Central School

Year 13 Accounting

60 Days Home School Package

Teachers Information

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Home School 60 Days Weekly Plan

Week	Strand	Sub Strand
1	Strand 2: Strand 2: Financial information for Partnerships and Companies.	Sub-strand 2.1: Financial Transactions of a Partnership
2	Strand 3: Financial information for a manufacturing job-costing subsystem.	. Sub-strand 3.1: Financial Transactions of a Manufacturing Enterprise
3		Sub-strand 3.2: Evaluation of a Job Cost System for a Business.
4	**Strand 5: Evaluation of a Company's Financial Information**	Sub-strand 5.2: Evaluation of Financial and Non-financial information for Reporting and Decision-making.
5		Sub-strand 5.2: Evaluation of Financial and Non-financial information for Reporting and Decision-making.
6		Sub-strand 5.2: Evaluation of Financial and Non-financial information for Reporting and Decision-making
7	**Strand 6: Information for management decision making**	Sub-strand 6.1: The Decision Making Process
8		Sub-strand 6.1: The Decision Making Process
9		Sub-strand 6.2: Cash Budgets and CVP Analysis
10		Sub-strand 6.2: Cash Budgets and CVP Analysis

IMPORTANT INFORMATION

These are the recommended resources you need to provide feedback to the Activities in Week 1 up to week 10.

- NCEA Level 3 Year 13 Accounting Work book.
- Accounting Concepts and Application Text Book.
- Additional notes provided for each week Strand and Sub strand.
- Additional reliable resources such as internet.

WEEK 1: Financial Transaction for a Partnership

Use the Relevant Resources and attemp SLO 1,2,3 ,5, 6 and 7.

No.	Specific Learning Outcomes (SLO)	Skill Level	SLO Code
1	Define partnership formation or amalgamation	**1**	Acc2.1.1.1
2	Identify the various types of partnership formation	**1**	Acc2.1.1.2
3	Identify the source documents involved with the formation and operation of a partnership	**1**	Acc2.1.1.3
4	Prepare General Journal entries and relevant accounting records for various types of partnership formation, taking into account revaluation of assets	**3**	Acc2.1.3.1
5	Explain the purpose for revaluations of assets to its current values upon partnership formation	**3**	Acc2.1.3.2
6	Define goodwill	**1**	Acc2.1.1.4
7	State the formula for determination of the value of goodwill	**1**	Acc2.1.1.5

WEEK 2: Financial Transaction for a Manufacturing Enterprise

Use the Relevant Resources and attemp SLO 1,2,9,10,11 and 12

No.	Specific Learning Outcomes (SLO)	Skill Level	SLO Code
1	Define Manufacturing enterprise	1	Acc3.1.1.1
2	Describe the nature of the manufacturing process	2	Acc3.1.2.1
3	Identify the costs of a manufactured product	1	Acc3.1.1.2
4	Describe costs flow in manufacturing a product	2	Acc3.1.2.2
5	Describe input costs in the manufacturing process	2	Acc3.1.2.3
6	Describe process costs in the manufacturing process	2	Acc3.1.2.4
7	Describe the output costs in the manufacturing process	2	Acc3.1.2.5
8	Describe the formula for determination of the total cost of a product.(Materials costs + Labour Costs + Factory overhead costs)	2	Acc3.1.2.6
9	Define cost objects	1	Acc3.1.1.3
10	Define direct costs	1	Acc3.1.1.4
11	Define indirect costs	1	Acc3.1.1.5
12	Explain the difference between direct and indirect costs	3	Acc3.1.3.1

WEEK 3: Evaluation of a Job Cost System for a Business

Use the Relevant Resources and attemp SLO 1 and 2 ONLY

No.	Specific Learning Outcomes (SLO)	Skill Level	SLO Code
1	Describe the objectives of a job cost system	2	Acc3.2.2.1
2	Explain the advantages of job order costing	3	Acc3.2.3.1
3	Identify the source documents for job order job costing (Job card, Job cost card, Job cost sheet)	1	Acc3.2.1.1
4	List the source documents appropriate to a job cost system (for eg, time record, materials requisition, job cost records)	1	Acc3.2.1.2
5	Describe the features of a job cost module	2	Acc3.2.2.2
6	Identify the process elements of a job cost system	1	Acc3.2.1.3
7	Describe the features of the process elements of a job cost system	2	Acc3.2.2.3
8	Identify the input elements of a job cost system.	1	Acc3.2.1.4
9	Describe the features of the input elements of a job cost system	2	Acc3.2.2.4
10	Identify the process elements of a job cost system.	1	Acc3.2.1.5

WEEK 4: Evaluation of Financial and Non-Financial information for Reporting and Decision Making.

Use the Relevant Resources and attemp SLO 1 ,2 and 6 ONLY

No.	Specific Learning Outcomes (SLO)	Skill Level	SLO Code
1	State the purpose of analysing financial information	1	Acc5.1.1.1
2	Define financial ratio analysis	1	Acc5.1.1.2
3	Outline the process for analysing and interpreting financial information	2	Acc5.1.2.1
4	Identify the types of analysis used in the process of analysing and interpreting financial information.: horizontal analysis, vertical analysis and trend analysis)	1	Acc5.1.1.3
5	Explain the importance of proper analysis and interpretation of financial information	3	Acc5.1.3.1
6	List the financial ratios to analyse profitability of the business	2	Acc5.1.2.2

WEEK 5: Evaluation of Financial and Non-Financial information for Reporting and Decision Making.

Use the Relevant Resources and attemp SLO 7 and 8 ONLY

No.	Specific Learning Outcomes (SLO)	Skill Level	SLO Code
1	State the purpose of analysing financial information	1	Acc5.1.1.1
2	Define financial ratio analysis	1	Acc5.1.1.2
3	Outline the process for analysing and interpreting financial information	2	Acc5.1.2.1
4	Identify the types of analysis used in the process of analysing and interpreting financial information.: horizontal analysis, vertical analysis and trend analysis)	1	Acc5.1.1.3
5	Explain the importance of proper analysis and interpretation of financial information	3	Acc5.1.3.1
6	List the financial ratios to analyse profitability of the business	2	Acc5.1.2.2
7	List the financial ratios to analyse financial stability or liquidity of the business	2	Acc5.1.2.3
8	List the financial ratios to analyse management effectiveness of the business	2	Acc5.1.2.4
9	List the financial ratios to analyse market share of the business	2	Acc5.1.2.5
10	List the financial ratios to analyse share market of the business	2	Acc5.1.1.6

WEEK 6: Evaluation of Financial and Non-financial information For Decision Making.

Use the Relevant Resources and attemp SLO 9 and 10 ONLY

No.	Specific Learning Outcomes (SLO)	Skill Level	SLO Code
1	State the purpose of analysing financial information	1	Acc5.1.1.1
2	Define financial ratio analysis	1	Acc5.1.1.2
3	Outline the process for analysing and interpreting financial information	2	Acc5.1.2.1
4	Identify the types of analysis used in the process of analysing and interpreting financial information.: horizontal analysis, vertical analysis and trend analysis)	1	Acc5.1.1.3
5	Explain the importance of proper analysis and interpretation of financial information	3	Acc5.1.3.1
6	List the financial ratios to analyse profitability of the business	2	Acc5.1.2.2
7	List the financial ratios to analyse financial stability or liquidity of the business	2	Acc5.1.2.3
8	List the financial ratios to analyse management effectiveness of the business	2	Acc5.1.2.4
9	List the financial ratios to analyse market share of the business	2	Acc5.1.2.5
10	List the financial ratios to analyse share market of the business	2	Acc5.1.1.6
11	Calculate ratios and percentages which measure profitability, liquidity, financial stability, management effectiveness, and market share analysis of the business,	2	Acc5.1.2.7
12	Calculate ratios and percentages which measure profitability of the business	2	Acc5.1.2.8

WEEK 7: The Decision Making Process

Use the Relevant Resources and attemp SLO 1 ,2 ,3 4 and 5 ONLY

No.	Specific Learning Outcomes (SLO)	Skill Level	SLO Code
1	Define routine decisions	1	Acc6.1.1.1
2	Describe examples of routine decisions made by the business	2	Acc6.1.2.1
3	Define strategic decisions	1	Acc6.1.1.2
4	Describe examples of strategic decisions made by the business	2	Acc6.1.2.2
5	Explain the difference between routine and strategic decisions	3	Acc6.1.3.1
6	Identify the types of decisions made by different managers	1	Acc6.1.1.3
7	State the objective of the decision to be made	1	Acc6.1.1.4
8	Identify financial information needed to make decisions	1	Acc6.1.1.5
9	Identify non-financial information needed to make decisions	1	Acc6.1.1.6
10	Identify alternative courses of action an entity could implement in order to achieve its objectives	1	Acc6.1.1.7
11	Describe alternative courses of action an entity could implement in order to achieve its objectives	2	Acc6.1.2.3
12	Compare a situation or case study which shows at least two possible alternative courses of action.	3	Acc6.1.3.2
13	Evaluate the alternative courses of action an entity could implement in order to achieve its objectives	4	Acc6.1.4.1

Explationary notes.

Routine Decision

In a business, decisions to purchase new inventory when supplies run low is relatively routine since it is something the company does often and is necessary for operations. In contrast, a major investment in a new building or asset is normally not routine, since it is irregular and highly involved. The more a person knows about a particular domain or topic, the more likely it is for repetitive decisions to become routine.

Strategic Decisions

a. Strategic decisions have major resource propositions for an organization. These decisions may be concerned with possessing new resources, organizing others or reallocating others.
b. Strategic decisions deal with harmonizing organizational resource capabilities with the threats and opportunities.
c. Strategic decisions deal with the range of organizational activities. It is all about what they want the organization to be like and to be about.
d. Strategic decisions involve a change of major kind since an organization operates in ever-changing environment.
e. Strategic decisions are complex in nature.
f. Strategic decisions are at the top most level, are uncertain as they deal with the future, and involve a lot of risk.
g. Strategic decisions are different from administrative and operational decisions. Administrative decisions are routine decisions, which help or rather facilitate strategic decisions or operational decisions. Operational decisions are technical decisions, which help execution of strategic decisions. To reduce cost is a strategic decision, which is achieved through operational decision of reducing the number of employees, and how we carry out these reductions will be administrative decision.

Use the Relevant Resources and attemp SLO 15 ONLY

14	Identify non-financial information needed to make decisions	1	Acc6.1.1.8
15	Explain the importance of measuring and monitoring the results of the decision made	3	Acc6.1.3.3
16	Make a decision on alternative course of action with justifications	4	Acc6.1.4.2
17	Evaluate the consequences of the decision made on alternative course of action	4	Acc6.1.4.3

WEEK 9: Cash Budget and CVP analysis

Use the Relevant Resources and attemp SLO 1, 2 3 and 4

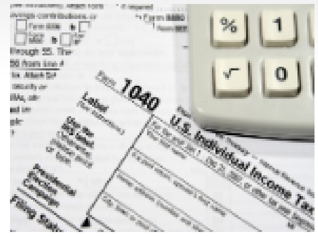
No.	Specific Learning Outcomes (SLO)	Skill Level	SLO Code
1	State the purpose of budgets	1	Acc6.2.1.1
2	Outline the process for preparing a budget	2	Acc6.2.2.1
3	Define a cash budget	1	Acc6.2.1.2
4	List the components of a cash budget	2	Acc6.2.2.2

Purpose of Budget

The purposes of budgeting are for resource allocation, planning, coordination, control and motivation. It is also an important tool for decision making, monitoring business performance and forecasting income and expenditure. With proper budgeting, limited resources are managed efficiently.

Budgeting is critical in the business planning process. A business owner has to predict whether the company will be profitable. Budgeting provides a model of the potential financial performance of a business, given that specific strategies and plans are followed. It provides a financial framework for making important decisions. To manage a business effectively, expenditure must be properly controlled. An example of how budgeting plays a role in decision making is when spending money on advertising. When the budget allocated for this aspect has been completely used, the decision is likely to stop spending money on it. Budgeting also helps measure the forecast business performance against the actual business performance. It allows a business owner or manager to determine whether the business lives up to expectations through differences between budgeted and actual expenditure. A specific budget provides information on how much a business can spend every month. Moreover, it lets a business owner know how much profit to make to meet all expenses. The usefulness of budgeting depends on accuracy of available information.

Steps In Preparing A Budget



The following steps are involved in the preparation of a budget:

1. Budget centers are needed to be established.
2. A clearly defined organizational chart is required to be prepared which will state, for each member of the management team, the functional responsibilities.
3. A budget manual is needed to be prepared.
4. A budget committee is required to be formed.
5. The limiting factor or key factor is needed to be determined.
6. The budget period is to be selected.
7. Objectives which are to be reached by the end of the period of the budget are to be set.
8. Forecast for the period is needed to be prepared.
9. The policies of the enterprise e.g. range of product, distribution channels, per week normal hours of work, appropriation of research & development, stocks, investments etc. are needed to be determined.
10. The requirements in terms of economic quantities which are needed to meet the objectives while complying with the policies are required to be computed from the forecasts & subsequently these quantities are to be converted into monetary values. Thus this will result in an initial provisional budget.
11. With respect to the planned budget, initial budget is to be reviewed & until an acceptable budget emerges, the objectives or policies or both needs to be reviewed repeatedly.
12. The budget when gets formally accepted becomes the master budget & as such is an executive order.

Cash Budget

Cash is known to have a similar importance to a business as blood has to body. No matter how successful a business is, if it runs out of cash, its survival is seriously jeopardized. In order to ensure smooth operations of the business, strong emphasis must be laid upon the development of cash budget. Cash budget helps to formulate in advance the payment and receipt cycles of the business and thus it ensures that cash is readily available to a business. By formulating cash budget, the business can keep track of its accounts receivables and accounts payable. In order to avoid shortage of cash, the business can arrange its credit plans related to accounts receivables and accounts payable accordingly.

COMPONENT OF CASH BUDGET

Major component include cash receipts and payments.

Cash Balance, Beginning of the Year and Cash Balance, Ending of the Year.

WEEK 10: Cash Budget and CVP analysis

Use the Relevant Resources and attemp SLO 13 and 15 ONLY.

4	List the components of a cash budget	2	Acc6.2.2.2
5	Identify the non-cash items that are not included in the cash budget	1	Acc6.2.1.3
6	Prepare a cash budget statement	4	Acc6.2.4.1
7	Prepare a cash budget for company activities. Budget period has to be weekly, monthly or quarterly only.	4	Acc6.2.4.2
8	Compare actual results with budget	3	Acc6.2.3.1
9	Describe Variance Analysis	2	Acc6.2.2.3
10	Explain why there is a need to compare actual results with budgeted figures	3	Acc6.2.3.2
11	Interpret a cash budget	3	Acc6.2.3.3
12	Discuss implications of a cash budget	4	Acc6.2.4.3
13	Define Cost Volume Profit (CVP) analysis	1	Acc6.2.1.4
14	Describe the method of CVP Analysis	2	Acc6.2.2.4
15	Define Breakeven point	1	Acc6.2.1.5
16	Describe the BE point analysis	2	Acc6.2.2.5
17	Explain the CVP analysis	3	Acc6.2.3.4
18	Describe characteristics of Fixed costs ,Variable Costs and Total Costs	2	Acc6.2.2.6
19	Describe the features of Revenue Line Graph	2	Acc6.2.2.7
20	Calculate the break-even point using the graphical approach	3	Acc6.2.3.5
21	Sketch line graph of fixed costs and variable costs	2	Acc6.2.2.8
22	Sketch line graph of Total costs, Fixed Costs, Variable costs	2	Acc6.2.2.9
23	Sketch line graph of Revenue	2	Acc6.2.2.10
24	Sketch line graphs on one axis to determine BE point, Loss Zone and Profit Zone for production decisions	2	Acc6.2.2.11
25	Illustrate the break-even point using a cost volume profit graph.	3	Acc6.2.3.6

Cost-volume-profit (CVP) analysis is used to determine how changes in costs and volume affect a company's operating income and net income. In performing this analysis, there are several assumptions made, including:

- Sales price per unit is constant.
- Variable costs per unit are constant.
- Total fixed costs are constant.
- Everything produced is sold.
- Costs are only affected because activity changes.
- If a company sells more than one product, they are sold in the same mix.

CVP analysis requires that all the company's costs, including manufacturing, selling, and administrative costs, be identified as variable or fixed.

Contribution margin and contribution margin ratio

Key calculations when using CVP analysis are the **contribution margin** and the **contribution margin ratio**. The contribution margin represents the amount of income or profit the company made before deducting its fixed costs. Said another way, it is the amount of sales dollars available to cover (or contribute to) fixed costs. When calculated as a ratio, it is the percent of sales dollars available to cover fixed costs. Once fixed costs are covered, the next dollar of sales results in the company having income.

The contribution margin is sales revenue minus all variable costs. It may be calculated using dollars or on a per unit basis. If The Three M's, Inc., has sales of $750,000 and total variable costs of $450,000, its contribution margin is $300,000. Assuming the company sold 250,000 units during the year, the per unit sales price is $3 and the total variable cost per unit is $1.80. The contribution margin per unit is $1.20. The contribution margin ratio is 40%. It can be calculated using either the contribution margin in dollars or the contribution margin per unit. To calculate the contribution margin ratio, the contribution margin is divided by the sales or revenues amount.

What is the Breakeven Point (BEP)?

In accounting, the break-even point formula is determined by dividing the total fixed costs associated with production by the revenue per individual unit minus the variable costs per unit. In this case, fixed costs refer to those which do not change depending upon the number of units sold. Put differently, the breakeven point is the production level at which total revenues for a product equal total expenses.

The term is also used in investing. The breakeven point formula for a stock or futures trade is determined by comparing the market price of an asset to the original cost; the break even point is when the two prices are equal. For options trading, the breakeven point is the market price that an underlying asset must reach for an option buyer to avoid a loss if they exercise the option. For a call buyer, the breakeven point is when the underlying is equal to the strike price plus the premium paid, while the BEP for a put position is when the underlying is equal to the strike price minus the premium paid. The breakeven point doesn't typically factor in commission costs, although these fees could be included if desired.

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