

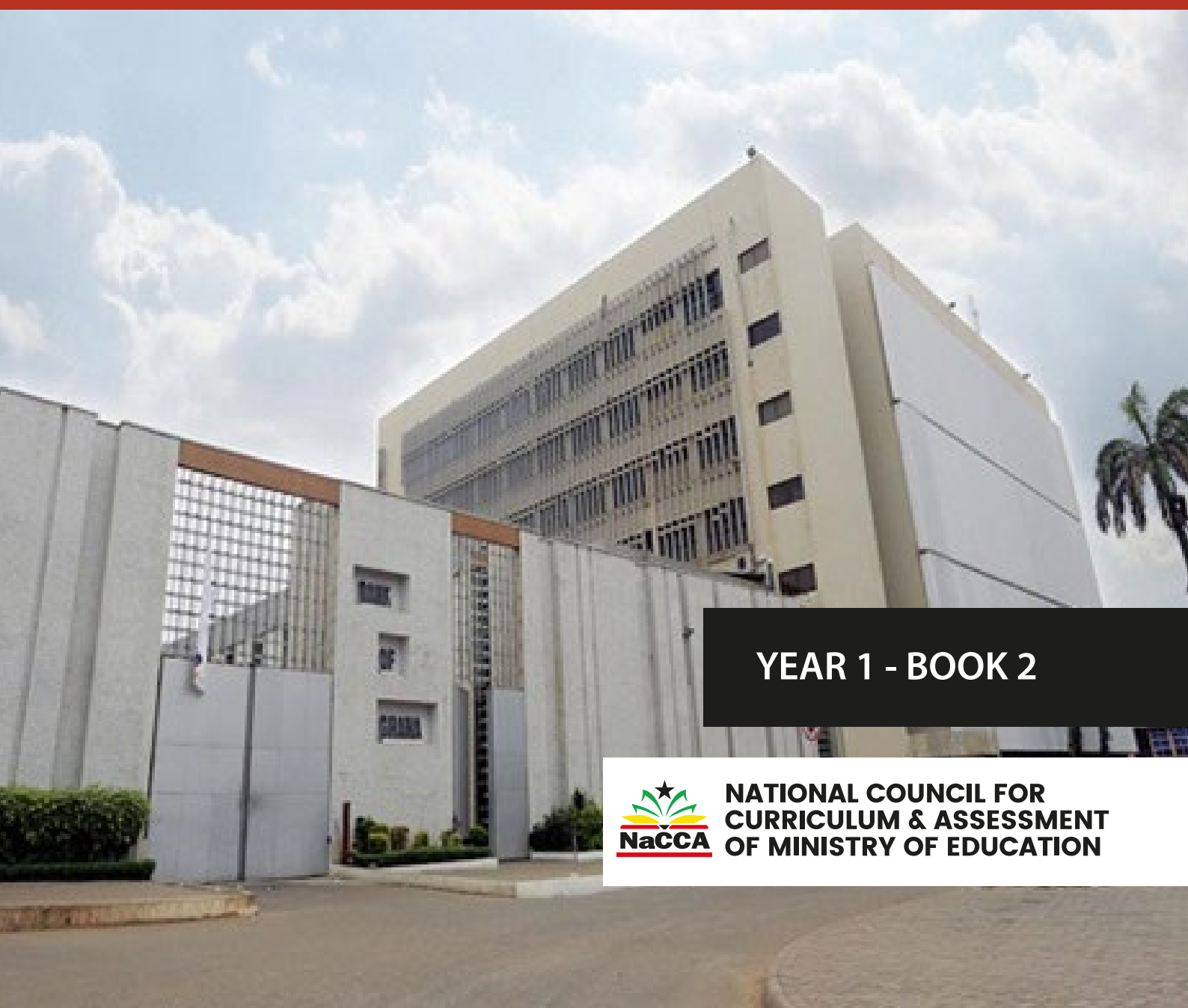


MINISTRY OF EDUCATION

BUSINESS STUDIES

For Senior High Schools

TEACHER MANUAL



YEAR 1 - BOOK 2



**NATIONAL COUNCIL FOR
CURRICULUM & ASSESSMENT
OF MINISTRY OF EDUCATION**

MINISTRY OF EDUCATION



REPUBLIC OF GHANA

Business Studies

For Senior High Schools

Teacher Manual

Year One - Book Two



NATIONAL COUNCIL FOR
CURRICULUM & ASSESSMENT
OF MINISTRY OF EDUCATION

BUSINESS STUDIES TEACHER MANUAL

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INTRODUCTION

The National Council for Curriculum and Assessment (NaCCA) has developed a new Senior High School (SHS), Senior High Technical School (SHTS) and Science, Technology, Engineering and Mathematics (STEM) Curriculum. It aims to ensure that all learners achieve their potential by equipping them with 21st Century skills, competencies, character qualities and shared Ghanaian values. This will prepare learners to live a responsible adult life, further their education and enter the world of work.

This is the first time that Ghana has developed an SHS Curriculum which focuses on national values, attempting to educate a generation of Ghanaian youth who are proud of our country and can contribute effectively to its development.

This Book Two of the Teacher Manual for Business Studies covers all aspects of the content, pedagogy, teaching and learning resources and assessment required to effectively teach Year One of the new curriculum. It contains information for the second 13 weeks of Year One. Teachers are therefore to use this Teacher Manual to develop their weekly Learning Plans as required by Ghana Education Service.

Some of the key features of the new curriculum are set out below.

Learner-Centred Curriculum

The SHS, SHTS, and STEM curriculum places the learner at the center of teaching and learning by building on their existing life experiences, knowledge and understanding. Learners are actively involved in the knowledge-creation process, with the teacher acting as a facilitator. This involves using interactive and practical teaching and learning methods, as well as the learner's environment to make learning exciting and relatable. As an example, the new curriculum focuses on Ghanaian culture, Ghanaian history, and Ghanaian geography so that learners first understand their home and surroundings before extending their knowledge globally.

Promoting Ghanaian Values

Shared Ghanaian values have been integrated into the curriculum to ensure that all young people understand what it means to be a responsible Ghanaian citizen. These values include truth, integrity, diversity, equity, self-directed learning, self-confidence, adaptability and resourcefulness, leadership and responsible citizenship.

Integrating 21st Century Skills and Competencies

The SHS, SHTS, and STEM curriculum integrates 21st Century skills and competencies. These are:

- **Foundational Knowledge:** Literacy, Numeracy, Scientific Literacy, Information Communication and Digital Literacy, Financial Literacy and Entrepreneurship, Cultural Identity, Civic Literacy and Global Citizenship
- **Competencies:** Critical Thinking and Problem Solving, Innovation and Creativity, Collaboration and Communication
- **Character Qualities:** Discipline and Integrity, Self-Directed Learning, Self-Confidence, Adaptability and Resourcefulness, Leadership and Responsible Citizenship

Balanced Approach to Assessment - not just Final External Examinations

The SHS, SHTS, and STEM curriculum promotes a balanced approach to assessment. It encourages varied and differentiated assessments such as project work, practical demonstration, performance assessment, skills-based assessment, class exercises, portfolios as well as end-of-term examinations and final external assessment examinations. Two levels of assessment are used. These are:

- **Internal Assessment (30%)** – Comprises formative (portfolios, performance and project work) and summative (end-of-term examinations) which will be recorded in a school-based transcript.
- **External Assessment (70%)** – Comprehensive summative assessment will be conducted by the West African Examinations Council (WAEC) through the WASSCE. The questions posed by WAEC will test critical thinking, communication and problem solving as well as knowledge, understanding and factual recall.

The split of external and internal assessment will remain at 70/30 as is currently the case. However, there will be far greater transparency and quality assurance of the 30% of marks which are school-based. This will be achieved through the introduction of a school-based transcript, setting out all marks which learners achieve from SHS 1 to SHS 3. This transcript will be presented to universities alongside the WASSCE certificate for tertiary admissions.

An Inclusive and Responsive Curriculum

The SHS, SHTS, and STEM curriculum ensures no learner is left behind, and this is achieved through the following:

- Addressing the needs of all learners, including those requiring additional support or with special needs. The SHS, SHTS, and STEM curriculum includes learners with disabilities by adapting teaching and learning materials into accessible formats through technology and other measures to meet the needs of learners with disabilities.
- Incorporating strategies and measures, such as differentiation and adaptative pedagogies ensuring equitable access to resources and opportunities for all learners.
- Challenging traditional gender, cultural, or social stereotypes and encouraging all learners to achieve their true potential.
- Making provision for the needs of gifted and talented learners in schools.

Social and Emotional Learning

Social and emotional learning skills have also been integrated into the curriculum to help learners to develop and acquire skills, attitudes, and knowledge essential for understanding and managing their emotions, building healthy relationships and making responsible decisions.

Philosophy and vision for each subject

Each subject now has its own philosophy and vision, which sets out why the subject is being taught and how it will contribute to national development. The Philosophy and Vision for Business Studies is:

Philosophy: Every learner will be equipped with the skills and competencies to apply the basic processes and principles in financial and business management, the economic environment needed to create and manage businesses for economic transformation through the acquisition of critical thinking, creative, innovative, managerial and digital literacy skills, through hands-on and experiential-based learning to succeed in the world of work, adult life for further studies.

Vision: A learner equipped with the skills applicable in the creation and management of modern-day businesses, as well as analysing and interpreting financial information in accordance with best practices in the world of work and for further studies.

SUMMARY SCOPE AND SEQUENCE

S/N	STRAND	SUB-STRAND	YEAR 1		
			CS	LO	LI
1.	Business Management	The Nature of Business and Managing Businesses	2	2	12
		Business and Society	1	1	3
		International Business	1	1	2
2.	Financial Accounting	Conceptual Framework	1	1	4
		Financial Data Analysis	1	1	4
		Financial Reporting	1	1	1
3.	Cost Accounting	Controlling Cost to Improve Organisational Performance	1	1	3
		Determining Cost of Operations for Pricing and Controlling	1	1	3
		Analysing Information for Control and decision making	1	1	3
Total			11	11	35

Overall Totals (SHS 1 – 3)

Content Standards	11
Learning Outcomes	11
Learning Indicators	35

SECTION 6: THE DOUBLE-ENTRY PRINCIPLE, DAYBOOKS, LEDGERS AND TRIAL BALANCE

Strand: **Financial Accounting**

Sub-Strand: Financial Data Analysis

Content Standard: Demonstrate knowledge and understanding of the application of double-entry principles to record financial transactions.

Learning Outcome: *Analyse and record financial transactions in the books of accounts using double-entry principles and extract a trial balance.*

INTRODUCTION AND SECTION SUMMARY

This section covers financial data analysis. Under this section, learners will be exposed to the important rules of double entry and how to accurately analyse and record financial transactions in the books of accounts. This section also aims to develop learners' skills to be able to extract a trial balance from various financial transactions.

From Weeks 12 to 16, learners will be guided to practice using double entry principles, calculating the values of assets, liabilities and capital through the accounting equation and practicing recording transactions in ledgers. Teachers are expected to highlight how business transactions affect the accounting equation by showing changes in the values of assets, capital and liabilities; as well as guide learners on how to balance off accounts, record business transactions into the various day books and prepare the trial balance. This knowledge is crucial for further financial reporting and connects with various aspects of business management and decision-making.

The weeks covered by the section are:

Week 12: Compute the value of assets, liabilities and capital using the accounting equation

Week 13: Apply the double entry principles / rules to record financial transactions in the ledgers.

Week 14, 15 and 16: Analyse and record financial transactions in the various daybooks, post to the ledgers and extract a trial balance.

SUMMARY OF PEDAGOGICAL EXEMPLARS

In teaching this section (the accounting equation, double entry principle, daybooks, ledgers and trial balance), teachers should use different methods of teaching to meet the varied needs of learners. Learners should be engaged to work in teams to compute the values of assets, liability and capital using the accounting equation, apply the double entry principle to record financial transactions in the daybooks, post to the ledgers and extract trial balances. It is important for teachers to adopt differentiated approaches to help all learners to participate during class activities. For instance adopting collaborate and problem based learning, where learners are given financial data to work in groups and compute. Another strategy that could be used to teach the concepts is structuring talk for learning where the teacher can engage learners in an interactive class discussion by presenting with sample templates of trial balances. Also, ensuring moving round the groups to encourage slow learners to contribute whiles assigning additional tasks for fast learners to work on. These varied teaching methods establish an engaging learning environment that accommodates various learning styles, guaranteeing a thorough understanding of financial concepts for all learners.

ASSESSMENT SUMMARY

This section employs a diverse assessment strategy, beginning with simple recall questions like stating the double entry principle and mentioning various daybooks, etc. To gauge comprehension, learners are prompted to provide explanations for various concepts such as assets, liabilities, capital, daybooks, ledgers, trial balance, and double entry principles. In the realm of strategic reasoning, assessments extend to applying the accounting equation and double entry principle to manually and/or electronically record financial transactions in the daybooks, posting to the ledgers and extracting trial balances recording and analysing financial transactions manually and electronically.

To nurture critical thinking, teachers encourage activities such as justifying the purpose of trial balance, daybooks and manipulating with figures of financial transactions in order to gain mastery of the application of the double entry principles in recording financial transactions in daybooks, ledgers and extracting trial balances. Teachers can deploy assessment strategies such as written tests, essays, presentations, fill in the blanks, group work, case studies, practical work, etc. It is important for teachers to keep transcript records meticulously documenting scores, providing valuable insights into individual progress, strengths and areas needing improvement. This comprehensive approach fosters a holistic understanding of each learner's journey in financial accounting.

Week 12

Learning Indicator: *Compute the value of assets, liabilities and capital using the accounting equation.*

Theme or Focal Area: **The Accounting equation and its importance**

Accounting Equation

The accounting equation is a formula that shows that, the sum of a company's liabilities and owner's equity should be equal to its total assets:

$$\text{(Assets = Liabilities + Equity).}$$

Before a business starts its operations, it needs resources. These resources will either be supplied by its owners or other people. When the owner of a business or firm supplies all the resources, then the accounting equation is expressed as:

$$\text{Assets = Capital (Owner's equity)}$$

However, where the owners' and other person(s), supply the resources, the accounting equation is expressed as:

$$\text{Assets = Capital + Liabilities}$$

When all the resources needed by a business are supplied by other persons or people other than the owners, then the accounting equation is expressed as:

$$\text{Assets = Liabilities}$$

Therefore, the accounting equation can be written as:

1. Assets = Capital + Liabilities
2. Liability = Assets – Capital
3. Capital = Assets – Liabilities

ACCOUNTING EQUATION



$$\text{TOTAL ASSET} = \text{LIABILITY} + \text{CAPITAL}$$

NOTE: The Accounting Equation is a vital formula to understand and consider the financial health of a business. The accounting equation is a factor in almost every part of business accounting.

Importance of the Accounting Equation

1. **Fundamental principle:** The accounting equation is fundamental in accounting because it serves as a basis for the double entry principle. It ensures that every financial transaction maintains the balance between a company's assets and its liabilities.
2. **Decision making:** It provides insight into a company's financial position, aiding in decision making process such as budgeting, investment and strategic management.
3. **Financial analysis:** By keeping the equation in balance, it helps stakeholders such as investors, creditors and management to analyse the financial health and stability of a company.
4. **Error detection:** Any imbalance in the accounting equation indicates an error in recording, making it a valuable tool for identifying accounting mistakes.
5. **Accountability:** It facilitates transparency and accountability by clearly showing how assets are financed through equity and liabilities and how resources are allocated within the business.

Definition of assets, liabilities and capital

Asset

An asset is any resource owned or controlled by a business or an economic entity. It is anything that can be used to produce positive economic value. Assets represent the value of ownership that can be converted into cash.

Capital

Capital (owners' equity) is the amount of resources supplied by the owners of a business entity.

Liability

A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Liability is a company's obligation to pay money to other people or businesses in the future. It is the amount a business entity or company owes to other people.

Learning Tasks

1. Discuss the items in the accounting equation with examples.
2. Analyse the importance of the accounting equation.
3. Complete the table below using the accounting equation

	Asset	Capital	Liabilities
a	?	GH¢2,300	GH¢2,200
b	GH¢5,500	?	GH¢ 3,000
c	GH¢4,600	GH¢ 3,100	?
d.	?	GH¢9,200	GH¢8,800
e.	GH¢7,100	?	GH¢1,600
f.	GH¢6,400	GH¢5,900	?

Pedagogical Exemplars

Structuring Talk for Learning

1. Teachers guide learners in a whole class discussion to introduce the accounting equation and how it is applied.
2. In mixed-ability and gender groups, teacher guides learners in discussing the importance of the accounting equation.
3. Ask learners in pairs to write at least two reasons why the accounting equation is important and share with another group.
4. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions, or to scaffold discussions by providing simplifying definitions or terminology (AP).

Problem-Based Learning:

1. Guide learners in a whole class discussion, to use the accounting equation in finding its elements.
2. Let learners work in pairs, considering abilities, gender and SEL to solve a given task.
3. Teachers should create a scenario to guide learners in discussing assets, capital and liabilities (for example, teachers can ask learners to name things they own; these can be classified as assets).
4. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions, or to scaffold discussions by providing simplifying definitions or terminology (AP). AP learners should be provided with a simplified explanation on the elements is the accounting equation, the importance and how the accounting equation operates.
5. Teachers may provide different problems for learners to solve to reflect whether they are approaching proficiency, proficient or highly proficient
6. Learners with clear understanding (P), should be given the opportunity to explain the elements is the accounting equation, the importance, how the accounting equation operates and solve tasks using the accounting equation.
7. Learners with high level (HP) of understanding of concepts, should be given the opportunity to discuss the elements is the accounting equation, the importance, how the accounting equation operates and solve tasks using the accounting equation and present to the larger class.
8. Teachers should ensure the participation of all learners in each group and that learners respect the views of other learners.

Formative Assessment

DoK Level 1: Recall questions:

1. Write at least one way of presenting the accounting equation.
2. State at least two reasons why the accounting equation is important.

DoK Level 2: Skills of conceptual understanding questions

1. Discuss the following as used in the accounting equation; assets, liabilities and capital.
2. Explain at least three reasons why the accounting equation is important.

DoK Level 3: Strategic reasoning questions:

1. Calculate the values of assets, liabilities and capital from a given set of data using the accounting equation.

Theme or Focal Area: Effects of transactions on the accounting equation

Learners have been introduced to the accounting equation and its importance. This lesson will delve into the effect of transactions on the accounting equation.

Introduction**Effect of business transactions on assets, capital and liabilities.**

Whenever there is a business transaction, it affects the accounting equation and for that matter, the statement of financial position.

An illustration is shown below.

	Transaction	Effect on Accounting Equation	
		Assets	Capital & Liabilities
1	Started business with cash	Increase in assets (cash)	Increase in capital
2	Bought machinery on credit from APC	Increase in asset (machine)	Increase in liability to APC
3	Deposited cash at bank	Increase in asset (Bank) Decrease in asset (Cash)	
4	Bought motor van paying in cash	Increase in asset (motor van) Decrease in asset (Cash)	
5	Owner takes money out of business bank account for his own use	Decrease in assets (bank)	Decrease in capital
6	Owner pays suppliers from personal accounts		Decrease in liability (creditors) Increase in capital
7	Pays suppliers by cheque	Decrease in assets (bank)	Decrease in liabilities (creditors)
8	Owner pays more personal money into the business bank accounts	Increase in assets (bank)	Increase in capital
9	Withdraw cash from bank and placed it in cash box	Increase in asset (cash) Decrease in asset (bank)	
10	Obtained loan from bank	Increase in asset (bank)	Increase in liability (loan)

Learning Tasks

Show the effect (increase or decrease) of financial transactions on assets, capital and liabilities, using the transactions below

1. Bought goods on credit GH¢2,100 from Hanson.
2. Repaid Hanson by cash.
3. One of the receivables gave a cheque for GH¢3,000.
4. Bought office equipment paying by cheque GH¢1,800.
5. A supplier was paid cash of GH¢600.
6. Sold goods for GH¢4,500 and the money banked.

Pedagogical exemplars**Collaborative Learning:**

1. Guide learners to review their knowledge on how the accounting equation operates and its importance.
2. Guide learners in a whole class discussion, on the effect of transactions on the accounting equation.
3. Let learners work in pairs, considering abilities, gender and SEL to discuss and present on the effect of transaction on the accounting equation from a given task.
4. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions, or to scaffold discussions by providing simplifying definitions or terminology (AP).
5. AP should be given additional attention in analysing the effects of transactions on the accounting equation
6. Learners with clear understanding (P), should be made to analyse the effects of transactions on the accounting equation
7. Learners with high level (HP) of understanding of concepts, should be made to analyse the effects of transactions on the accounting equation in a business.
8. Groups share their thoughts and their responses with other learners.
9. Teachers should ensure the participation of all learners in each group and that learners respect the views of other learners.

Formative Assessment**DoK Level 1: Recall questions:**

Identify the effect of transactions on assets, capital and liabilities.

DoK Level 2: Skills of conceptual understanding questions

Explain the effect of business transactions on capital, assets and liabilities and make a presentation.

DoK Level 3: Strategic reasoning questions:

Deliver a presentation to explain the effects of business transactions on capital, assets and liabilities, using examples to illustrate each effect.

Week 13

Learning Indicator: *Apply the double-entry principles/rules to record financial transactions in the ledgers.*

Theme or Focal Area: **The ledger and the double-entry principle**

Introduction

Ledger

This is a book of accounts into which all summarised bookkeeping transactions are recorded. The ledger is mainly divided into two - personal and impersonal.

1. Personal ledger

This contains accounts that stand in the name of individuals, companies and partnerships. The personal ledger is subdivided into two – receivables and payables.

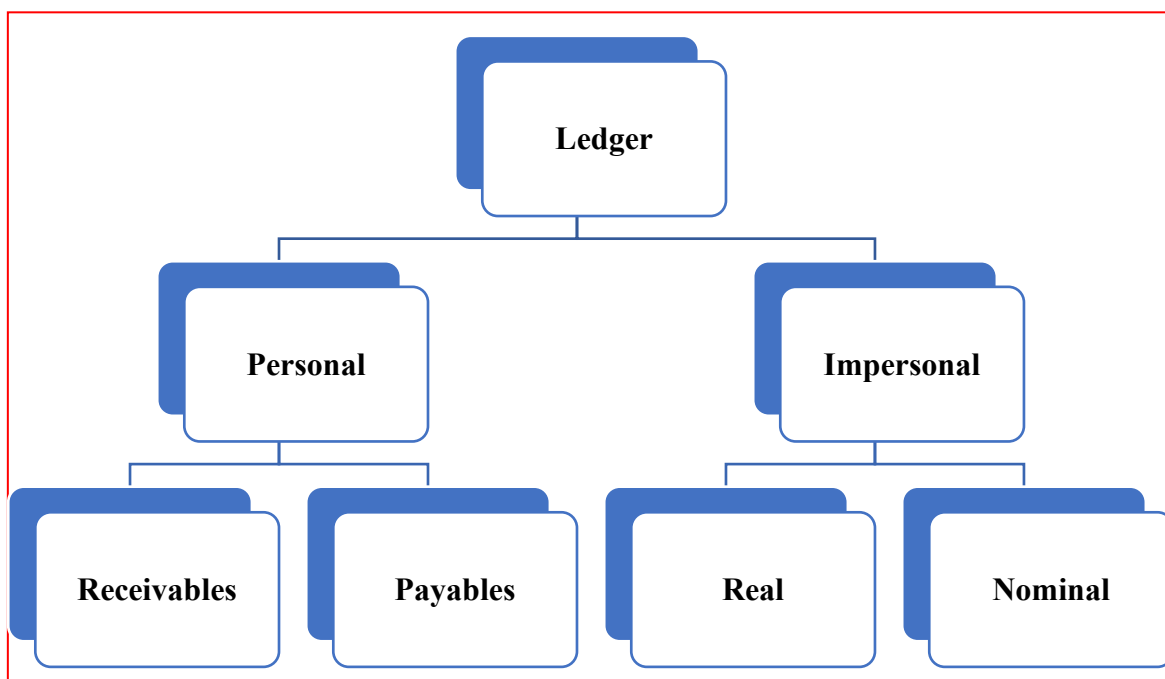
- a) **Receivables:** These are the persons, companies or partnerships that owe the business. That is, the firm has sold goods to these people on credit, and they have not paid.
- b) **Payables:** They are the persons, companies or partnerships to whom the business owes. That is, they are the suppliers of the firm. The firm has purchased goods from them on credit and has not paid.

2. Impersonal ledger

This contains all accounts that do not stand in the name of persons, companies and partnerships. The impersonal ledger is also divided into two - real and nominal accounts.

- a) **Real accounts:** These contain transactions in property and material objects that are tangible. It includes the accounts of buildings, cars, cash, machines, etc.
- b) **Nominal accounts:** They are used to record items of intangible nature such as losses, expenses, income and gains. For example, rent and rates, salaries and wages, insurance, etc.

The diagram below shows the divisions of the ledger.



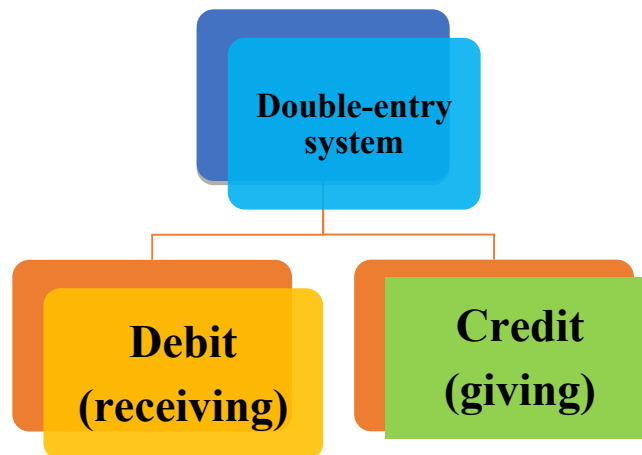
Account:

An account is a historical record of economic transactions undertaken by a business. For example, it records electricity paid, rent paid, goods sold to a customer, cheque received, etc.

The Double-Entry Principle

The double-entry principle is an accounting rule which states that every business transaction must be recorded twice. That means, for every debit entry, there must be a corresponding credit entry and for every credit entry, there must be a corresponding debit entry. The Double-Entry principle is mostly referred to as the 'Golden Rule of Accounting'.

If at any point, the sum of debits of all accounts is not equal to the sum of corresponding credits, then an error has occurred.

**Rules of Entry in the Ledger**

An account is divided into two parts. The left part is called the **debit side** while the right part is called the **credit side**.

Below is a sample of a ledger (T – Account)

Debit side			Ama's a/c		Credit side	
Date	Details	Amount-GH¢	Date	Details	Amount - GH¢	
01/07/20X1	Sales	XXX	01/08/20X1	Cash	XXX	

A debit entry represents:

1. an increase in the value of an asset
2. an item of expenditure
3. a decrease in the amount of liability

A credit entry represents:

1. a decrease in the value of an asset
2. an item of income

3. an increase in the amount of liability

1. For personal accounts, the rule is

DEBIT – THE RECEIVER OF VALUE
CREDIT – THE GIVER OF VALUE
 For example, cash paid to Ruby:
 debit Ruby account, credit cash account.

2. For real accounts, the rule is

DEBIT- WHAT COMES INTO THE BUSINESS
CREDIT- WHAT GOES OUT OF THE BUSINESS
 For example, purchase of a building by cheque:
 debit building account, credit bank account.

3. For nominal accounts, the rule is

DEBIT- ALL EXPENSES AND LOSSES
CREDIT- ALL INCOMES AND GAINS
 For example, discount received from Baba Company Ltd:
 debit Baba, credit discount received account.

Learning Tasks

1. Discuss the meaning of a ledger and the types of ledgers, with examples.
2. Identify which type of account (nominal, real or personal) each of the following transactions should be debited or credited to.
 - a) Rent paid by cash.
 - b) Machinery sold for cash.
 - c) Salaries paid by cash.
 - d) Telephone bill paid by cheque.
 - e) Interest received by cheque.
 - f) Cash paid to Sammy.
 - g) Dividend received by cheque.
 - h) Received cash from the proprietor.
 - i) Furniture purchased on credit.
 - j) Light bill paid by cheque.
3. Record the following transactions in the appropriate accounts.
 - a) Started business with GH¢1,000 cash.
 - b) Bought a motor van with cash GH¢200.
 - c) Purchase of raw materials GH¢100 by cash.
 - d) Bought inventory by cheque GH¢3,500.
 - e) Sold goods worth GH¢780 by cash.

Pedagogical exemplars

Collaborative Learning:

1. Teachers guide learners in a whole class discussion covering the meaning and types of ledgers with examples.
2. In mixed-ability and gender groups, the teacher guides learners to discuss specific examples of receivable and payable accounts.
3. Let learners work in pairs, considering abilities, gender and SEL to write specific examples of real and nominal ledgers and share them with other learners.
4. Teachers guide learners to explain the meaning of an account with specific examples.
5. Teachers guide learners to discuss the double-entry principle rules.
6. In mixed-ability and gender groups, teachers guide learners with examples of how the double-entry principle operates.

Problem-Based Learning:

1. Following an example by the teacher, learners work in pairs, considering abilities, gender and SEL, to record transactions in ledger accounts manually and electronically (e-bookkeeping) from a given task.
2. Learners approaching proficiency (AP) should be given additional attention to help them record the transactions in the appropriate ledgers. For example, through the provision of templated examples, one-to-one support or simplified instructions.
3. Learners with a clear understanding of recording transactions (P) can be given additional tasks with minimum guidance from the teacher.
4. Learners with a high level (HP) of understanding are encouraged to analyse the transactions recorded in the appropriate ledgers.
5. Teachers should ensure the participation of all learners in each group and that learners respect the views of other learners.

Key Assessment-DoK

Formative Assessment

DoK Level 1: Recall questions:

1. What is a ledger?
2. What is an account?
3. Identify at least one type of ledger and give an example.

DoK Level 2: Skills of conceptual understanding questions

Explain the rules for double-entry bookkeeping.

DoK Level 3: Strategic reasoning questions:

Record financial transactions in the ledger accounts manually.

DoK Level 4: Extended critical thinking and reasoning question

Record and analyse financial transactions in the ledger accounts manually.

Theme or Focal Area: The Trial Balance**Introduction****The Trial Balance**

A trial balance is a financial statement showing the closing balances of all accounts in the general ledger at a point in time.

It is a statement drawn to list out debit and credit balances in the individual ledger accounts at a given time. It is the list of all ledger balances that exist in the book when all accounts have been balanced.

The trial balance has two columns: a debit column and a credit column. The debit column shows all the debit balances and the credit column indicates all credit balances. The totals of each of the two columns should be equal, that is the total of the debit column should be equal to the total of the credit column.

NAME OF THE BUSINESS		
TRIAL BALANCE AS AT 31st DECEMBER, 20XX		
DETAILS	DR GH¢	CR GH¢
Capital		xxx
Purchases	xxx	
Sales		xxx
Rent & Rates		
General Expenses	xxx	
Drawings	xxx	
Receivables	xxx	
Payables		xxx
Motor Vehicle	xxx	
Furniture & Fittings	xxx	
Allowance for receivable		xxx
Bank	xxx	
Cash	xxx	
Stationery	xxx	
Discount Allowed	xxx	
Discount Received		xxx
Total	XXX	XXX

Uses of The Trial Balance

1. It tests the arithmetical accuracy of all entries made in the ledgers.
2. It provides a summary of all the balances in the ledgers.
3. It ensures that the double-entry principle has been correctly applied.

Learning Tasks

XZY started business on 1st January, 20X1, with a capital of GH¢160,000. The following transactions took place during the month of January:

January		GH¢
1st:	Purchase of furniture by cash	24,000
2nd:	Purchase of stationery by cash	2,000
3rd:	Bought goods on credit from ABC	50,000
5th:	Bought goods for cash	35,000
15th:	Sold goods for cash	60,000
18th:	Sold goods to EFG on credit	2,000
20th:	Paid advertising expenses by cash	2,000
25th:	Paid ABC by cash	35,000
28th:	Paid rent by cash	3,000
31st:	Paid salaries by cash	6,000

You are required to:

Open ledger accounts to record the transactions and extract a trial balance as of 31st January, 20X1 manually.

Pedagogical exemplars**Collaborative Learning:**

1. Teachers guide learners in a whole class discussion on the meaning and uses of a trial balance.
2. Let learners work in pairs, considering abilities, gender and SEL to identify the uses of a trial balance.

Problem-Based Learning:

1. Teachers guide learners to work in groups, considering abilities, gender and SEL to record financial transactions in different ledgers and extract a trial balance.
2. Learners approaching proficiency (AP) must be given additional attention to help them record the transactions in the appropriate ledgers during the extraction of a trial balance; for example, through the use of a templated example, one-to-one support or simplified instructions.
3. Learners with a clear understanding of the recording of transactions (P) can be given additional tasks in the extraction of a trial balance.
4. Learners with a high level (HP) of understanding are encouraged to analyse the transactions recorded in the appropriate ledgers and the trial balance.
5. Groups prepare the trial balance on cards and share their responses with the larger class.
6. Teachers ensure full participation of all learners in each group and that they respect and tolerate the views of other learners.

Key Assessment

Formative Assessment

DoK Level 1: Recall questions:

1. What is a trial balance?
2. Identify at least one use of a trial balance.

DoK Level 2: Skills of conceptual understanding questions

Discuss the uses of a trial balance.

DoK Level 3: Strategic Reasoning questions:

Record financial transactions in the various ledgers of accounts and extract a trial balance from a given period.

Week 14

Learning Indicator: *Analyse and record financial transactions in the various daybooks, post to the ledgers and extract a trial balance.*

Theme or Focal Area: **The Double-Entry Principle**

Definition/Introduction:

A daybook refers to a book in which daily financial transactions are initially recorded in chronological order. The daybook, also known as a book of original entries or prime book, captures important information about each transaction, including the date, description and amount involved. It serves as a source document for the recordings in the ledgers.

Types of daybooks

1. **Sales daybook:** Sales daybooks, also known as the sales journal, are used to record all credit sale transactions made by the business. The source document used in recording transactions in the sales daybook is the sales invoice.

Format: Sales daybook

S/N	Date	Particulars	Ledger Folio	Invoice number	Amount – GH¢	
					Details	Net amount
1	Date of sale	Name of customer and details of goods sold	Reference number		Detailed calculations	Net amount of the invoice
2						
3						
4						

2. **Purchases daybook:** The purchases daybook, also known as the purchases journal, is used to record all credit purchase transactions made by the business. The source document used in recording transactions in the purchases daybook is the purchase invoice.

Format: **Purchases daybook**

S/N	Date	Particulars	Ledger Folio	Invoice number	Amount – GH¢	
					Details	Net amount
1	Date of purchase	Name of supplier and details of goods sold	Reference number		Detailed calculations	Net amount of the invoice
2						
3						
4						

3. **Return inwards daybook:** The return inwards daybook is also known as the sales returns journal. It is used to record the goods which are returned to the business by a customer. The source document used in recording transactions in the sales return (return inwards) daybook is the credit note.

Format: **Return inwards daybook:**

S/N	Date	Particulars	Ledger Folio	Credit note number	Amount – GH¢	
					Details	Net amount
1	Date of sale	Name of customer who returned the goods	Reference number		Detailed calculations	Net amount on the invoice
2						
3						
4						

4. **Return outwards daybook:** The return outwards daybook is also known as the purchases return journal. It is used to record the goods which are returned to a supplier by the business. The source document used in recording transactions in the purchase return (return outwards) daybook is the debit note.

Format: **Return outwards daybook:**

S/N	Date	Particulars	Ledger Folio	Debit note number	Amount – GH¢	
					Details	Net amount
1	Date of purchase	Name of supplier to whom goods were returned	Reference number		Detailed calculations	Net amount on the invoice
2						
3						
4						

5. **General journal:** The general journal is used to record any transaction which does not pass through a book of prime entry. This is a book in which entries are made before their postings into the ledgers. Examples of transactions which are recorded in the journal are the correction of errors and the recording of non-cash transactions.

Format: **General journal**

Date	Particulars/ Details of transaction	Debit GH¢	Credit GH¢

Learning Tasks

1. Explain at least two types of daybooks.
2. Differentiate between a sales return daybook and a purchases return daybook.
3. ABC PLC is a dealer in general merchandise. Their transactions for the month of June, 20X1 are listed below.

June 1: Sold goods to Mensah for GH¢20,000 less 10% trade discount.

June 4: Purchased from Kwasi the following:

200 iron rods at GH¢20 each, 100 filters at GH¢30 each; invoice subject to 10% trade discount.

June 6: Purchased from Asante Ltd. 10 bottles of gin at GH¢30 each.

June 7: Returned 60 iron rods purchased on 4th June, to Kwesi.

June 9: Sold the following to Kojo: 300 bags of cement at GH¢15 each, less 15% trade discount; 150 tins of targets at GH¢10 per ton.

June 18: Kojo returned 10 bags of cement bought on the 9th of June.

June 20: Sold to Jones: 80 iron rods at GH¢50 each. 110 bags of cement at GH¢16 each, 250 filters at GH¢35 each; invoice subject to 15% trade discount.

June 21: Jones was allowed a 50% reduction on the total invoice price for goods damaged in transit.

June 30: Purchased from Femi: 100 bags of cement at GH¢15 each, 50 gallons of oil paint at GH¢20 each, and 300 metal sheets at GH¢18 each.

Write up the following:

- a. Sales daybook.
 - b. Sales returns daybook.
 - c. Purchases daybook.
 - d. Purchases return daybook
4. K M, a sole trader, did not keep proper books of account. On 1st January, 20X1 their assets and liabilities were as follows:

	GH¢
Land and building	450,000
Plant and machinery	380,000
Furniture and fitting	250,000
Debtors- Fred	120,000
Adoma	100,000
Stock	150,000
Cash in hand	100,000
Bank Overdraft	60,000
Creditor – Manu	150,000
Akua	30,000

Prepare K. M Opening Journal as of 1st January, 20X1

Pedagogical exemplars

Collaborative Learning:

1. Teachers guide learners in a whole class discussion to explain the daybook and its uses.
2. Teachers guide learners to work in pairs, considering abilities, gender and SEL to discuss the types of daybooks. Teachers to move around the room to monitor discussion and provide additional support if required; this may be through direct questioning or to scaffold discussions by providing simplifying definitions or terminology (AP).
3. Teachers guide learners to explain the types of daybooks and their purpose.
4. Ask learners to note the format of the various daybooks.

Problem-Based Learning:

1. Teachers guide learners to work in groups, considering abilities, gender and SEL to record financial transactions in the various daybooks.
2. Teachers move around the room to target learners who may need more support (AP). for example through the provision of templated examples, one-to-one support or simplified instructions
3. Learners with a clear understanding of the recording of transactions (P) can be given additional tasks in the recording of transactions in the various daybooks.
4. Learners with a high level (HP) of understanding are encouraged to analyse the transactions recorded in the appropriate daybooks.
5. Groups prepare the various daybooks on cards and share them with the larger class.
6. Teachers should ensure the participation of all learners in each group and that learners respect the views of other learners.

Key Assessment

Formative Assessment

DoK Level 1: Recall questions:

1. What is a daybook?
2. State at least two types of daybooks.
3. State the purpose of at least two daybooks.

DoK Level 2: Skills of conceptual understanding questions

Explain at least three types of daybooks.

DoK Level 3: Strategic reasoning question:

Record financial transactions in the various daybooks and post them to the various ledgers using a given data.

Week 15

Learning Indicator: *Analyse and record financial transactions in the various daybooks, post to the ledgers and extract a trial balance.*

Theme or Focal Area: **Daybooks**

Learners have been introduced to the purpose of daybooks. Five of the types have been covered in the previous week. This week, learners will be introduced to cash books.

Definition/Introduction

Cash book

A cash book is used to record details of cash, bank and discount transactions. It is used to record the receipts and payments of cash of a business. The source documents for the recording of transactions in the cash book are receipts, pay-in slips, cheques, etc.

The four types of cash books are:

- a. Single column
- b. Double column
- c. Three or Triple column
- d. Petty cash book

a. Single column cash book

A single column cash book has only one column for the recording of transactions. It is either a cash column only or a bank column only. This form of cash book has only one amount column on each of the debit and credit sides. All receipts are entered on the debit side and all payments are entered on the credit side.

Format of the single column cash book:

Date	Details	Ledger Folio	Amount GH¢	Date	Details	Ledger Folio	Amount GH¢

b. Double column cash book

The double-column cash book (also known as a two column cash book) has two columns on both the debit and the credit sides. One to record cash transactions and the other to record bank transactions.

Format

Date	Details	Ledger Folio	Cash GH¢	Bank GH¢	Date	Details	Ledger Folio	Cash GH¢	Bank GH¢

Learning Tasks**Question 1**

Mama Lucy started a business with GH¢50,000 cash on January 2, 20X3. The following transactions took place during the month of January.

	GH¢
Jan 3. Paid rent by cash	2,000
Jan 5. Made cash purchases of	20,000
Jan 6. Sold goods for cash	25,000
Jan 8. Obtained a cash loan from Abena Manu	40,000
Jan 9. Paid transport expenses by cash	1,000
Jan 10. Bought a motor vehicle on credit from Nimako Motors	150,000
Jan 12. Paid motor expenses by cash	3,000
Jan 12. Made cash sales	33,000
Jan 20. Cash purchases	25,000
Jan 22. Paid electricity bill by cash	1,000
Jan 23. Paid wages and salaries by cash	2,500
Jan 24. Took cash for personal use	1,500
Jan 25. Cash sales made	15,000

Prepare a single column cash book for Mama Lucy.

Question 2

Mr. Osei started business on July 1, 20X5 with a capital of GH¢16,000 cash.

July 2. He opened a bank account with GH¢8,000

July 2. Bought goods costing GH¢5,000 with cheque

July 3. Purchased shop fittings on credit from Jupiter Furniture at GH¢5,000

July 5. Bought motor van by cheque GH¢4,000

July 8. Purchased stationery GH¢1,000 and goods GH¢3,000 by cash

July 17. Paid insurance GH¢1,000 by cash

July 18. Cash sales made GH¢25,500

July 20. Sent cash of GH¢20,000 to the bank

July 22. Withdrew GH¢1,000 from the bank for personal use

July 25. Paid motor expenses GH¢3,000 by cheque

July 28. Sales sent to the bank GH¢15,400

Prepare a double column cash book for Mr. Osei for the month of July 20X5.

Pedagogical Exemplars**Collaborative Learning:**

1. Teachers guide learners in a whole class discussion to explain the meaning of cash books and use and identify their source documents.

2. Teachers guide learners to work in pairs, considering abilities, gender and SEL to discuss the types of cash books and their purpose. Teachers to move around the room to monitor discussion and provide additional support if required; this may be through direct questioning or to scaffold discussions by providing simplifying definitions or terminology (AP).
3. Ask learners to note the format of the single and double column cashbooks.

Experiential learning

1. Teachers guide learners to work in groups, considering abilities, gender and SEL to record financial transactions in the single and double cashbooks.
2. Teachers move around the room to target learners who may need more support (AP), for example through the provision of templated examples, one-to-one support or simplified instructions.
3. Learners with a clear understanding of the recording of transactions (P) can be given additional tasks in recording transactions in both single and double cashbooks.
4. Learners with a high level (HP) of understanding are encouraged to analyse the transactions recorded in the appropriate cash books.
5. Groups prepare single and double column cashbooks on cards and share them with the larger class.
6. Teachers should ensure the participation of all learners in each group and that learners respect the views of other learners.

Key Assessment

Formative Assessment

DoK Level 1: Recall questions:

1. What is a cashbook?
2. List two source documents for recording transactions in the cashbook.
3. State two types of cashbooks.
4. State the uses of a double column cashbook.

DoK Level 2: Skills of conceptual understanding questions

Record financial transactions in the single and double column cash books.

DoK Level 3: Strategic reasoning questions:

Record financial transactions in the double column cash book, post them to the ledgers and extract a trial balance.

Week 16

Learning Indicator: *Analyse and record financial transactions in the various daybooks, post to the ledgers and extract a trial balance.*

Theme or Focal Area: **Cash books**

Introduction

Learners have been introduced to single and double column cash books.

a. Three or Triple column

A three column cashbook is one in which there are three columns on each debit and credit side. The first is used to record cash transactions, the second is used to record bank transactions and the third is used to record discounts received and discounts allowed.

Sample Format of three column cash book

Date	Details	Ledger Folio	Cash GH¢	Bank GH¢	Discount allowed GH¢	Date	Details	Ledger Folio	Cash GH¢	Bank GH¢	Discount received GH¢

b. Petty cash book

Petty cash books are used for recording payment of minor expenses, which are of smaller value such as postage, stationery, refreshments, etc. A person who maintains a petty cash book is known as a petty cashier and these small expenses are termed as petty expenses.

The petty cashier usually has a fixed sum of money. The amount of money given to a petty cashier periodically to pay for all petty or recurring expenses is known as imprest or cash float. The system is known as the petty cash system.

At the beginning of a period, the petty cashier is given an amount of money known as the cash float or imprest. The petty cashier is reimbursed the amount of money spent within the period.

The individual expenses in the analysis column are posted to the appropriate accounts in the general ledger to complete the double entry.

Sample format of petty cash book

Receipt	Date	Details	Folio	Total	Postage	Stationery	Travelling	Cleaning	Ledger

Learning Tasks

1. Osika started business on 1st April, 20X3 with GH¢800,000 cash of which half was paid into the bank the next day. During the month, she made the following transactions:

April 2: Bought goods by cheque ₵360,000.

April 3: Withdrew cash of ₵200,000 for office use.

April 6: Received a cash loan of ₵40,000 from S. Fowe.

April 10: Bought goods on credit for ₵80,000 from L. Maw.

April 13: Rent of ₵100,000 for business premises was paid by cheque.

April 16: Bought goods on credit from Lawrence Ltd. For ₵60,000.

April 18: Insurance premium of ₵30,000 was paid by cheque.

April 21: Sold goods for ₵120,000 less 15% discount receiving a cheque in payment.

April 25: Paid Lawrence Ltd. a cheque for ₵60,000 less 10% discount.

April 26: Bought equipment for ₵40,000 from Nwoke and Co. on credit.

April 27: Paid L. Maw a cheque of ₵80,000 less 5% discount.

April 28: Paid Nwoke and Co., a cheque for ₵40,000.

April 29: Sold goods for ₵47,000 less ₵4,700 discount receiving cash in payment.

April 30: Wages and salaries of ₵90,000 were paid in cash.

Prepare a triple column cash book for Osika for the month of April 20X3.

2. Mrs Anaman operates a petty cash system with a float of GH¢1,200. Reimbursement is made as and when necessary.

The transactions below took place in the month of March, 20X5

	GH¢
March 2: Postage	50
March 3: Wages	200
March 5: Cleaning	50
March 5: Stationery	100
March 7: Postage	100
March 8: Electricity expenses	500
March 10: Registered letters	120
March 12: Cleaning	900
March 13: Fees for post office box	500
March 14: Paid for wages	600
March 16: Electricity expenses	600
March 18: Cleaning	200
March 20: Stationery	400

	GH¢
March 20: Electricity expenses	500
March 21: Wages	500
March 24: Cleaning	100
March 25: Cleaning	400
March 26: Stationery	270
March 27: Postage	100
March 27: Stationery	100
March 30: Wages	900

March 1: Petty cashier was given her first imprest.

You are required to prepare the petty cashbook for the month of March, 20X5.

Pedagogical exemplars

Collaborative Learning:

1. Teachers guide learners in a whole class discussion to identify the uses of the three column cash book, as well as the petty cashbook.
2. Teachers guide learners through the format of the three column cash book and the petty cash book.
3. Teachers guide learners to work in groups, considering abilities, gender and SEL to record financial transactions in the three column and the petty cash book.
4. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions, or to scaffold the activity by providing template examples or simplified instructions. (AP)
5. Learners with a clear understanding of the recording of transactions (P) in the three column cashbook and the petty cashbook can be given additional tasks in the recording of transactions.
6. Learners with a high level (HP) of understanding are encouraged to analyse the transactions recorded in the appropriate cash books.
7. Groups prepare three column cash books and petty cash books on cards and share them with the larger class.
8. Teachers should ensure the participation of all learners in each group and that learners respect the views of others.

Key Assessment-DoK

Formative Assessment

Level 1 Recall questions:

1. State the use of the petty cash book.
2. State the use of the three column cash book.

Level 2 Skills of conceptual understanding questions

1. Discuss the difference between the two-column cash book, three-column cash book and petty cash book.
2. Explain the imprest system of petty cash.

Level 3 Strategic reasoning questions:

Record financial transactions in the various cash books manually.

Section 6 Review

This section focused on developing learner's essential accounting skills in the application of the accounting equation compute the values of assets, liabilities, capital as well as using the double entry principle to record financial transactions in the daybooks, posting them to their respective ledgers and extracting trial balances. Learners were engaged in practical applications by calculating values and recording transactions to develop proficiency in financial accounting. Diverse teaching methods, including problem-based learning, structuring talk for learning, class discussions, teamwork and multimedia tools, aimed at catering for various learning styles were used to achieve the learning outcome.

Assessment strategies were comprehensive, incorporating recall questions, conceptual understanding assessments and practical exercises for strategic reasoning. This approach ensured a holistic learning environment, accommodating different learning styles and fostering a thorough grasp of financial concepts. As the section concludes, the review phase is set to summarise individual progress, strengths and areas for improvement. Transcript records will play a pivotal role in providing insights into each learner's journey in financial accounting, facilitating a nuanced understanding of their achievements and challenges over the past few weeks.

Additional Reading

Any approved financial accounting Book by NaCCa can be used as further reading material

References

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2. ICAG. (2019). Study Text - Financial Accounting.
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SECTION 7: FINANCIAL STATEMENTS OF A SOLE PROPRIETORSHIP

Strand: **Financial Accounting**

Sub-Strand: Financial Reporting

Content Standard: Demonstrate knowledge and understanding in the preparation of Financial Statements of organisations.

Learning Outcome: *Prepare financial statements of a sole proprietorship*

INTRODUCTION AND SECTION SUMMARY

In this section, focus is placed on the preparation of the financial statements of a sole proprietorship within the broader strand of financial accounting. The primary learning outcome centres on demonstrating knowledge and understanding in the preparation of financial statements for a sole proprietorship. Therefore, learners will be engaged in the practical application of financial reporting principles, developing their abilities to prepare statements while navigating the complexities of the various adjustments such as accruals, prepayments, depreciation and provision for doubtful debts.

The overarching goal is to support learners to develop the expertise needed to articulate an organisation's financial health through comprehensive statements.

Teachers are encouraged to highlight the interconnected nature of this section with other sub-strands, emphasising its relevance to broader financial literacy. The weeks covered by this section span from Week 17 to Week 19, providing a structured timeline for the acquisition and mastery of these crucial financial skills.

Week 17: Prepare Financial Statement of Sole Proprietorship.

Week 18: Prepare Financial Statement of Sole Proprietorship.

Week 19: Prepare Financial Statement of Sole Proprietorship.

SUMMARY OF PEDAGOGICAL EXEMPLARS

In this section, teachers are advised to implement Problem-Based Learning (PbL) and Structuring Talks for Learning (TfL) based on the provided examples. In PbL, mixed-ability and mixed-gender groups engage in collaborative preparation of financial statements either manually or electronically. Teachers should ensure that learners, after working in their groups share/display their ideas to the larger class for constructive feedback from other groups.

Structuring Talks for Learning could also involve the use of videos and pictures to explore sole proprietorship and its accounts. Learners should participate in discussions and brainstorming sessions, focusing on understanding the final account of a sole trader and adjustments such as accruals, prepayments, depreciation and provision for doubtful debts. Inclusivity measures are crucial, especially for visual and hearing-impaired learners.

Particular attention should be paid to learners with special education needs, making relevant accommodations to ensure their full participation in all activities. To support teachers in their approach to differentiation, this manual sometimes refers to learners as approaching proficiency (AP), proficient (P) or working at a high level of proficiency (HP).

Teachers are encouraged to document individual and group performances, offering constructive feedback and acknowledging the contributions of gifted and talented learners. This approach aims to cultivate collaborative learning, address diverse needs and equip all learners with proficient financial reporting and analysis.

ASSESSMENT SUMMARY

The assessment strategy encompasses three key areas to gauge learners' comprehension of the preparation of the final account of the sole trader. The first category, recall questions, involves written or oral tasks prompting learners to state the advantages of a sole trader and list local stores owned and managed by a sole person. This will help to consolidate learning and assessment of the concept of sole proprietorship covered at the start of year one. Simultaneously, learners are asked to articulate adjustments such as accruals, prepayments, depreciation and provision for doubtful debts. The evaluation focuses on the accuracy and completeness of their responses. Skills of conceptual understanding questions, the second assessment area, delve deeper. Learners are tasked with explaining the final account of a sole trader and the reasons for maintaining sole proprietorship accounts, emphasising conceptual clarity. Evaluation criteria include the depth, coherence and clarity of their explanations. Lastly, strategic reasoning questions require learners to apply theoretical knowledge to practical scenarios, solving problems related to the preparation of the income statement and statement of financial position of a sole trader, taking into account adjustments like accruals, prepayments, depreciation and provision for doubtful debts. The assessment aims to evaluate learners' strategic reasoning abilities in real-world contexts.

In terms of recording, teachers are required to document how individual learners answer questions, noting how well they remember information, how deeply they understand concepts, and how they apply their knowledge to solve problems. Again, teachers are encouraged to provide feedback that highlights strong responses and areas where improvement is needed. This thorough approach should support teachers to better assess learners' understanding of the final account of a sole trader

Week 17

Learning Indicator: *Prepare a financial statement of sole proprietorship, including adjustments such as accruals, prepayments, depreciation and provision for doubtful debts.*

Theme or Focal Area: **Financial Statement of a Sole Proprietor**

Definition/Introduction

Learners have been introduced to the concept of sole proprietorship in strand one, that is Business Management. They were introduced to the benefits, challenges and sources of funds available to a sole proprietor.

Sole Proprietorship (recap)

A sole proprietorship is a business entity, which is owned, controlled and financed by one person. The liability of the sole proprietor is unlimited which means that in the case where there is a loss in the business, the owner (sole proprietor) will bear all the losses. When the capital of the sole proprietor cannot cover all the losses incurred, his or her personal or private properties would be sold to pay the losses. And if there is any profit too, the sole proprietor enjoys all of it.

Final accounts

Final accounts refer to the accounts prepared by a business entity at the end of every financial year. The final accounts represent a clear and true financial position of the entity. This information is beneficial to the management, investors, owners, shareholders and also to other users of such information.

The trial balance forms the basis for the preparation of the final accounts.

The final accounts of a sole proprietor include the income statement (Trading, profit or loss) and statement of financial position (the balance sheet.)

Trading account: This is an account prepared to ascertain the gross profit or gross loss. Opening inventory, closing inventory and any direct expenses such as purchases made, carriage inwards, returns outwards and wages are recorded in the trading account. All these are recorded on the debit side of the trading account.

Net sales are recorded at the credit side of the trading account. Net sales are the amount ascertained when the value of return inwards is deducted or subtracted from the value of total sales. Net sales is an income.

Gross profit is the excess of net sales or sales over the cost of goods sold.

The excess cost of goods sold over the net sales or sales is the gross loss.

Profit and loss account: This account is an extension of the trading account prepared at the end of a financial year, to ascertain the net profit or net loss. The net profit is the actual or true profit of the firm.

All incomes are added to the gross profit or gross loss (if any) and all expenses are deducted from the gross profit.

Gross profit is credited to the profit or loss account as revenue. Some expenses that form part of the profit or loss account are sales tax, provisions, maintenance, administrative expenses, selling and distribution expenses, depreciation, freight and carriage on sales, wages and salaries.

Some revenues that appear on the credit side of the income statement account are commission received, rent receivable, discount received, profit obtained on the sale of assets, etc.

An Income statement format is shown below:

Example of profit or loss account for the year ended 31ST December, 20X1

	GH¢	GH¢	GH¢
Sales			xxx
Less: Sales returns			xxx
Net sales			xxx
Less: Cost of Sales			
Opening stock		xxx	
Add: Purchases	xxx		
Add: Carriage inwards	xxx		
Less: Return outwards	xxx		
Net purchase		xxx	
COGAS		xxx	
Less: Closing stock		xxx	
Cost of goods sold		xxx	
Add: wages		xxx	
Cost of sales			<u>(xxx)</u>
Gross profit c/d			xxx
Add: other incomes			
Commission received		xxx	
Discount received		xxx	
Rent received		xxx	
Decrease in provision for bad debts		xxx	
Interest received		xxx	<u>xxx</u>
			<u>xxx</u>
Less: Operating expenses			
Wages and salaries		xxx	
Insurance		xxx	
Bad debts		xxx	
Electricity		xxx	
Advertisement		xxx	
Increase in provision for bad debts		xxx	
Depreciation		xxx	<u>xxx</u>
Net profit/loss			<u>xxx</u>

Statement of financial position (the balance sheet): The balance sheet shows the company's total assets, liabilities and capital and how the assets are financed, either through debt or equity. It can also be referred to as a statement of net worth or a statement of financial position. The balance sheet is based on the fundamental equation: **Assets = Liabilities + Equity**. A statement of financial position (balance sheet) is a list of ledger balances arranged according to whether they are assets, capital or liabilities and also depicts the financial position on a specific date.

Fixed Assets	Cost	Acc. Dep.	NBV
Motor Van	xxx	xxx	xxx
Building	xxx	xxx	xxx
Fixtures & Fittings	xxx	xxx	xxx
Premises	xxx	xxx	xxx
Land	xxx	xxx	xxx
Goodwill	xxx	xxx	xxx
Current Assets			
Stock		xxx	
Receivable	xxx		
Less prov. for doubtful debts	xxx	xxx	
Bank		xxx	
Cash		xxx	
Expense prepaid		xxx	
		xxx	
Less Current Liabilities			
Payables	xxx		
Expenses owing	xxx		
Income prepaid	xxx	xxx	
Working capital			xxx
Net Assets			XXX
Financed by			
Capital			xxx
Add Net profit			xxx
			xxx
Less Drawings			(xxx)
			xxx
Long-term liabilities			
5% Debentures			xxx
Capital employed			XXX

Learning Tasks

1. What type of business entity is a sole proprietor?
2. Discuss the advantages of being a sole proprietor.
3. The following trial balance was extracted from the books of Bolga Enterprise for the year ended 30th June, 20XX

Trial balance as at 30th June, 20XX.

	Dr - GH¢	Cr - GH¢
Capital		150,000
Receivables and Payables	20,000	15,000
Return inwards	2,000	
Sales		90,000
Discount allowed	7,000	
Discount received		1,500
Inventory (31st May, 20XX)	20,000	
Purchases	50,000	
Carriage inwards	1,000	
Return outwards		12,000
Land and building	40,000	
Furniture and fitting	35,000	
Equipment	31,500	
Bank Overdraft		20,000
Insurance	4,800	
Rates	500	
Electricity	4,500	
Bad debt	2,200	
Cash in hand	30,000	
Drawings	40,000	
Total	288,500	288,500

Note:

Closing inventory at 30th June, 20XX, Gh¢30,000

You are required to prepare:

- a. Income statement for the year ended 30th June, 20XX
- b. Statement of Financial Position as at 30th June, 20XX.

Pedagogical exemplars

Collaborative learning:

1. Learners watch a video/pictures on sole proprietorship.
2. Teachers guide learners to review their knowledge of sole proprietorship in strand one (business management – forms of business entities).
3. Teachers guide learners to explain the final accounts (income statement and statement of financial position) of a sole trader. Learners are encouraged to practice the preparation of the final accounts of a sole trader. This is to let the learners familiarise themselves with the items in the format of the income statement and statement of financial position of a sole trader.

Problem-based learning

1. Teachers guide learners to work in groups, considering abilities, gender and SEL to prepare financial statements from trial balances or account balances manually and electronically (E-reporting).
2. Learners approaching proficiency (AP), should be given additional attention to help them in the preparation of final accounts of a sole proprietor from a trial balance. This can be achieved with the teachers moving around the room to question learners, through simplified instructions or the provision of templated examples.
3. Learners with a clear understanding (P) of the preparation of final accounts of a sole proprietor can be given additional tasks.
4. Learners with a high level (HP) of understanding in the preparation of final accounts of a sole proprietor are encouraged to analyse the transactions in the trial balance, which is used in the preparation of the accounts.
5. Groups prepare the final account of a sole proprietor on cards and share it with the larger class.
6. Teachers ensure the participation of all learners in each group and that learners respect the views of others.

Key Assessment

Formative Assessment

DoK Level 1: Recall questions:

1. What is a sole proprietorship?
2. State at least two advantages of sole proprietorship.

DoK Level 2: Skills of conceptual understanding question:

Explain the purpose of the income statement and the statement of financial position.

DoK Level 3: Strategic reasoning questions:

Prepare the income statement and statement of financial position of a sole trader from a given trial balance.

Week 18

Learning Indicator: *Prepare a financial statement of sole proprietorship, including adjustments such as accruals, prepayments, depreciation and provision for doubtful debts.*

Theme or Focal Area: **Adjustments in final accounts**

Definition/Introduction

Learners have been introduced to the final accounts of a sole proprietor and have dealt with transactions in the previous weeks. Learners prepared an income statement and statement of financial position (without adjustments) of a sole proprietor from a given trial balance.

Adjustments

Adjustments refer to the necessary modifications to financial statements to ensure accuracy and compliance with accounting principles. These adjustments are made at the end of an accounting period. The purpose of an adjustment is to ensure that the final accounts reveal the true profit or loss and the true financial position of a business.

Types of adjustment in a final account

1. Closing inventory
2. Outstanding or accrued expenses
3. Outstanding or accrued income
4. Prepaid expenses
5. Prepaid income
6. Bad debts
7. Allowance for receivable (Provision for doubtful debt)
8. Depreciation

1. Closing inventory

Closing inventory is defined as the total value of inventory items that have remained unsold in the store or warehouse at the end of a given period. Closing inventory includes raw materials, finished goods, work in progress, etc.

Example: Assuming sole proprietor A has goods worth GH¢10,000 and sells goods amounting to GH¢7,500 at the end of the accounting period, then goods worth GH¢2,500 will be the closing inventory.

Treatment of closing inventory

- a. Closing inventory is subtracted from the cost of goods available for sale (in the income statement).
 - b. Closing inventory is added to current assets in the statement of financial position.
2. Outstanding or accrued expenses

These are expenses that a business incurred, but have not been paid. It is an expense that is recognised in the books before it is paid. The expense is recorded in the accounting period in which it is incurred.

Example: Sole proprietor A has unpaid electricity of GH¢1,000 at the end of the accounting period.

Treatment of outstanding or accrued expenses

- a. Outstanding or accrued expenses are added to the expense paid in the income statement.
 - b. Outstanding or accrued expenses are added to the current liabilities in the statement of financial position.
3. Outstanding or accrued income
- Income that has been earned by the business but has not yet been received.

Example: Sole proprietor A invested GH¢120,000 into treasury bills at an interest rate of 10%. By 31st December, they had earned an interest of GH¢12,000 but the bank had not credited their accounts.

Treatment of outstanding or accrued income

- a. Outstanding or accrued income is added to the other incomes in the income statement.
- b. Outstanding or accrued income is added to the current assets in the statement of financial position.

4. Prepaid expenses

This is an amount of expenses paid in excess of what has been incurred.

Example: Sole proprietor B paid an amount of GH¢12,000 as rent within an accounting period, but the total amount that they were supposed to pay for rent for the period was GH¢ 9,000; therefore, GH¢ 3,000 is a prepaid expense.

Treatment of prepaid expense

- a. Prepaid expense is deducted from the expense paid in the income statement.
 - b. Prepaid expense is added to the current assets in the statement of financial position.
5. Prepaid income

This is an amount of income received in excess of the amount earned.

Example: Sole proprietor C received an amount of GH¢200,000 from a tenant for a period of five years. They charge an amount of GH¢40,000 for a year. The prepaid income is GH¢160,000 for the next 4 years.

Treatment of prepaid income

- a. Prepaid income is deducted from the amount received in the income statement.
 - b. Prepaid income is added to the current liabilities in the statement of financial position.
6. Bad debt

Bad debt is an amount that is not recoverable or collectible. This occurs after all attempts have been made to collect the amount. Bad debt usually occurs when the debtor goes into bankruptcy, becomes untraceable, through death, or when the additional cost of pursuing the debt is more than the amount the creditor could collect. This debt, once considered to be bad, will be written off by the company as an expense.

Example - Bad Debt: A customer, who owed the business GH¢5,000, was declared bankrupt and the amount was subsequently written off as bad debt.

In this example, the debt of GH¢5,000 should be treated as bad debt (expense) in the income statement and deducted from the total receivables figure.

Treatment for bad debt

- a. Bad debt is treated as an expense in the income statement.
- b. Bad debt is deducted from the total receivables.

Note: If the bad debt figure is in the trial balance, do not deduct it from the receivables

7. Allowance for receivables or provision for doubtful debt

Provisions are amounts set aside out of profit and other surpluses to provide for depreciation, renewal, uncollectible debts, etc.

Doubtful debts are those debts which a business is unlikely to collect. The reasons for potential non-payment include disputes over quantity supplied, delivery, the conditions of the item, or the financial stress of a customer's operations.

Allowance for receivables is an estimation of part of receivables that will need to be written off during a given period.

Treatment for allowance for receivables (provision for doubtful debt)

- a. An increase in provision for doubtful debt is treated as an expense in the income statement.
- b. A decrease in the provision for doubtful debt is treated as an income in the income statement.
- c. Provision for doubtful debt is deducted from the receivables figure in the current asset in the statement of financial position.

Learning Tasks

1. Discuss the types of adjustments in the final account.
2. Discuss the treatment of adjustments.

Pedagogical exemplars

Structuring Talks for Learning:

1. Teachers guide learners to review their knowledge on the final account of a sole proprietor.
2. In a whole class discussion, teachers guide learners on the meaning and purpose of adjustment.
3. Teachers guide learners to work in groups, considering abilities, gender and SEL to discuss the types of adjustments and their treatments.
4. Learners who are approaching proficiency (AP) should be provided with a simplified explanation of adjustment and the purpose of adjustment, focusing on core concepts. Use clear and concise language.
5. Learners with clear understanding (P) should be given the opportunity to explain adjustments, the purpose of adjustment and the types of adjustments in the final account for a sole proprietor.
6. Learners with a high level (HP) of understanding of concepts should be allowed to discuss adjustments, the purpose of adjustment, the types of adjustments and how they are treated in the final account for a sole proprietor
7. Ask learners to note how each type of adjustment is treated.
8. Teachers ensure the participation of all learners in each group while respecting the views of other learners.

Key Assessment-DoK

Formative Assessment

DoK Level 1: Recall questions:

1. What is an adjustment?
2. State the purpose of adjustment in the final account.

3. State at least three types of adjustment in the final account.

DoK Level 2: Skills of conceptual understanding questions:

1. Analyse at least two purposes of adjustment in the final account of a sole proprietor.
2. Explain how the following adjustments are treated in the final accounts.
 - a) Bad debt
 - b) Accrued expense
 - c) Allowance for receivable

Theme or Focal Area: Adjustments in Final Accounts

Introduction - Depreciation

Depreciation is the decrease in the value of a non-current asset resulting from wear and tear and the passage of time.

Reasons/advantages for depreciation

1. It helps to spread the cost of an asset over its estimated useful life.
2. It helps to determine the realistic value of an asset at its disposal. That is, to show the net book value of the non-current asset in the balance sheet.
3. Depreciation will provide a good basis for pricing the asset if it is to be disposed of.
4. It helps to determine the true net profit of the business for each accounting year. That is, in order not to overstate the profit for any year of operation to comply with the prudence concept.
5. It helps to ascertain the profit or loss on the disposal of non-current assets.
6. To preserve the capital of the business, preventing the amount of depreciation from being available for distribution as a dividend.
7. Depreciation is provided to serve as a basis for assessing insurance claims.
8. It serves as a guide in determining when to replace the fixed/non-current asset.

Causes of depreciation

The causes of depreciation may be classified under physical deterioration, economic factors, time factors and depletion.

1. Wear and tear when the assets are in use.
2. Erosion, rust, rot and decay from being exposed to wind, rain, sun and other elements of nature.
3. Obsolescence – This refers to the process of a non-current asset becoming out of date. Obsolescence is caused by technological advancement.
4. Superfluity (inadequacy) – This is where an asset is not able to meet the required capacity of the business. It refers to the inability to use an asset because of growth in demand and changes in the size of the firm.
5. Effluxion of time – This applies to assets with a fixed period of legal life such as leases, patents and copyrights.
6. Depletion – This is associated with assets of a wasting nature due to extraction like natural resources. Examples are mines, stone quarries, oil refineries, etc.

Methods of depreciation

The most common methods of depreciation are straight line, reducing balance, revaluation and sum of the year's digit method.

1. Straight line method/ Fixed instalment method.

With this method, a fixed rate (percentage) is always applied to the cost of the asset to determine the depreciation charge. It makes provision for an equal or fixed amount to be charged as depreciation for each year of the useful life of an asset. It is calculated as follows:

$$\text{Cost} - \text{Residual (scrap) value} \div \text{Estimated Useful Life} = \text{Depreciation charge}$$

Example

On 1st January, 20XX Jeff purchased a Motor Van at GH¢2,000. The estimated useful life was 5 years with a residual value of GH¢200.

$$\text{Depreciation} = \text{GH}¢2,000 - \text{GH}¢200 / 5 \text{ years} = \text{GH}¢360$$

Therefore, depreciation charged for year 1 is GH¢360

2. Reducing balance method/ Diminishing balance method

Under this method, the depreciation charge is determined by applying a fixed rate on the book value of the asset. The depreciation charge declines every year.

Example

J.K. bought new equipment for GH¢8,000 on 1st January, 20X1. The machine was expected to have a four-year life at the end of which it is expected to be sold for GH¢1600. The rate of depreciation is 20% per annum. Calculate the depreciation charge for years 1 and 2.

YEAR 1

$$\text{Depreciation} = 20\% * \text{GH}¢8,000 = \text{GH}¢1,600$$

YEAR 2

$$\text{Net book value of the equipment} = \text{GH}¢8,000 - \text{GH}¢1,600 = \text{GH}¢6,400$$

$$\text{Depreciation} = 20\% * \text{GH}¢6,400 = \text{GH}¢1,280$$

3. Revaluation method

With this method, the asset is revalued at the end of every year. At the end of the year, the new value is compared with that of the last value. The difference between the asset's values for two years is taken as depreciation.

Example

An asset cost GH¢1,000 at 1st January 20X5. As at 31st December, 20X5 the value placed on the asset was GH¢800. What is the depreciation charge for the year?

$$\text{Depreciation} = \text{GH}¢1,000 - \text{GH}¢800 = \text{GH}¢200$$

b. Sum of the years' digits

This method involves calculating a depreciation expense by summing up all the digits in the projected lifespan of the asset. The digits are added together as a basis for arriving at the amount of depreciation for each year. The early years of the assets have a higher depreciation charge than later years. The first year's depreciation is calculated by using the digit of the last year as a proportion to the total digits and multiplying by the cost of the asset. The process continues until all the years are exhausted.

Example.

Kwaku Mankani has provided you with the information below on a production machine with a cost of GH¢210,000 and an estimated lifespan of five years. You are required to calculate the depreciation charge for the first three years using the sum of the years' digits.

Sum of years' digits = $1+2+3+4+5 = 15$

Depreciation for year 1

$5/15 * \text{GH}¢210,000 = \text{GH}¢70,000$

Depreciation for year 2

$4/15 * \text{GH}¢210,000 = \text{GH}¢56,000$

Depreciation for year 3

$3/15 * \text{GH}¢210,000 = \text{GH}¢42,000$

Learning Tasks

1. Discuss the meaning of depreciation and its causes
2. Discuss the advantages of charging depreciation.
3. Discuss and apply the methods for charging depreciation of non-current assets.
4. Akua Enterprise has provided you with information on a machine on 1 January, 20X1. The cost of the machine is GH¢10,000. Accumulated depreciation GH¢2,000. The machine is depreciated at 10% per annum. Calculate the depreciation charge for the year using a reducing balance method.
5. The cost of a motor vehicle is GH¢30,000. The rate of depreciation is 5% per annum. Calculate the depreciation charge for the first five years of the asset using a straight line method.
6. An asset costs GH¢18,000 as at 1st January, 20X5. As at 31st December 20X5, the value placed on the asset was GH¢15,000. What is the depreciation charge for the year using the revaluation method?
7. An asset has a cost of GH¢20,000 and its estimated useful life is four years with a scrap value of GH¢4,000. Calculate the depreciation charge for each year of the four years using
 - a. Sum of years digit.
 - b. Straight line method

Pedagogical exemplars**Structuring Talks for Learning/ Collaborative Learning:**

1. Teachers guide learners in a whole class discussion, the meaning and reasons for depreciation.
2. Teachers guide learners to discuss the causes of depreciation of non-current assets.
3. Teachers guide learners to work in groups, considering abilities, gender and SEL to discuss the methods of charging depreciation with examples.
4. Learners approaching proficiency (AP) should be provided with a simplified explanation of depreciation, advantages, causes and methods of charging depreciation, focusing on core concepts. Use clear and concise language. (Include additional real-world examples relevant to the learners' context, for example, show images of rickety or old banger cars). Completed examples or templated workings would help scaffold the activities.

5. Learners with a clear understanding (P) should have the opportunity to explain depreciation, advantages, and causes and calculate depreciation using various methods.
6. Learners with a high level (HP) of understanding of concepts should have the opportunity to discuss depreciation, advantages, and causes and calculate depreciation using various methods and how they are treated in the final account for a sole proprietor.
7. Teachers ensure the participation of all learners in each group and learners respect the views of other learners.

Key Assessment

Formative Assessment

DoK Level 1: Recall questions:

1. What is the depreciation of non-current assets?
2. State at least two reasons for charging depreciation.
3. List at least two causes of depreciation.
4. Identify at least two methods used in charging depreciation.

DoK Level 2: Skills of conceptual understanding question:

Explain at least two methods for charging for depreciation.

DoK Level 3 Strategic reasoning question:

Calculate depreciation for non-current assets using the straight line, reducing balance, revaluation and sum of years digit method and show its treatment in the final accounts.

Week 19

Learning Indicator: *Prepare a financial statement of sole proprietorship, including adjustments such as accruals, prepayments, depreciation and provision for doubtful debts.*

Theme or Focal Area: **Adjustments in final accounts**

Definition/Introduction

Learners have been introduced to adjustments like closing inventory, accrued expenses, accrued income, prepaid expenses, prepaid income, provision for bad and doubtful debts and depreciation.

In this section, learners will be introduced to the preparation of the final accounts of a sole trader, including treatments for all adjustments taught in the previous weeks.

Learning task for practice

QUESTION 1

The trial balance of Enterprise A as at 31st December, 20X2 is shown below

	GH¢	GH¢
Inventory 1/1/20X2	3,400	
Capital		22,000
Motor Vehicles	3,000	
Purchases	36,367	
Sales		46,003
Allowance for receivables		81
Receivables	5,287	
Payables		5,800
Drawings	1,500	
Freehold Premises	8,250	
Cash	4,763	
Insurance	711	
Returns Inwards	314	
Returns Outwards		511
Discount Allowed	342	
Discount Received		509
Interest on Deposit Account		537
Carriage Inwards	118	
Salesman's salary and commission	1,228	
Wages	1,601	

Transport Expenses	130	
General Expenses	1,506	
Office Salaries	2,500	
Furniture and Fittings	1,000	
Rates	212	
Advertisement	1,421	
Bank Deposit	<u>1,800</u>	
	<u>75,441</u>	<u>75,441</u>

You are given the following additional information:

- a) Inventory on hand on 31st December, 20X2, was GH¢4,318.
- b) Insurance of GH¢130 is outstanding.
- c) An employee took a salary advance of GH¢110
- d) The allowance for receivables should be increased to GH¢255.
- e) Depreciate motor vehicles at 10% on cost and furniture and Fittings at 10% per annum on reducing balance method.

You are required to prepare the income statement of Enterprise A for the year ending 31st December, 20X2 and a Statement of Financial Position as at 31st December, 20X2

QUESTION 2

	Debit-GH¢	Credit-GH¢
Capital		630,000
Drawings	69,000	
Opening inventory	300,000	
Purchases and sales	1,050,000	1,200,000
Returns	15,000	18,600
Receivables and Payables	29,400	21,000
Allowance for receivables		2,400
Salaries	90,000	
Rates	18,000	
Insurance	93,000	
Telephone	3,000	
Furniture at cost	120,000	
Machinery at cost	90,000	

Provision for depreciation:		
Furniture	30,000	
Machinery	15,000	
Bad debts	600	
Bank balance	39,000	
	1,917,000	1,917,000

Additional information:

- a) Closing inventory 31/12/20X3 GH¢360,000
- b) Rates prepaid GH¢1,500
- c) Telephone outstanding GH¢660
- d) Accrued salaries GH¢15,000
- e) Allowance for receivables is to be increased to 10% of debtors
- f) Depreciation on furniture at 10% on book value
- g) Depreciation of machinery at 20% on cost.

You are required to prepare the income statement for the year ended 31st December, 20X3 and a statement of financial position as at 31st December, 20X3

Pedagogies exemplars**Problem-Based Learning and Collaborative Learning:**

1. Teachers guide learners in a whole class discussion, on the treatment of the various adjustments in the task for practice.
2. Teachers guide learners to work in groups, considering abilities, gender and SEL to prepare the Income Statement and Statement of Financial Position of a sole proprietor.
3. Learners approaching proficiency (AP) must be given additional attention to help them in the treatment of the various adjustments in final accounts of a sole proprietor, for example, through the provision of templated examples, one-to-one support or simplified instructions.
4. Learners with a clear understanding (P) of the treatment of adjustments should be allowed to solve more tasks in the preparation of final accounts of a sole proprietor, including the various adjustments.
5. Learners with a high level (HP) of understanding in the treatment of adjustments in the final accounts of a sole proprietor are encouraged to analyse the various adjustments and their treatment in the final accounts.
6. Groups prepare the final account of a sole proprietor and share their responses with the larger class for discussion and feedback.
7. Teachers ensure the participation of all learners in each group while respecting the views of other learners.

Key Assessment

Formative Assessment

DoK Level 1: Recall question:

Identify at least three types of adjustments to be treated in the final accounts in a given task.

DoK Level 2: Skills of conceptual understanding question:

Explain how at least two types of adjustments will be treated in the income statement and statement of financial position of the sole proprietor.

DoK Level 3: Strategic reasoning question:

Prepare the income statement and statement of financial position from a given trial balance (including all adjustments).

Section 7 Review

This section focused on preparing financial statements for sole proprietors, employing pedagogical examples such as problem-based learning and structuring talks for learning. Assessment strategies, including recall, conceptual understanding and strategic reasoning questions were designed to measure a range of skills. The aim was to ensure each learner acquired proficiency in preparing sole proprietor accounts and demonstrated strategic reasoning in problem-solving. The objective was to foster inclusivity, teamwork and diverse assessment approaches, providing learners with a strong grasp of financial reporting. As this section ends, learners are expected to have the basic financial accounting skills needed for laying the groundwork for academic achievements and the field of work.

Reflecting on the lessons covered in this section, it is expected that learners would have a robust foundation in the preparation of the final accounts of a sole proprietor. For instance, the introductory phase emphasised mastering financial reporting and navigating adjustments like accrued income, expenses, prepaid income, prepaid expenses, bad debt and depreciation. Pedagogical exemplars used were guided teaching, incorporating problem-based learning and structuring talks for learning. Assessment strategies evaluated diverse skills. Recall questions tested basic knowledge, conceptual understanding explored adjustment reasons, and strategic reasoning assessed practical application. Through differentiation, it is believed that each learner would acquire financial statement preparation skills and be able to apply that knowledge to solve real-world problems.

Teaching and Learning Resources

Textbooks, Financial statements, Spreadsheets, Calculators, Videos/pictures of Sole proprietors, and Computers.

Additional Reading

Any approved financial accounting Book by NaCCa can be used as further reading material

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SECTION 8: INTRODUCTION TO COST ACCOUNTING

Strand: Cost Accounting

Sub-Strand: Controlling Cost to Improve Organisational Performance

Content Standard: Demonstrate knowledge and understanding of the purpose of Cost Accounting

Learning Outcome: *Explain the importance of managing and controlling costs in organisations and everyday life*

INTRODUCTION AND SECTION SUMMARY

In this section, learners will delve into the fundamental concepts of Cost Accounting, which is integral to effective management and decision-making within organisations. This section focuses on explaining the purpose and basic terminologies of Cost Accounting, such as direct costs, indirect costs, fixed costs and variable costs essential for understanding cost management strategies. Furthermore, learners will classify costs based on their common characteristics to gain a comprehensive understanding of cost structures. Additionally, learners will explore the composition of costs of services and operations to recognise the elements contributing to overall costs in various business contexts. At the end of this section, learners should grasp the significance of managing and controlling costs to improve organisational performance. Moreover, teachers should emphasise the interrelationship of Cost Accounting with other subjects, such as Managerial Accounting and Financial Management, to provide a holistic understanding of business operations and decision-making processes.

The section is covered by **Week 20** - Introduction to Cost Accounting

SUMMARY OF PEDAGOGICAL EXEMPLARS:

Teaching Cost Accounting effectively requires a pedagogical approach centred on initiating discussions and fostering collaborative learning. Through brainstorming sessions, learners delve into the essence of cost accounting, enhancing their understanding of its principles. Paired work facilitates interaction, allowing learners to share their perspectives on common terminologies in the field. This collaborative process not only deepens comprehension but also cultivates essential communication skills. Mixed-ability groups create an inclusive environment where learners support each other in grasping complex concepts. Tasks assigned within these groups, such as identifying and explaining cost components, foster peer learning and idea exchange. This method facilitates knowledge acquisition while nurturing teamwork among learners of varying abilities.

Addressing diverse learning needs is crucial. Teachers provide tailored support and scaffolding to ensure all learners engage effectively. Particular attention should be paid to learners with special education needs, making relevant accommodations to ensure their full participation in all activities. To support teachers in their approach to differentiation, this manual sometimes refers to learners as approaching proficiency (AP), proficient (P) or working at a high level of proficiency (HP).

Gifted and talented learners benefit from enrichment opportunities, such as advanced problem-solving tasks or real-world applications, allowing them to explore Cost Accounting beyond the classroom. Learning objectives encompass understanding fundamental concepts, mastering terminologies and explaining cost components. Assessment methods evaluate comprehension through participation, discussions and group activities. Additional assessments may gauge learners' practical application

of knowledge. Through this approach, educators create an inclusive learning environment catering to diverse needs while providing enrichment for high-achieving learners.

ASSESSMENT SUMMARY

Assessment plays a pivotal role in evaluating learners' understanding and mastery of cost accounting concepts. To effectively assess learners' comprehension, a combination of recall, skills building, strategies and extended questions can be employed. Recall questions, categorised as Level 1, focus on basic understanding and memory recall. These questions aim to assess learners' ability to recall fundamental concepts. Examples include defining Cost Accounting and listing its roles in daily life. Reproduction questions may include explaining key concepts such as cost centre, cost unit and unit cost and differentiating between concepts. Conceptual understanding questions, categorised as Level 2, delve deeper into learners' understanding and analytical skills. These tasks aim to assess learners' ability to apply cost accounting principles in real-world scenarios and to think about their importance and implications. Strategic reasoning questions categorised as Level 3, task learners to make an analysis, evaluate and provide a detailed description of concepts taught in the section. To administer these questions, teachers can use written assessments, quizzes or oral questioning, recording learners' responses and understanding in the transcript. Throughout the assessment process, it's essential to provide clear instructions, varied assessment formats and constructive feedback to guide learners' learning progress. By incorporating assessment into teaching and learning, educators can comprehensively evaluate learners' knowledge and skills in Cost Accounting, ensuring a thorough understanding of the subject matter.

Week 20

Learning Indicators:

1. *Explain the purpose and basic terminologies used in cost accounting.*
2. *Explain the composition of the cost of products, services and operations.*

Theme or Focal Area: Cost accounting and basic terminologies used in cost accounting

Introduction – Meaning and definition of cost accounting

Cost accounting is the process of accounting for cost from the point at which expenditure is incurred or committed, to the establishment of its ultimate relationship with cost centres and cost units.

Cost accounting is a form of management accounting and is the process by which all the costs of a business activity or production are examined to support effective decision-making.

Functions of cost accounting

Cost accounting is used by business to:

1. Provide relevant information to management for decision-making.
2. Assist management in planning, measuring and controlling business activities.
3. Allocate cost to products and services.
4. Help in the collection and accumulation of costs.
5. Set budgets and standards.
6. Evaluate the performance of departments.

Basic Cost Accounting Terminologies

To understand cost accounting, it is necessary to explain the terminology used in the process. Some basic terms are defined below:

Cost centre

A cost centre is defined as a person, location or an item of equipment for which cost may be ascertained and used for the purpose of control.

It may be a;

- location, e.g. a department or a sales area of the business;
- a person e.g. a salesman or machine operator;
- an item of equipment e.g. a delivery van or a machine;
- or a group of these.

Cost unit / Cost object

A cost unit is defined as a product, service or time in relation to which cost may be expressed. Cost unit refers to the product or service that a company produces. For example: a tin of milk, a car, a bag of rice, etc.

Unit cost

A unit cost refers to the cost incurred per unit of output. It is the cost price of a product. It is measured as the total cost divided by the total number of units produced.

Cost classification

This refers to the process of grouping costs according to their common features or characteristics. This ensures effective reporting and communication of costs.

1) Classification according to **nature of cost.**

Under this, the cost can be described as **direct or indirect.**

Direct costs are those costs that are traced or conveniently identified with a particular cost centre or cost unit. For example, the cost of wood used in making a table.

Indirect costs are those costs which cannot be traced to any particular cost centre. They are general costs that are incurred for the benefit of a number of cost centres. Examples are insurance, rent and managerial salaries.

2) Classification according to **behaviour.**

Here, cost can be classified as **fixed or variable.**

Fixed costs are those costs that remain constant in total over a range of activities for a period of time. That is, a fixed cost does not change as output changes. For example, rent, depreciation and insurance on vehicles.

Variable costs are those costs that tend to vary in direct proportion to output. That is, as output rises, variable cost also increases and vice versa. E.g. cost of raw materials.

3) Classification according to **management function.**

A cost item can be described based on the functional areas of the business. In this regard, cost may be classified as:

Production/factory cost e.g. cost of raw materials, direct labour

Administration cost e.g. salaries of management, stationery.

Selling & distribution cost e.g. advantages cost, salaries of salesmen

4) Classification according to **profit determination**

Under this, a cost can be classified as a product cost or a period cost.

Product costs are costs that are necessary for the production of goods. Such costs are not incurred when there is no production. They include the cost of raw materials and direct labour.

Period costs are those costs that are made even when there is no production. They include rent, insurance, salaries of management, etc. Period costs are written off as expenses in the period in which they are incurred.

Apart from the above cost classifications, costs may also be seen as follows:

1. Relevant cost refers to any cost that can be changed by a management decision. It is a cost that differs among decisions. Such costs are necessary for a particular decision.
2. Irrelevant cost is any cost that does not change in the decision-making process. For example, in deciding to increase the number of goods in the warehouse, the salary of the storekeeper is an irrelevant cost but the price of the product is relevant.

3. Sunk cost is a past or previous cost that cannot be changed by any decision. It refers to the cost of resources already acquired and the total cost shall be unaffected by the choice between two alternatives. For example, the cost of a machine purchased five years ago.
4. Opportunity cost values the cost of a forgone alternative or a sacrificed choice of action. Where there is no alternative use for a resource, then the opportunity cost is zero.
5. Avoidable cost is any cost that management can choose not to incur. Management can decide to do away with such expenses. Examples are advertising, overtime allowances, medical bills of staff, etc.
6. Incremental /differential cost is the difference in total relevant cost between two alternatives. It is a cost that differs as a result of changing levels of activities.
7. Marginal cost refers to the additional cost of producing one extra unit of a product.
8. Conversion cost is the cost of transforming raw materials, direct labour and overheads into finished goods. It is the amount of direct labour and overheads that are required to turn raw materials into finished products.

Learning Tasks

1. Discuss the meaning of cost accounting.
2. Outline the functions of cost accounting.
3. Discuss the basic cost accounting terminologies.
4. Discuss the various ways by which costs can be classified.

Pedagogical exemplars

Initiating Talk for Learning:

1. Teachers facilitate a whole class discussion where learners list the cost of items they buy on sticky pads or paper and share with other learners.
2. Teachers guide learners to brainstorm on the meaning of “cost”.
3. Teachers guide learners to explain the nature of cost accounting.
4. Let learners work in pairs, considering abilities, gender and SEL to discuss the functions of Cost Accounting.
5. Teachers guide learners in pairs to discuss the basic cost accounting terminologies.
6. Teachers guide learners to discuss the various ways by which costs can be classified.
7. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions or to scaffold discussions by providing simplified definitions or terminology (AP). AP should be given additional attention in explaining the meaning of Cost Accounting and its functions.
8. Learners with clear understanding (P) should be allowed to discuss Cost Accounting and its functions. They should be encouraged to solve more tasks.
9. Learners with a high level (HP) of understanding of concepts should be allowed to discuss the meaning of cost accounting, its functions, the basic terminologies and cost classification.
10. Groups share their thoughts and their responses with other learners.

Teachers should ensure the participation of all learners in each group while respecting the views of other learners.

Key Assessment

Formative Assessment

DoK Level 1: Recall questions

1. What is cost accounting?
2. Define the following cost accounting terms:
 - a) Cost centre
 - b) Cost unit
 - c) Unit cost

DoK Level 2: Skill Building

1. Explain the purpose of cost classification.
2. Discuss the techniques of cost classification.

Theme or Focal Area: **Elements of cost of services and operations.**

Definition

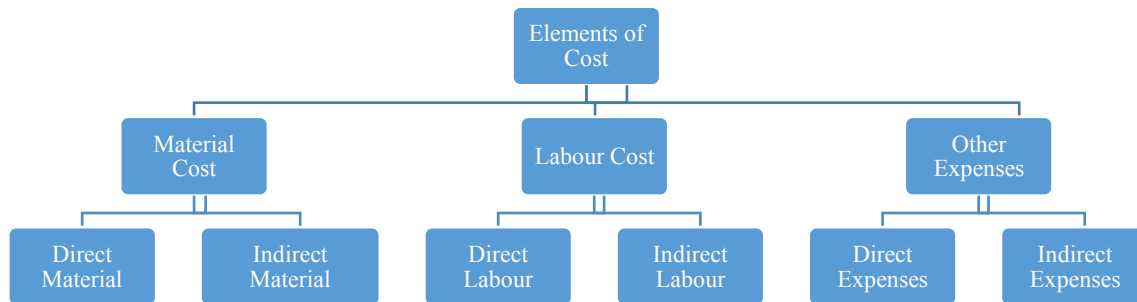
Elements of Cost

Elements of cost constitute the components that make up the cost of a product or service. The main elements of cost are materials, labour and other expenses.

1. Materials are all the ingredients, raw materials or inputs that go into the production process before the final product or service is provided. Material cost is made up of direct materials and indirect materials.
 - a) Direct material cost – is the cost of raw materials that go into production to be transformed through the manufacturing process to become finished products or saleable services. For example, leather used for shoes, cement used for building, palm oil used for soap and cassava used for gari.
 - b) Indirect material cost – is the cost incurred on physical components that do not form part of the final product. Indirect materials cannot be easily traced to a particular product or service. For example, cleaning materials, lubricants used in machines and packaging materials.
2. Labour refers to all human effort (physical or mental) used in the production of goods and services. Labour cost is made up of direct labour and indirect labour and can be made up of wages, salaries, bonuses, overtime, etc.
 - a) Direct labour – this is the remuneration paid to workers whose services can be identified directly with a particular product or service. For example, the wages of a mason building a house and, the salaries of a machine operator, carpenter or a tailor.
 - b) Indirect labour – this is the remuneration paid for services that cannot be easily traced to a product or service. Examples are salaries of supervisors, cleaners and security men.
3. Other expenses refer to all costs incurred other than materials and labour. They are costs of services paid or unpaid, rendered to an organisation.
 - a) Direct expenses – these are expenses that can be easily traced to or identified with a particular product or service. For example, royalties paid on patents and mining, the cost of hiring a special machine, fees of architects or consultants and experimental costs.

- b) Indirect expenses – these are expenses that cannot be easily traced or identified with a particular product or service. For example, rent and rates, telephone bills, depreciation and insurance.

Below is a diagram to show the elements of cost



Learning Tasks

1. Discuss the elements of cost.
2. Discuss the types of material costs.
3. Discuss the types of indirect costs.
4. Discuss the elements of costs and their importance to production.

Pedagogical exemplars

Initiating Talk for Learning:

1. Teachers guide learners to review their knowledge of the meaning of Cost Accounting and its functions, the basic terminologies and various ways by which costs can be classified.
2. Teachers guide learners to discuss the composition of the elements of cost.
3. Let learners work in pairs, considering abilities, gender and SEL to discuss the types of material cost, labour cost and expenses with examples.
4. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions or by scaffolding discussions through simplifying definitions or terminology (AP). AP learners should be given additional attention in explaining the composition of the elements of cost.
5. Learners with clear understanding (P) should be allowed to discuss the types of material costs, labour costs and expenses.
6. Learners with a high level (HP) of understanding of concepts, should be allowed to discuss the types of material cost, labour cost and expenses with examples.
7. Teachers should ensure the participation of all learners in each group while respecting the views of other learners.

Key Assessment

Formative Assessment

DoK Level 1: Recall

1. List the elements of cost.
2. What is the material cost?
3. What are indirect costs?
4. State two examples of each of the following:
 - a) Indirect labour
 - b) Direct labour
 - c) Direct expenses
 - d) Indirect material

DoK Level 2: Skill Building

Discuss the elements of cost and their importance to production.

Section 8 Review

This section is a review of the lessons covered in week 20 focusing on the introduction to cost accounting. Throughout the lessons this week, learners should have gained a solid understanding of the purpose and significance of cost accounting, including its role in improving organisational performance. It is again expected that learners would have acquired knowledge of basic terminologies in cost accounting such as direct costs, indirect costs, fixed costs and variable costs. The knowledge gained would enable learners to differentiate between these terms. Differentiation strategies implemented during teaching and learning should have ensured that each learner received tailored support and opportunities for enrichment according to their individual needs. Gifted and talented learners may have explored advanced problem-solving tasks or real-world applications, enhancing their understanding beyond classroom activities. Conversely, learners who are not yet secure in the concepts would have received additional scaffolding and support to facilitate their learning progress. As a result of collaborative activities and discussions within mixed-ability groups, learners should have developed essential communication and teamwork skills. They should be capable of engaging in meaningful discussions, sharing perspectives and supporting their peers in grasping complex concepts. By the end of this review period, each learner should have a comprehensive understanding of the purpose of cost accounting, the significance of managing and controlling costs and some basic terminologies associated with the subject.

References

1. Burns, J., Quinn, M., Warren, L. & Oliveira, J. (2013) Management Accounting. Maidenhead: McGraw Hill Education
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4. Eric Oduro (2001), Principles of Cost Accounting for Senior High Schools 3rd Edition, Terror Publications.
5. ICAG (2019), Study Text - Introduction to Management Accounting

6. ICAI, Study Text - Introduction to Cost and Management Accounting, India
7. NaCCa (2023), Business Studies Curriculum.

Additional Reading

Any approved financial accounting Book by NaCCa can be used as further reading material

SECTION 9: **SPECIFIC JOB ORDER COSTING & PROCESS AND SERVICE OPERATIONS**

Strand: Cost Accounting

Sub-Strand: Determining Cost of Operations for Pricing and Control

Content Standard: Demonstrate an understanding of the methods of determining and controlling the cost of goods and services

Learning Outcome: *Explain the different methods employed to determine the cost of various products and services*

INTRODUCTION AND SECTION SUMMARY

In this section, learners will examine the methods used to determine the cost of various products and services, a crucial aspect of pricing control. The primary outcome is for learners to be able to explain the different methods employed for cost determination, facilitating effective decision-making regarding pricing strategies. Key learning indicators include outlining the characteristics of specific order costing (by job, batch and contract), identifying processing organisations and understanding process operations.

Additionally, learners will identify service organisations and the nature of the services provided. At the end of this section, learners should be proficient in recognising the details of cost-determination methods and their application in diverse organisational contexts. This will not only help their understanding of pricing control but also strategic decision-making is informed across various sectors. Furthermore, this section may link to other areas such as finance, business management and economics, highlighting the interrelated nature of cost accounting within broader business contexts.

The weeks covered by the section are:

Week 21: Specific Job Order Costing

Week 22: Process and Service Operations

SUMMARY OF PEDAGOGICAL EXEMPLARS

Experiential-Based Learning: Teachers can engage learners in experiential-based learning by organising a field trip to a local artisan, such as a carpenter, builder, seamstress or tailor. During this excursion, learners will gain practical experience and insights into the characteristics of specific job orders. By observing and participating in real-world scenarios, learners will deepen their understanding of how job orders are executed and the unique challenges associated with each type of order. This approach allows for hands-on learning, fostering a deeper connection to the subject matter and facilitating a more comprehensive understanding of specific order costing.

Talk for Learning: In mixed-gender and ability groups, teachers can facilitate discussions among learners to explore the differences between job orders, batches and contracts. Through collaborative dialogue, learners will have the opportunity to articulate their understanding, share insights and engage with diverse perspectives. This method not only enhances communication and critical thinking skills but also encourages active participation and peer learning. Teachers should encourage all learners to contribute to the discussion, ensuring that each learner has the opportunity to voice their thoughts and ideas.

Particular attention should be paid to learners with special education needs, making relevant accommodations to ensure their full participation in all activities. To support teachers in their approach to differentiation, this manual sometimes refers to learners as approaching proficiency (AP), proficient (P) or working at a high level of proficiency (HP). Additionally, for gifted and talented learners, teachers can provide additional challenges or opportunities for deeper exploration, such as researching advanced concepts related to specific order costing or leading group discussions on more complex topics.

ASSESSMENT SUMMARY

Assessment strategies encompass various levels to evaluate learners' understanding of cost accounting. At level 1, simple recall questions test basic knowledge, such as listing characteristics of specific job order costing. Level 2 tasks require learners to further explain concepts on costing, which is beyond recall, demonstrating a clearer understanding of the lesson taught. Level 3, strategic thinking is assessed by analysing case studies or proposing strategies for cost management. Finally, level 4 involves extended critical thinking, with learners tackling complex questions or research projects about specific job orders. Assessments can be delivered through diverse methods, including written tests, projects, presentations and case studies. Clear instructions and evaluation criteria are essential for each task. Additionally, incorporating group discussions or peer reviews can enhance collaborative learning. Feedback should be timely and constructive, considering individual learner strengths and areas for improvement. Formative assessments allow for ongoing monitoring of progress, enabling teachers to adjust instruction as needed. These comprehensive assessment strategies aim to ensure learners grasp key concepts and develop critical thinking skills in cost accounting.

Week 21

Learning Indicator: *Outline the characteristics of specific job order costing, including job, contracts and batch*

Theme or Focal Area: **Specific job order costing: job and batch.**

Definition /Introduction:

Job costing is a form of specific order costing in which costs are attributed to individual jobs which are undertaken to a customer's specifications. Job costing involves a customer making a specific order for a piece of work to be done. Examples of when job costing would be applied are sewing a dress, building a house or food prepared for occasions.

Characteristics of job costing

1. Each job is unique.
2. Production is based on the customer's specifications. The job price is agreed upon with the customer before production starts.
3. Job price is based on cost estimation.
4. Separate records are kept for each job.
5. All costs related to a job are collected on a job card.

Advantages of job costing

1. The profit for each job can be determined individually.
2. It provides a detailed cost analysis of each element of cost for each job.
3. It is very useful in the estimation of costs for other jobs.
4. It helps in comparison of actual cost with estimated cost.
5. It helps in identifying profitable and unprofitable jobs.
6. It helps in providing precise quotations for a product.

Disadvantages of job costing

1. Difficulty in preventing unwanted costs during production.
2. There is no standard procedure in cost estimation.
3. It is not useful for cost-efficient and fast-paced jobs.
4. More clerical work is needed in cost estimation.
5. It is difficult to control costs.

Batch costing is a form of costing which applies when quantities of similar or identical products are manufactured in a group or as a batch. An example is where a company manufactures 5,000 identical chairs.

Batch is treated as a job during production. Each batch is identified by a number and all expenses are accumulated and cost to the batch. A unit cost is found by dividing the total cost by the number of units produced in the batch.

Learning Tasks

1. Discuss the characteristics of job costing.
2. Discuss the advantages of job costing.
3. Discuss the disadvantages of job costing.
4. Discuss the difference(s) between job and batch costing.

Pedagogical exemplars:**Initiating Talk for Learning:**

1. Teachers guide learners to review their knowledge of the elements of cost.
2. Teachers guide learners to discuss the meaning of job and batch costing.
3. Let learners work in pairs, considering abilities, gender and SEL to discuss the characteristics of job and batch costing.
4. Teachers guide learners to discuss the advantages and disadvantages of job costing.
5. Teachers move around the classroom to target learners who may need more support (AP). This may be through direct questioning or instructions or scaffolding discussions by providing simplified definitions or terminologies (AP). AP learners should be given additional attention in explaining job and batch costing.
6. Learners with a clear understanding (P) should be encouraged to discuss the differences between job and batch costing and their characteristics.
7. Learners with a high level (HP) of understanding of concepts, should be allowed to discuss the differences between job and batch costing; their characteristics, advantages and disadvantages.
8. Teachers should ensure the participation of all learners in each group while respecting the views of their colleagues.

Experiential learning:

1. Learners have the opportunity to visit local businesses to learn how they approach cost. Teachers guide the discussion back in the classroom on what was observed and the real-life application of costing principles.
2. Alternatively, teachers produce a scenario-based brief that requires learners to cost a job based on a given set of parameters. Learners work in mixed ability groups to prepare costings to share with the class.

Key Assessment**Formative Assessment****DoK Level 1: Recall**

1. List three characteristics of job costing.
2. What is a job costing?
3. What is batch costing?
4. State two advantages of job costing.

DoK Level 2: Skill Building

1. Differentiate between job and batch costing
2. Explain the advantages and disadvantages of job costing.

Theme or Focal Area: Specific job order costing: Contracts**Introduction**

Contract costing is a cost method, which applies where work is undertaken to the customer's specification and is of relatively longer duration as compared to a job or batch. Contract works are mostly of a constructional nature like the building of roads, bridges, ships, etc.

Characteristics of contract costing

1. A contract is done according to customers' specifications.
2. Contracts are of longer duration.
3. Each contract is undertaken at the customer's site/location.
4. Each contract is independent of other jobs.
5. Contracts are usually large in nature.

Advantages of contract costing

1. Work can be completed without any delay.
2. A contractor can find the total cost of the contract, the cost of each element and the amount of profit available from each contract.
3. There is little possibility of incurring loss since all the costs incurred are recovered from the contract.
4. The work of tenders and quotations is simplified.
5. The contractee can exercise effective control over the performance of the contract by having retention money.
6. The contractor gets the benefits in the case of increasing prices by incorporating escalation clauses.
7. It assumes a fixed percentage of profit to the contractor.

Disadvantages of contract costing

1. It becomes time-consuming when work is not done according to schedule.
2. Costs may increase when there are production delays.
3. Improper accounting records can lead to improper calculation of profits.
4. The contractor may have to pre-finance the contract.

Learning Tasks

1. Discuss the meaning of contract costing.
2. Outline the characteristics of contract costing.
3. Examine the advantages and disadvantages of contract costing.

Pedagogical exemplars:

Initiating Talk for Learning:

1. Teachers guide learners to review their knowledge of job and batch costing.
2. Teachers guide learners to discuss the meaning of contract costing.
3. Let learners work in pairs, considering abilities, gender and SEL to discuss the characteristics of contract costing.
4. Teachers guide learners to discuss the advantages and disadvantages of contract costing.
5. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions or to scaffold discussions by providing simplifying definitions or terminology (AP).
6. AP learners should be given additional attention in explaining contract costing.
7. Learners with a clear understanding (P) should be encouraged to discuss the meaning and characteristics of contract costing.
8. Learners with a high level (HP) of understanding of concepts should have the opportunity to discuss the meaning, characteristics, advantages and disadvantages of contract costing.
9. Teachers should ensure the participation of all learners in each group and that learners respect the views of other learners.

Key Assessment

Formative Assessment

DoK Level 1: Recall

1. What is contract costing?
2. List three characteristics of contract costing.
3. State two advantages of contract costing.
4. Give an example of a contract costing.

DoK Level 2: Skill Building

1. Explain the advantages and disadvantages of contract costing.
2. Differentiate between job and contract costing

DoK Level 3: Strategic Thinking:

1. Propose strategies for overcoming the disadvantages associated with implementing contract costing in a construction firm.
2. Evaluate the role of cost accounting systems in supporting strategic decision-making in companies that use job order, batch or contract costing methods.
3. Explain how the choice between job, batch or contract costing depends on the nature of the industry and the type of products or services produced.

DoK Level 4: Extended Critical Thinking Questions:

1. Critically evaluate the effectiveness of job order costing in industries characterised by high customisation and low production volumes.
2. Compare and contrast the advantages and disadvantages of batch costing and contract costing in industries with fluctuating demand and production volumes.
3. Assess the impact of technological advancements, such as automation and digitisation, on the relevance and applicability of traditional costing methods like job order, batch and contract costing.

Week 22

Learning Indicators:

1. *Identify processing organisations and explain the nature of Process Operations*
2. *Identify service organisations and explain the nature of the services they provide.*

Theme or Focal Area: **Processing organisations and explain the nature of process operations**

Definition /Introduction:

Process costing is a form of operating costing which applies where standardised goods are produced. It is used when there is mass production of similar products, where the costs associated with individual units of output cannot be differentiated from each other.

Process costing represents a method of cost procedure applicable to continuous or mass-production industries producing standard products. Examples of industries engaged in process production are breweries, oil refineries, chemical processing, food production, water distilleries, etc.

Main purpose of process costing

1. To ascertain the cost per unit of products.
2. To calculate the average cost of production at the end of every stage of production.
3. To determine the value of work in progress
4. To account for normal and abnormal losses during production.
5. To match the actual product cost against its related costs.

Characteristics of process costing

1. The production is continuous.
2. The product is homogeneous.
3. The process is standardised.
4. The output of one process becomes the raw material of another process.
5. The output of the last process is transferred to the finished stock.
6. Costs are compiled for each process by preparing a separate account for each process.
7. The finished products are identical and cannot be easily distinguished unless batch coding is done.

Advantages of process costing

1. **Cost uniformity:** Process costing ensures uniformity in costing by spreading costs evenly across all units produced within a specific period, regardless of the individual characteristics of each unit.
2. **Simplicity:** Compared to job costing, process costing is often simpler to implement and maintain, especially in industries where production processes are standardised and repetitive.
3. **Accurate costing:** It provides a more accurate representation of costs incurred at each stage of production, enabling better cost control and decision-making.

4. **Inventory valuation:** Process costing facilitates the valuation of work in progress and finished goods inventory at various stages of production, aiding in financial reporting and inventory management.
5. **Performance evaluation:** It allows for the evaluation of the efficiency and performance of each production process or department, helping management identify areas for improvement and cost reduction.
6. **Standardisation:** Process costing encourages the standardisation of production processes, which can lead to increased efficiency, reduced waste and better quality control.
7. **Cost tracking:** By assigning costs to specific processes or departments, process costing enables detailed tracking of production costs, making it easier to identify cost variances and their causes.
8. **Cost control:** With detailed cost information available for each process, management can implement effective cost control measures to optimise resource allocation and minimise wastage.

Disadvantages of process costing

1. **Loss of product individuality:** Process costing treats all units within a process or department as identical, which may lead to a loss of product individuality. This can be a drawback in industries where customisation or variation in products is important.
2. **Overhead allocation issues:** Allocating overhead costs based on predetermined rates may result in under or over-allocation of costs, leading to distorted product costs and potentially misleading decision-making.
3. **Difficulty in cost control:** Process costing may not provide detailed enough information for effective cost control, particularly if costs are aggregated at the process or department level rather than being tracked at a more granular level.
4. **Time and resource intensive:** Implementing and maintaining a process costing system can be time-consuming and resource-intensive, requiring careful documentation of production processes, cost allocation methods and overhead rates.
5. **Not suitable for small-scale operations:** Process costing is better suited to industries with large-scale, repetitive production processes. Small-scale or custom manufacturing operations may find it impractical or unnecessary.

Learning Tasks

1. Discuss the meaning of process costing.
2. Outline the characteristics of process costing.
3. Examine the main purpose of process costing.

Pedagogical exemplars

Initiating Talk for Learning/ Structuring Talk for Learning:

1. Teachers guide learners to review their knowledge of contract costing.
2. Show a video or series of pictures depicting processing operations in different industries.
3. Encourage learners to actively observe and analyse the operations shown in the video or pictures.
4. In an all-inclusive discussion, learners present their views and observations from the pictures or video(s) watched and share their views on processing organisations. Teachers guide learners to discuss the meaning of process costing.

5. Let learners work in pairs, considering abilities, gender and SEL to discuss the purpose and characteristics of process costing.
6. Teachers guide learners to discuss the advantages and disadvantages of process costing.
7. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions or to scaffold discussions by providing simplifying definitions or terminology (AP). AP learners should be given additional attention in explaining process costing.
8. Learners with clear understanding (P) should be encouraged to discuss the meaning, purpose and characteristics of process costing.
9. Learners with a high level (HP) of understanding of concepts, should be allowed to discuss the meaning, purpose, characteristics, advantages and disadvantages of process costing.
10. Teachers should ensure the participation of all learners in each group while respecting the views of other learners.

Key Assessment

Formative Assessment

DoK Level 1: Recall

1. Define process costing.
2. List three characteristics of process costing.
3. State two disadvantages of process costing.
4. Give an example of a product which uses a process costing method.

DoK Level 2: Skill Building

1. Discuss the advantages and disadvantages of process costing.
2. Differentiate between process and job costing

DoK Level 3: Strategic Thinking:

1. Propose strategies for overcoming the disadvantages associated with process costing.
2. Evaluate the role of cost accounting systems in supporting strategic decision-making in companies that use process costing methods.
3. Explain how the choice between contract or process costing depends on the nature of the industry and the type of products or services produced.

DoK Level 4: Extended Critical Thinking Questions:

1. Critically evaluate the effectiveness of process costing in industries characterised by high customisation and low production volumes.
2. Compare and contrast the advantages and disadvantages of process costing in industries with fluctuating demand and production volumes.
3. Explore the future trends and challenges facing processing organisations.

Theme or Focal Area: Identify service organisations and explain the nature of services provided.

Definition /Introduction:

Service costing involves the production of intangible items called “services” which cannot be stored. Examples of services are the activities or jobs of teachers, lawyers, pastors, drivers, etc.

Characteristics of Service Costing

1. Lack of inventory —There is no inventory for services.
2. Expiration—since services cannot be stored for future use, services cannot expire or perish like normal goods.
3. Inseparability—the production of the service cannot be separated from the owner.
4. Uniqueness—the production of services is unique and different. Every service produced is different from the other.

Objectives of service costing

1. To determine the cost per unit of service for which sales revenue may be earned.
2. To price the services provided.
3. To ascertain the profit or loss made in the provision of a service.
4. To provide management with cost information for cost control and improvement in services provided.

Organisations that use service costing and units produced

Applications	Cost units
Hospitals	In-patient days, number of surgeries, number of outpatients attended to, etc.
Consultancy	Client hours or days
Schools	School hours or days, numbers of learners, types of programmes
Canteen/ Restaurants	Number of plates of meals served
Maintenance services	Maintenance hours/days
Power generation organisations	Kilowatts used
Soliciting firms	Court days/ hours
Hotels	Occupied beds/ rooms, conference rooms, subscriptions for use of spa and gym centres
Library	Subscription for use of the library, library days/ hours
Transport services	Tonnes/ kilometre covered, number of passengers, distance covered

Advantages of service costing

1. **Cost visibility:** Service costing provides a clear picture of the costs associated with each service offered by a business, enabling better cost management and pricing decisions.
2. **Resource allocation:** It helps in allocating resources efficiently by identifying the costs incurred in delivering each service, allowing businesses to allocate resources based on profitability and demand.
3. **Performance evaluation:** Service costing facilitates the evaluation of the profitability and performance of each service, helping management identify areas for improvement and investment.
4. **Decision-making:** It provides valuable information for decision-making regarding service pricing, resource allocation, outsourcing and investment in new services or technologies.
5. **Customer profitability analysis:** Service costing enables businesses to analyse the profitability of individual customers or customer segments by attributing costs to specific services used by each customer.
6. **Benchmarking:** By comparing the costs and profitability of similar services within the industry, service costing helps businesses benchmark their performance and identify opportunities for cost reduction and efficiency improvement.

Disadvantages of service costing

1. **Complexity:** Service costing can be complex, especially in businesses offering a wide range of services with varying cost structures and revenue streams. Allocating overhead costs and indirect expenses accurately to each service can be challenging.
2. **Intangibility of services:** Unlike tangible products, services often involve intangible elements such as customer experience and satisfaction, making it difficult to measure and allocate costs accurately.
3. **Subjectivity:** Allocating costs to services may involve a degree of subjectivity, especially when assigning shared resources or indirect costs. This subjectivity can lead to biases and discrepancies in cost allocation.
4. **Difficulty in cost measurement:** Some services may lack clear cost drivers or units of measurement, making it difficult to determine the appropriate basis for allocating costs. This can result in arbitrary cost allocations and inaccurate profitability analysis.
5. **Customer heterogeneity:** Customers may vary significantly in their usage patterns and resource requirements, making it challenging to accurately attribute costs to individual customers or customer segments.

Learning Tasks

1. Discuss the characteristics of service costing.
2. Outline the objectives of service costing.
3. Discuss the organisations that use service costing and their cost units.
4. Discuss the advantages and disadvantages of service costing.

Pedagogical exemplars

Initiating Talk for Learning/ Structuring Talk for Learning:

1. Teachers guide learners to review their knowledge of process costing.
2. Teachers show a video(s) or series of pictures depicting service operations in different industries.
3. Teachers encourage learners to actively observe and analyse the operations shown in the video(s) or pictures.
4. In an all-inclusive discussion, learners present their views and observations from the pictures or video(s) watched and share their views on service organisations.
5. Teachers guide learners to discuss the meaning of service costing.
6. Let learners work in pairs, considering abilities, gender and SEL to discuss the purpose and characteristics of service costing.
7. Teachers guide learners to discuss the advantages and disadvantages of service costing.
8. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions or to scaffold discussions by providing simplifying definitions or terminology (AP). AP learners should be given additional attention in explaining service costing.
9. Learners with clear understanding (P), should be allowed to discuss the meaning, purpose and characteristics of service costing.
10. Learners with a high level (HP) of understanding of concepts should be encouraged to discuss the meaning, purpose, characteristics, advantages and disadvantages of service costing.
11. Teachers should ensure the participation of all learners in each group while respecting the views of other learners.

Key Assessment

Formative Assessment

DoK Level 1: Recall

1. Define service costing
2. List three characteristics of service costing.
3. State two advantages of service costing.
4. List three organisations that provide services and their units of production.

DoK Level 2: Skill Building

1. Discuss the advantages and disadvantages of service costing.
2. Differentiate between service costing and contract costing

DoK Level 3: Strategic Thinking:

Propose strategies for overcoming the disadvantages associated with service costing.

Section 9 Review

Our journey through cost accounting has emphasised the crucial role of determining product and service costs for effective pricing control. In this section, learners are expected to have mastered the characteristics of specific order costing, distinguishing between job, batch and contract scenarios to apply appropriate costing methods. Again, understanding processing organisations' dynamics is expected to have equipped learners with the skills and knowledge needed to identify different organisational contexts and deploy tailored cost accounting strategies. Additionally, insights into service organisations are aimed at providing a deeper understanding of cost determination in service-based industries. Through experiential-based learning, such as field trips and collaborative discussions using talk for learning, learners have engaged actively, gaining practical experience and honing communication and critical thinking skills. Assessment strategies, ranging from basic recall to extended critical thinking tasks, have ensured a comprehensive grasp of the subject matter. Overall, learners now possess the knowledge and skills necessary for strategic decision-making in pricing control across diverse sectors, underscoring the significance of cost accounting in business management and finance.

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Additional Reading

Any approved financial accounting Book by NaCCa can be used as further reading material

SECTION 10: MARGINAL AND ABSORPTION COSTING, BREAK-EVEN ANALYSIS & BUDGETARY CONTROL

Strand: **Cost Accounting**

Sub-Strand: Analysing information for control and decision-making

Content Standard: Demonstrate an understanding of the techniques for analysing the cost of operations.

Learning Outcome: *Explain the techniques of analysing cost for different purposes.*

Introduction and Section Summary

This section covers Weeks 23 and 24. Here, learners will focus on the techniques for analysing costs for different purposes, essential for effective decision-making and control within organisations. This section emphasises understanding marginal and absorption costing, clarifying their concepts and importance in cost analysis. Again, learners will explore the distinctions between these two methods and their respective implications for decision-making processes. Furthermore, they examine break-even analysis and its assumptions, limitations and significance in determining the point at which total revenue equals total costs. Additionally, learners will cover the concept of Budgetary Control, recognising its importance in planning and monitoring financial performance against predefined objectives. At the end of this section, learners should be proficient in applying these techniques to analyse costs effectively for various managerial purposes. Teachers should highlight the interrelationship of these concepts with subjects such as managerial accounting to provide a holistic understanding of organisational decision-making processes.

The weeks covered by the section are:

Week 23: Marginal and Absorption Costing and Break-Even Analysis

Week 24: Budgetary Control

SUMMARY OF PEDAGOGICAL EXEMPLARS

The pedagogical exemplars outlined encompass a variety of teaching and learning strategies aimed at promoting active engagement and understanding among learners in the domain of cost accounting. Initiating Talk for Learning: The approach begins with inclusive discussions led by the teacher to clarify the detailed concepts of marginal and absorption costing. This method fosters a collaborative learning environment where learners can actively participate, share perspectives and collectively grasp all the key points in cost accounting methods. Through inclusive discussions, learners are encouraged to voice their thoughts, ask questions and seek clarification where necessary. Subsequently, structured discussions are employed to delve into the concept of standard costing and its significance in performance evaluation. Furthermore, the pedagogical approach emphasises the use of think-pair-share activities to explore the concept of budgetary control. Through collaborative discussions, learners engage in thoughtful exchanges of ideas while respecting and tolerating differing viewpoints. This interactive method not only deepens understanding but also cultivates essential communication skills and encourages learners to consider alternative perspectives in the context of planning and financial management.

Additionally, differentiation strategies are integral to addressing the diverse learning profiles within the classroom, ensuring that all learners have the opportunity to thrive and excel.

Particular attention should be paid to learners with special education needs, making relevant accommodations to ensure their full participation in all activities. To support teachers in their approach to differentiation, this manual sometimes refers to learners as approaching proficiency (AP), proficient (P) or working at a high level of proficiency (HP).

ASSESSMENT SUMMARY

Assessing learners' understanding and mastery of concepts related to marginal and absorption costing, standard costing, break-even analysis and budgetary control requires a multifaceted approach that aligns with the pedagogical exemplars provided. For marginal and absorption costing, a combination of written assessments and oral questioning are employed to measure learners' comprehension. This includes both recall questions to assess basic understanding and higher-order thinking questions to evaluate analytical skills. Responses are carefully recorded in the transcript, documenting the depth of explanations and identifying any misconceptions that may arise during assessment. Various assessment strategies such as presentations, project work, essays and fill-in-the-blanks can be administered to assess learners' foundational and functional understanding of marginal and absorption cost, break-even analysis, standard costing and budgetary control. The assessment strategy employs a tiered approach to gauge learners' understanding with each question being assigned a Depth of Knowledge (DoK) level to support differentiation.

Throughout the assessment process, clear instructions and rubrics should be provided to guide learners in demonstrating their understanding effectively. The transcript serves as a record of learners' performance and contributions, highlighting areas of strength and areas for improvement. Constructive feedback must be offered to support learners' ongoing learning and development in cost accounting concepts, ensuring continuous progress and comprehension.

Week 23

Learning Indicator: *Explain the concepts of marginal and absorption costing and their importance*

Theme or Focal Area: **Marginal and absorption costing**

Definition /Introduction:

This is a technique in which variable costs are charged to cost units and the total fixed costs of the period are written off in full against the aggregate contribution.

Marginal costing, also known as direct costing or the contribution approach, distinguishes between variable costs and fixed costs. The marginal cost of a product is the sum of all variable costs incurred on the product.

Advantages of marginal costing are:

1. Marginal costing can be combined with standard costing and budgetary control to make the control mechanism more effective.
2. A clear-cut division of costs into fixed and variable elements makes the flexible budgetary control system easy and effective; thereby, facilitating greater practical cost control.
3. It helps profit planning through break-even charts and profit graphs. Comparative profitability can easily be assessed and brought to the notice of the management for decision-making.
4. It helps in the pricing of products.
5. It is an effective tool for making or buying decisions.

Disadvantages of marginal costing

1. Segregation of all costs into fixed and variable costs is very difficult.
2. In marginal costing, greater importance is attached to the sales function; thereby, relegating the production function largely to a secondary position.
3. The elimination of fixed costs from the valuation of inventories is illogical since costs are also incurred in the manufacture of goods.
4. Pricing decisions cannot be based on contribution alone.

Absorption costing

Absorption costing is an accounting method that captures all manufacturing costs associated with the production of one unit of goods. It includes the cost of materials, labour and overheads. It is commonly referred to as the Full Costing Method.

Advantages of absorption costing

1. It is widely used and easy to understand.
2. Absorption costing recognises the importance of including fixed production costs in product cost determination and in determining a suitable pricing policy.
3. Absorption costing will show the correct profit than the variable costing.
4. Absorption costing conforms with accrual and matching accounting concepts which require matching costs with revenue for a particular accounting period.

5. Absorption costing avoids the separation of costs into fixed and variable elements which cannot be easily and accurately done.
6. The allocation and apportionment of fixed factory overheads to cost centres or departments make managers more responsible for the costs and services provided to their centres/departments.

Disadvantages of absorption costing:

1. It can lead to wrong decision-making when irrelevant costs are taken into consideration.
2. Fixed costs are treated as product costs which can inflate inventory valuations during periods of low production.

Learning Tasks

1. Discuss marginal and absorption costing.
2. Discuss the advantages and disadvantages of marginal and absorption costing.

Pedagogical exemplars

Initiating Talk for Learning/ Structuring Talk for Learning:

1. Teachers guide learners to review their knowledge of service costing.
2. Teachers guide learners to discuss the meaning of marginal and absorption costing.
3. Let learners work in pairs, considering abilities, gender and SEL to discuss the advantages and disadvantages of marginal costing.
4. Teachers guide learners to discuss the advantages and disadvantages of absorption costing.
5. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions or to scaffold discussions by simplifying definitions or terminology. AP learners should be given additional attention in explaining marginal and absorption costing.
6. Learners with a clear understanding (P) should be allowed to discuss the meaning and advantages of marginal and absorption costing.
7. Learners with a high level (HP) of understanding of concepts, should be allowed to discuss the meaning, advantages and disadvantages of marginal and absorption costing.
8. Teachers should ensure the participation of all learners in each group while respecting the views of other learners.

Key Assessment

Formative Assessment

DoK Level 1: Recall questions

1. What is marginal costing?
2. What is absorption costing?
3. List two advantages of marginal costing.
4. List two disadvantages of absorption costing.

DoK Level 2: Skills Building

1. Explain the advantages and disadvantages of marginal costing.
2. Discuss the advantages and disadvantages of absorption costing to a business.

DoK Level 3: Strategic Reasoning

1. Compare and contrast the usefulness of marginal and absorption costing approaches.
2. Discuss the importance of variable costs in marginal costing and their impact on profitability.

Theme or Focal Area: Explain the concept of break-even analysis, its assumptions and its importance.

Introduction

Break-even analysis or cost volume profit analysis (CVP) is the study of the interrelationship between costs, volume and profit at different levels of activity.

Assumptions under break-even analysis

1. All costs can be segregated into fixed and variable.
2. The selling price per unit remains constant irrespective of the levels of activity.
3. Production volume is equal to sales volume.
4. Production methods (technology) will remain constant.
5. Fixed cost per period will remain the same and variable cost in total will vary with the level of activity.
6. There is no change in the general price level.

Terms used in break-even analysis

1. Break-even point
This is the point at which total cost is equal to total sales revenue. It can be calculated in units of production and revenue.
2. Contribution
Contribution is the excess of sales over variable costs. It shows how much a product is contributing towards fixed costs and profits. It is calculated as sales less variable cost.
3. Margin of safety
The margin of safety is the excess of sales or output over the break-even point. It indicates how much sales can fall before the business starts incurring losses.
4. Angle of incidence
It is an angle where the sale revenue line and total cost line meet. This angle is formed from the start of the break-even point and shows the rate at which a company is making profits. The bigger the angle of incidence, the higher the rate of profits.

Advantages/uses of break-even analysis

1. It helps in setting target profits
2. It helps in setting selling prices
3. It assists in determining the changes in selling price and its impact on profit.

4. It assists in determining at what level of sales total cost is equal to total revenue.

Limitations of break-even analysis

1. Not all costs can be divided into fixed and variable
2. The assumption that fixed cost remains fixed is not true because, in the long run, fixed cost becomes variable.
3. The assumption that variable costs per unit remain constant is not always true. Quantity discounts can change the variable cost per unit.
4. The assumption that technology for production remains the same is not true.

Learning Tasks

1. Discuss the concept of break-even analysis.
2. Discuss the assumptions underlying break-even analysis.
3. Discuss the terms used in break-even analysis.
4. Discuss the advantages and disadvantages of break-even analysis.

Pedagogical exemplars

Initiating Talk for Learning/ Structuring Talk for Learning:

1. Teachers guide learners to review their knowledge of marginal and absorption costing.
2. Teachers guide learners to discuss the concept of break-even analysis.
3. Let learners work in pairs, considering abilities, gender and SEL to discuss the assumptions underlying and terms used in break-even analysis.
4. Teachers guide learners to discuss the advantages and disadvantages of break-even analysis.
5. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions or to scaffold discussions by providing simplifying definitions or terminology (AP). AP learners should be given additional attention in explaining the concept of break-even analysis.
6. Learners with clear understanding (P) should be allowed to discuss the concept of break-even analysis, its underlying assumptions and the terms used.
7. Learners with a high level (HP) of understanding of concepts, should be allowed to discuss the concept of break-even analysis, its underlying assumptions, terms used, advantages and limitations.
8. Teachers should ensure the participation of all learners in each group while respecting the views of other learners.

Key Assessment

Formative Assessment

DoK Level 1: Recall questions

1. What is break-even analysis?
2. List three assumptions underlying break-even analysis.

3. List two advantages of break-even analysis.
4. List two limitations of break-even analysis.

DoK Level 2: Skills Building

1. Explain the advantages and limitations of break-even analysis.
2. Explain at least two terms used in break-even analysis.

Week 24

Learning Indicator: *Explain budgetary control and its importance in planning*

Theme or Focal Area: **Budgetary control and its importance in planning**

Definition /Introduction:

Budgetary Control

Budgetary control is a system of controlling costs, which includes the preparation of budgets, establishing responsibilities of departments, comparing the performance with the budget and acting upon the results to achieve maximum profits.

The process of budgetary control

1. Preparation of various functional and subsidiary budgets.
2. Coordination of the subsidiary budgets into a master budget.
3. Continuous comparison of actual performance with budgetary performance.
4. Revision of budgets in the light of changing circumstances.

Objectives of budgetary control

1. To establish a plan or budget covering all activities of a business to decide the policies and objectives of the business.
2. To fix in monetary terms the objective which the business has set out to achieve within a period.
3. To enable management to put in place a system of control to ensure that the work is progressing as per the plan.
4. To help management in planning how to efficiently use the resources of the business.
5. It ensures coordination among departments as the various departments rely on each other to achieve the stated goals.

Advantages of budgetary control

1. **Improved planning and forecasting:** Budgetary control enables organisations to plan their financial activities and forecast future results. This helps to identify potential problems and make corrections to the budget accordingly.
2. **Increased efficiency:** It helps organisations to allocate resources more effectively, reduce waste and increase efficiency.
3. **Better decision-making:** Providing detailed financial information facilitates better decision-making at all levels of an organisation.
4. **Increased accountability:** It assists in increasing accountability within an organisation by providing clear performance targets and measures of success.
5. **Better cash flow management:** This process gives organisations a clear understanding of their cash flow, helping them make informed decisions about managing their cash resources.
6. **Enhanced control and monitoring:** It provides organisations with a systematic approach to monitoring and controlling their financial activities, reducing the risk of financial errors and mismanagement.

Disadvantages of budgetary control

1. Budgetary controls are based on estimates - Budgeting is based on a certain amount of estimation. A revision or modification of estimates should be made when variations from the estimates warrant a change of plans.
2. Requires cooperation of all departments - The success of implementing budgets requires the cooperation and participation of all relevant members of an organisation.
3. There is a need for flexibility - Budgets are prepared in advance, based on estimates and for future use. Some changes may be required but the estimates may remain the same. Thus flexibility becomes necessary for the success of the budget.
4. It is expensive - The use of budgetary control techniques is expensive. It requires detailed analysis and planning. Most small organisations cannot afford the cost.
5. It is time-consuming - The installation of budgetary control takes substantial time. The budgeted plan must be explained to the responsible persons, who must be guided, trained and educated regarding the fundamental steps, methods and purpose of budgetary control.

Learning Tasks

1. Explain budgetary control and its processes.
2. Discuss the objectives of budgetary control.
3. Discuss the advantages and disadvantages of budgetary control.

Pedagogical exemplars**Initiating Talk for Learning/Collaborative Learning:**

1. Teachers guide learners to review their knowledge of break-even analysis.
2. Teachers guide learners in a whole class discussion to explain budgetary control.
3. Let learners work in pairs, considering abilities, gender and SEL to discuss the processes and objectives in budgetary control.
4. Teachers guide learners to discuss the advantages and disadvantages of budgetary control.
5. Teachers guide learners in reflecting on key points from the lesson.
6. Teachers move around the room to target learners who may need more support (AP). This may be through direct questioning or instructions or to scaffold discussions by providing simplifying definitions or terminology (AP). AP learners should be given additional attention in explaining budgetary control.
7. Learners with clear understanding (P), should be allowed to discuss the meaning of, processes and objectives of budgetary control.
8. Learners with a high level (HP) of understanding of concepts, should be allowed to discuss the meaning of, processes, objectives, advantages and disadvantages of budgetary control.
9. Teachers should ensure the participation of all learners in each group while respecting the views of other learners.

Key Assessment-DoK

Formative Assessment

DoK Level 1: Recall questions

1. What is budgetary control?
2. List at least two objectives of budgetary control.
3. State at least two advantages and two disadvantages of budgetary control.

DoK Level 2: Skills Building

1. Explain the term 'Budgetary Control'.
2. Explain three advantages and three disadvantages of budgetary control.
3. Explain the process of setting up budgetary control.

Section 10 Review

Throughout weeks 23 and 24, learners examined various concepts for analysing cost such as marginal costing, absorption costing and standard costing. Learners were taken through the concepts of break-even analysis and budgetary control which are crucial for effective organisational decision-making. The section commenced with an exploration of marginal and absorption costing, where learners covered the distinctions between these methods and their implications for managerial decision-making. Subsequently, learners engaged in break-even analysis, comprehending its assumptions, limitations and significance in determining the break-even point. Furthermore, learners deepened their understanding of budgetary control, recognising its importance in planning and monitoring financial performance against predefined objectives.

Pedagogical exemplars employed throughout this section emphasised active engagement and understanding among learners. Among the strategies deployed were initiating talk and collaborative learning where learners were engaged in mixed-ability and mixed-gender groups to think-pair-share ideas on concepts and make presentations fostering critical thinking, collaboration and communication skills. Differentiation strategies were integral to ensuring that lessons met the varied learning needs of learners. Differentiation featured in the learning task, pedagogical exemplars and assessment were tailored towards captivating and encouraging AP, P and HP learners to actively participate and contribute during teaching and learning. By the end of this section, each learner should have acquired proficiency in applying cost accounting techniques for analysing costs effectively. Additionally, they should have gained foundational knowledge and a functional understanding of break-even analysis and budgetary control.

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7. NaCCa (2023), Business Studies Curriculum.

Additional Reading

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