be able to:

- Understand the concept of creditors.
- Identify source documents for credit purchases and returns (allowances) transactions.

*Documents include invoices, debit notes and general journal vouchers.*

**Subject Outcome 2:** Record credit purchases transactions in the appropriate journals.

*Range: Use the control account system in the continuous stock system.*

**Learning Outcomes:**

The student should be able to:

- Explain the relationship between source documents and the credit purchases and returns transactions.
- Complete the journals correctly.
- Close or total the journals at the end of the month or period.

**Subject Outcome 3:** Record other credit-related transactions in the general journal.

*Range: Use the control account system in the continuous stock system.*

**Learning Outcomes:**

The student should be able to:

- Identify credit-related transactions.
- Record credit-related transactions in the general journal.
- Close or total the general journal at the end of the month or period

*Credit-related transactions include corrected errors.*

**Subject Outcome 4:** Post the journals to the general ledger.

**Learning Outcomes:**

The student should be able to:

- Post transactions from the journals to the general ledger accounts.
- Total or balance the general ledger accounts at the end of the month or period.

*Journals include creditors' journal, creditors' allowances journal and general journal.*

**Subject Outcome 5:** Maintain creditors' accounts.

*Range: Use the control account system.*

**Learning Outcomes:**

The student should be able to:

- Explain the use of the creditors' ledger.
- Post transactions from the journals to the individual creditors' accounts in the creditors' ledger.
- Reconcile creditors' accounts with the creditors' control account.
- Prepare an age analysis for the current month.

#### 7.5 Topic 5: Elementary Financial Year-end Procedures

**Subject Outcome 1:** Explain the concept of profit.

**Learning Outcomes:**

The student should be able to:

- Explain the concept of profit.
- Explain the concept of gross profit.

- Explain the concept of net profit.

**Subject Outcome 2:** Explain closing transfers of nominal accounts in the general journal.

*Range: Use the continuous stock system*

**Learning Outcomes:**

The student should be able to:

- Do the closing transfer of the following accounts: debtors' allowances, sales and cost of sales.
- Calculate the gross profit correctly.
- Do the closing transfer of the trade account to the profit-and-loss account.
- Do the closing transfer of all income accounts.
- Do the closing transfer of all expenditure accounts.
- Calculate the net profit or loss correctly.
- Do the closing transfer of the profit-and-loss account to the capital account.

*All above closing transfers should be done in the general journal.*

**Subject Outcome 3:** Post the closing transfers of nominal accounts from the general journal to the general ledger.

*Range: Use the continuous stock system*

**Learning Outcomes:**

The student should be able to:

- Use the closing transfers in the general journal and post to the accounts in the general ledger according to generally accepted accounting practice.
- Balance or total accounts in the general ledger.

**Subject Outcome 4:** Prepare a basic balance sheet.

*Range: Use the continuous stock system*

**Learning Outcomes:**

The student should be able to:

- Transfer drawings to the capital account in the general journal and the general ledger.
- Identify the items from a trial balance or the general ledger to be used on the balance sheet.
- Write the framework of the balance sheet.
- Use the relevant information to complete the balance sheet according to generally accepted accounting practice (GAAP).

*The **notes to the balance sheet** include non-current assets, cash and cash equivalents and capital.*

## 8 RESOURCE NEEDS FOR THE TEACHING OF APPLIED ACCOUNTING – LEVEL 2

### 8.1 Physical resources

The following teaching aids should be made available, if possible:

#### 8.1.1 Practicum room

- A simulated office environment with basic office furniture and equipment
- The necessary electronic equipment, for example an adding machine, cash register, calculators, filing cabinet, computer and printer.
- Internet access

#### 8.1.2 Media centre

- Availability of computers and printers for students to complete assignments or case studies and do research
- Research software, for example Encarta
- Subject-related magazines (e.g. Finance & Technique), daily newspapers and subject-related reference books
- Subject-related DVDs or videos
- List of stakeholders prepared to be involved in the learning process through presentations or providing opportunities for students to gain practical experience

- Applicable legislation and acts for use by lecturers during lessons and students for research purposes
- Stock room to store video or DVD machines, televisions, etc.
- Security for stock room, media centre and practicum room

#### 8.1.3 Class room

- Computer and data projector or latest technology to electronically project data
- Flash disk to store information
- Presentation program on computer to be used by lecturer to provide students with visual information on Learning Outcomes
- White board, black board and pull down screen
- Desks for students big enough to work on

### **8.2 Human resources**

The lecturer should have an applicable subject-related qualification on NQF Level 5. It would be an advantage if the lecturer has already been declared competent as an assessor and/or moderator. The lecturer must also be trained in outcome-based education.

### **8.3 Other resources**

- Text books
- Answer books, with examples which students must complete for practical assignments
- Calculator for each student
- Lever arch file for each student to serve as Portfolio of Evidence (PoE)
- Subscription fees for internet, subject-related magazines, newspapers, etc.