



AGA KHAN UNIVERSITY EXAMINATION BOARD

Principles of Accounting

Grades IX-X

FOR ANNUAL EXAMINATION 2023 AND ONWARDS

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**Secondary School Certificate
Examination Syllabus**

**PRINCIPLES OF ACCOUNTING
GRADES IX-X**

**This syllabus will be examined in Annual Examination
only from Annual Examinations 2023**

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Preface

Established in 2002 through the Pakistan government's ordinance, the Aga Khan University Examination Board (AKU-EB) is country's first private autonomous qualification awarding body for secondary (SSC) and higher secondary (HSSC) school certifications. Its vision is to be a model of excellence and innovation in education in Pakistan and the developing world.

AKU-EB achieves its vision by developing examination syllabi which inculcate conceptual thinking and higher order learning and are aligned with National/ trans-provincial curricula and international standards. AKU-EB revises its syllabi periodically to support the needs of students, teachers and examiners.

The aims of the syllabus review of SSC and HSSC are to:

- Ensure continued compatibility with the goals of the trans-provincial curricula of Pakistan.
- Review the content for inclusion of new knowledge and deletion of obsolete knowledge.
- Review the content for clarity and relevance as per the changing needs of students, teachers and examiners.
- Enhance and strengthen continuation and progression of content both within and across grades IX - XII (SSC and HSSC).
- Ensure the readiness of students for higher education.

During the syllabus review, the needs of all the stakeholders were identified through a needs-assessment survey. Students and teachers of AKU-EB affiliated schools from across Pakistan participated in the survey. Thereafter, a revision panel, which consisted of examiners, teachers of affiliated and non-affiliated schools, teacher trainers and university academicians, reviewed and revised the syllabus following a planned, meticulous and standardised syllabi review process.

The syllabus is organised into topics and subtopics. Each subtopic is further divided into achievable student learning outcomes (SLOs). The SLOs of the cognitive domain are each assigned a cognitive level on which they have to be achieved. These cognitive levels are 'knowledge', 'understanding' and 'application', the latter also including other higher order skills. This is followed by the Exam Specification which gives clear guidance about the weightage of each topic and how the syllabus will be assessed.

The development of the revised syllabus has been made possible by the creativity and relentless hard work of Curriculum and Examination Development unit and the constant support provided by all the other units of AKU-EB. We are particularly thankful to Dr Sohail Qureshi for his very useful feedback on revising the syllabus review process, to Dr Naveed Yousuf for his continued guidance and support throughout the syllabus revision process and to Raabia Hirani for leading the syllabi revision. We are also thankful to all the students and teachers who took part in the needs-assessment survey and to the principals of AKU-EB affiliated schools who made this endeavour possible by facilitating and encouraging their teachers to be a part of the survey and the syllabus revision panel.

With your support and collective hard work, AKU-EB has been able to take the necessary steps to ensure effective implementation of the best international and trans-provincial standards through this syllabus. We are confident that this syllabus will continue to provide the support that is needed by students to progress to the next level of education and we wish the very best to our students and teachers in implementing this syllabus.



Dr Shehzad Jeeva

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FOR ANNUAL EXAMINATION 2023 AND ONWARDS

Understanding of AKU-EB Syllabi

1. The AKU-EB syllabi guide the students, teachers, parents and other stakeholders regarding the topics that will be taught and examined in each grade (IX, X, XI and XII). In each syllabus document, the content progresses from simple to complex, thereby, facilitating a gradual, conceptual learning of the content.
2. The topics of the syllabi are divided into subtopics and **student learning outcomes (SLOs)**. The subtopics and the SLOs define the depth and the breadth at which each topic will be taught, learnt and examined. The syllabi also provide enabling SLOs where needed to scaffold student learning.
3. Each SLO starts with an achievable and assessable **command word** such as describe, relate, evaluate, etc. The purpose of the command words is to direct the attention of teachers and students to specific tasks that the students are expected to undertake in the course of their studies. The examination questions are framed using the same command words or their connotations to elicit evidence of these competencies in students' responses.
4. The topics of the syllabi are grouped into themes derived from the National/ trans-provincial curricula. The connection between various themes and topics is highlighted in the '**concept map**' provided at the beginning of each syllabus. This ensures that students begin to understand the interconnectedness of knowledge, learn conceptually and think critically.
5. The SLOs are classified under three **cognitive levels**: knowledge (K), understanding (U) and application and other higher order skills (A) for effective planning during teaching and learning. Furthermore, it will help to derive multiple choice questions (MCQs), constructed response questions (CRQs) and extended response questions (ERQs) on a rational basis from the subject syllabi.
6. By focusing on the achievement of the SLOs, these syllabi aim to counter the culture of rote memorisation as the preferred method of examination preparation. While suggesting relevant, locally available textbooks for achieving these outcomes, AKU-EB recommends that teachers and students use multiple teaching and learning resources for achieving these outcomes.
7. The syllabi follow a uniform layout for all subjects to make them easier for students and teachers to follow. They act as a bridge between students, teachers and assessment specialists by providing a common framework of student learning outcomes and **exam specifications**.
8. On the whole, the AKU-EB syllabi for Secondary School Certificate (SSC) provide a framework that helps students to acquire conceptual understanding and learn to critically engage with it. This lays a solid foundation for HSSC and beyond.

Subject Rationale of AKU-EB Principles of Accounting

Why study AKU-EB Principles of Accounting?

The course of Principles of Accounting will help the students to:

- be familiar with the basic concept of accounting and bookkeeping which will help them to organise, classify, manage and prepare set of records and statements of day to day operations of business transactions.
- explore how business are effected by various non-cash transaction such as depreciation and doubtful debts.
- develop the skills of using accounting equation to process business transactions and to prepare statement of financial position of the business and statement of affairs.
- be acquainted with the latest changes in the field of accounting and bookkeeping with reference to international accounting laws and standards such as IFRSs (International Financial Reporting Standards) and IAS (International Accounting Statement).
- develop an understanding of preparing and analysing financial statements including year-end adjustments and accounting errors.
- be familiar with the accounting of different forms of business such as sole owner, partnership, joint stock companies and NPOs (non-profit organisations).
- develop interest about subject of accounting so that they can pursue the field of accounting in their future qualification.
- develop correlation and integration between different subject options available to commerce students.

Where will it take you?

Accounting assists an individual in understanding the maintenance of accounting records. It helps in recording the day to day business transactions in different accounting books which allows the business to know its annual earning and its financial status and strength. Because of accounting, businesses are able to make better economic decisions regarding cost and profit.

Studying accounting also provides an opportunity to an individual to excel in the field of business as an entrepreneur, accounting and finance, tax consultancy, auditing, cost and management accounting, budget and planning.

The AKU-EB accounting syllabi progression covers accounting of different forms businesses i.e. sole owner, partnership, company accounting and cooperative societies. Bookkeeping, accounting for sole owner, accounting for non-profit organisation and incomplete records are mostly covered in SSC part 1 and HSSC part 1 where students will look at the working of the accounting cycle in relation to accounting records and some important accounting aspect like accounting for non-current assets and accounting for doubtful debts. Whereas SSC part 2 and HSSC part 2 enable the students to acquire skills to do accounting for partnership, accounting for companies and cash flow accounting.

How to approach the syllabus?

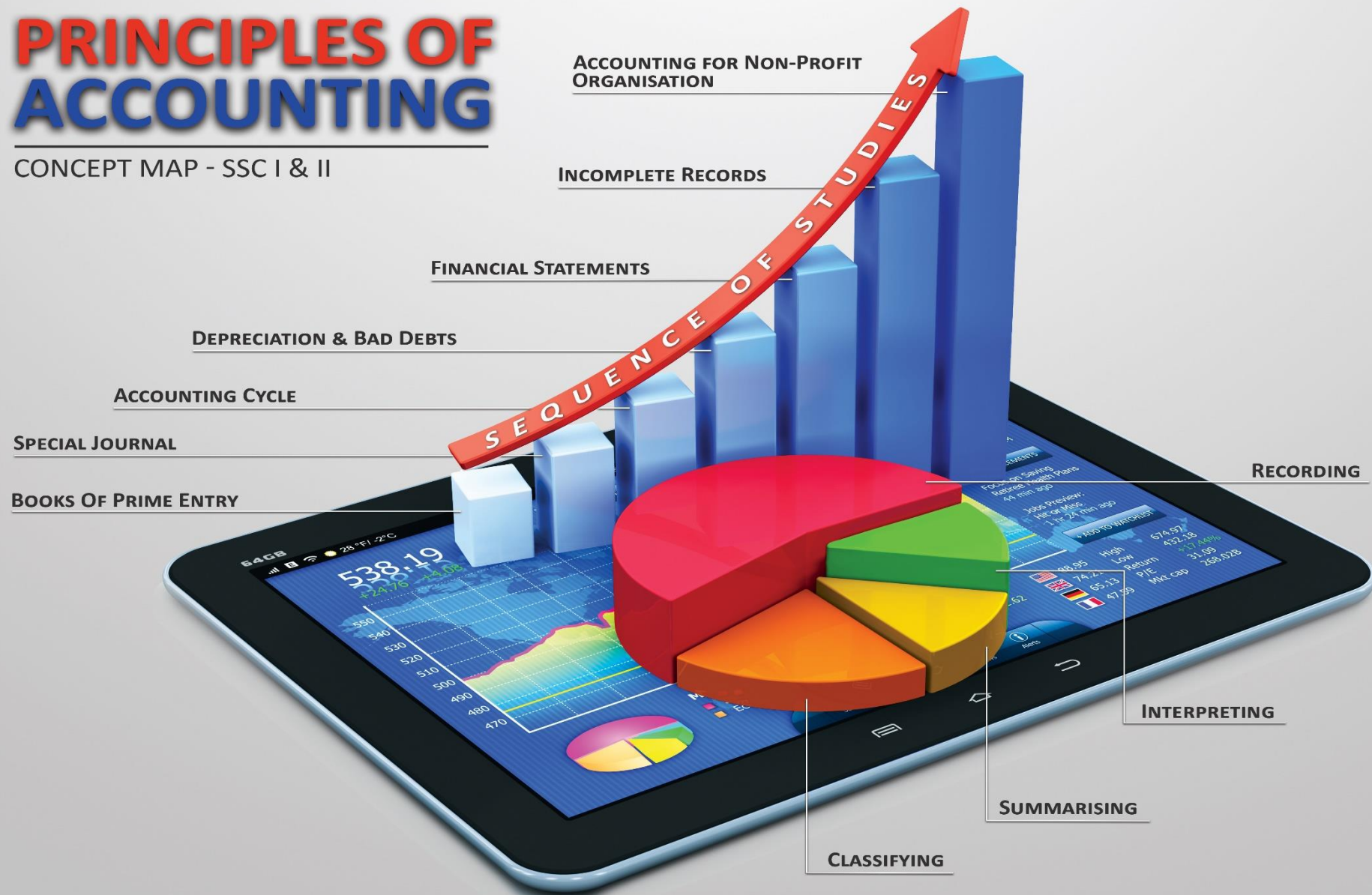
The concept map of the syllabus gives an overview of the entire syllabus. The topics and the student learning outcomes (SLOs) guide regarding the details about what has to be achieved. And finally, the exam specification guides regarding what will be expected in the examination.

What is the concept map telling you?

Recording, classifying and summarising are the key objective of accounting and this is also depicted in the concept map of accounting which starts from recording and bookkeeping and then moves to classifying and summarising in the form of financial statements of a sole owner. It also covers some special aspects like accounting for incomplete records and non-profit organisation.

PRINCIPLES OF ACCOUNTING

CONCEPT MAP - SSC I & II



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Student Learning Outcomes of AKU-EB SSC Principles of Accounting Syllabus

Part I (Grade IX)

Topic and Sub-topics		Student Learning Outcomes		Cognitive Level ¹		
				K	U	A
1. Introduction to Accounting		Students should be able to:				
1.1 Introduction to Accounting and its Significance	1.1.1	define 'accounting';	*			
	1.1.2	explain the need, objectives and functions of accounting;			*	
	1.1.3	explain book keeping and its objectives;			*	
	1.1.4	differentiate between book keeping and accounting;			*	
	1.1.5	list the users (parties) of accounting with reference to different domains i.e. owner, management, creditor, employees, investors, government, consumers;	*			
1.2 Accounting Cycle and Fundamentals of Accounting	1.2.1	explain the elements of accounting (accounting process/ accounting cycle): a. origination of transaction b. recording the transaction in the journal c. posting to the ledger d. preparation of trial balance e. preparation of financial statements;			*	
	1.2.2	describe the following: a. accounting cycle b. accounting period c. types of accounting period;			*	
	1.2.3	explain the concepts of asset, liability, capital, expense, revenue (income);			*	
	1.2.4	describe the components of the 'accounting equation';			*	

¹ K = Knowledge, U = Understanding, A= Application and other higher- order cognitive skills

Topic and Sub-topics	Student Learning Outcomes		Cognitive Level		
			K	U	A
	Students should be able to:				
	1.2.5	apply the accounting equation on different business transactions;			*
	1.2.6	describe the rules of debit and credit with respect to increase and decrease in assets, liabilities, capital, revenues and expenses;		*	
	1.2.7	apply the rules of debit and credit on different business transactions;			*
1.3 Accounting Assumptions	1.3.1	discuss the following accounting assumptions: a. business entity b. money measurement c. historic cost d. dual aspects/ concepts e. accrual basis/ matching principle f. consistency g. going concern h. prudence concept.		*	

Topic and Sub-topics	Student Learning Outcomes		Cognitive Level		
			K	U	A
2. Accounting Cycle	Students should be able to:				
2.1 General Journal	2.1.1 recall accounting cycle; 2.1.2 define 'general journal entry'; 2.1.3 describe the objectives of preparing general journal entries; 2.1.4 explain narration and its importance; 2.1.5 describe the rules of journalising; 2.1.6 prepare general journal entries for different business transactions;		CA *	* * *	*
2.2 General Ledgers	2.2.1 illustrate the method of posting or rules (features) of ledgering; 2.2.2 post the transactions in a general ledger in all three types, i.e. a. T-Form (skeleton form) b. Standard Form (columnar form) c. Self-balancing (running balance form); 2.2.3 illustrate the method of footing and balancing of ledger accounts;				* * *
2.3 Trial Balance	2.3.1 define trial balance; 2.3.2 prepare and balance the trial balance by extracting the data from general ledger;		*		*

Topic and Sub-topics	Student Learning Outcomes		Cognitive Level		
			K	U	A
	Students should be able to:				
2.4 Financial Statements	2.4.1	define financial statements;	*		
	2.4.2	explain the key components of financial statements, i.e. income statement and statement of financial position (balance sheet);		*	
	2.4.3	prepare income statement in classified form;			*
	2.4.4	prepare statement of financial position (balance sheet) in classified form. [Note: The financial statements does not include adjustments]			*

Topic and Sub-topics	Student Learning Outcomes		Cognitive Level		
			K	U	A
3. Books of Prime Entry/ Books of Original Entry	Students should be able to:				
3.1 Books of Prime Entry	3.1.1 define books of original entry (prime entry); 3.1.2 describe different books of original entry, i.e. a. cash book and petty cash book b. sales (revenue) day book c. sales (revenue) return day book d. purchases day book e. purchases return day book f. general journal;		*	*	
3.2 Cash Book and Petty Cash Book	3.2.1 define cash book; 3.2.2 explain types of cash books, i.e. a. two column cash book b. three column cash book; 3.2.3 prepare cash book and relevant T-Accounts/ Ledgers, i.e. sales (revenue) discount and purchase discount; 3.2.4 describe a petty cash book; 3.2.5 explain the purpose of preparing petty cash book; 3.2.6 explain systems of petty cash, i.e. a. ordinary system b. imprest system; 3.2.7 prepare petty cash book; 3.2.8 post the entries for establishment, replenishment, and recording of petty cash expenses.		CA	* * * * * *	 * *

Topic and Sub-topics	Student Learning Outcomes		Cognitive Level		
			K	U	A
4. Special Journal and Control Accounts	Students should be able to:				
4.1 Special Journal	4.1.1	explain source documents used for different business transactions, i.e. voucher, purchase order, debit note and credit note;		*	
	4.1.2	compare cash discount and trade discount;		*	
	4.1.3	distinguish between: a. purchase journal and purchase account b. sales (revenue) journal and sales (revenue) account;		*	
	4.1.4	prepare special journal, i.e. sales (revenue) journal, purchase journal, sales (revenue) return journal, purchase return journal;			*
4.2 Control Account	4.2.1	prepare sales (revenue) ledger control account by posting: a. credit sales (revenue) b. sales (revenue) return c. cash received from customers d. bad debts e. discount allowed f. contra set-off g. dishonoured cheques h. opening balances and closing balances;			*
	4.2.2	prepare purchases ledger control account by posting: a. credit purchases b. purchases return c. cash paid to suppliers d. discount received e. contra set-off f. opening balances and closing balances.			*

Topic and Sub-topics		Student Learning Outcomes		Cognitive Level		
				K	U	A
5. Depreciation and Bad Debts		Students should be able to:				
5.1	Concept of Depreciation	5.1.1	define the concept of depreciation;	*		
5.2	Capital and Revenue Expenditures	5.2.1	distinguish between capital expenditures (extra ordinary expenditures) and revenue expenditures (ordinary expenditures);		*	
		5.2.2	identify different capital and revenue expenditures;		*	
		5.2.3	compute the amount of total capital and revenue expenditures:			*
5.3	Computation and Recording of Depreciation	5.3.1	compute the cost price, depreciable cost of non-current assets (fixed tangible assets with reference to cash discount and trade discount);			*
		5.3.2	compute purchase price of non-current assets;			*
		5.3.3	calculate depreciation with the help of: a. straight line method (fixed instalment method) b. diminishing balance method (reducing balance method);			*
		5.3.4	record the journal entries for acquisition (purchase) and depreciation of the non-current assets (fixed assets);			*
		5.3.5	prepare ledger accounts of: a. non-current assets b. depreciation c. provision (allowance) for depreciation;			*
		5.3.6	prepare adjusting entries for depreciation expense;			*

Topic and Sub-topics		Student Learning Outcomes		Cognitive Level		
				K	U	A
		Students should be able to:				
5.4	Provision (allowance) for Doubtful Debts and Bad Debts	5.4.1	explain the concepts of bad debts and provision (allowance) for doubtful debts;		*	
		5.4.2	differentiate between bad debts and provision (allowance) for doubtful debts;		*	
5.5	Adjustment for Provision (allowance) for Doubtful Debts	5.5.1	prepare general entry for recording bad debts written off;			*
		5.5.2	prepare general entry to record increase/ decrease in provision (allowance) for doubtful debts.			*

Part II (Grade X)

Topic and Sub-topics		Student Learning Outcomes		Cognitive Level		
				K	U	A
6. Depreciation and Bad Debts		Students should be able to:				
6.1 Methods of Computing Depreciation	6.1.1	recall the cost price, purchase price, depreciable cost of non-current assets (fixed tangible assets), straight line method and diminishing balance method;		CA		
	6.1.2	calculate depreciation using: a. hours method b. units method c. sum of year digit method;				*
6.2 Disposal of Non-Current Assets	6.2.1	compute the loss or gain on disposal (discard, sale and exchange) of non-current assets (fixed assets);				*
	6.2.2	prepare set of entries for loss or gain on disposal (discard, sale and exchange) of the non-current assets (fixed assets);				*
6.3 Bad Debts, Recovery of Bad Debt and Provision (allowance) for Doubtful Debts	6.3.1	explain the reason for charging provision (allowance) for doubtful debts;			*	
	6.3.2	prepare entries to record: a. bad debts written off b. increase/ decrease in provision (allowance) for doubtful debts c. bad debts recovered;				*
6.4 Aging Method For Computing Bad Debts	6.4.1	explain the concept of recording bad debts under aging method;			*	
	6.4.2	describe the procedure for recording of bad debts through aging method;			*	
	6.4.3	compute the amount of bad debts through the aging method;				*
	6.4.4	prepare general entry to record bad debts using aging method.				*

Topic and Sub-topics	Student Learning Outcomes		Cognitive Level		
			K	U	A
7. Financial Statements	Students should be able to:				
7.1 Financial Statements	7.1.1	define financial statements;	*	CA	
	7.1.2	explain the key components of financial statements, i.e. income statement and statement of financial position (balance sheet);			
	7.1.3	illustrate the procedure for the preparation of income statement in classified form (with adjustments);			*
	7.1.4	prepare income statement in classified form including adjustments;			*
	7.1.5	illustrate the steps for preparing the statement of financial position (balance sheet) in classified form (with adjustments);			*
	7.1.6	prepare statement of financial position (balance sheet) in classified form including adjustments;			*
7.2 Adjustments to Financial Statements	7.2.1	define adjusting entries;	*		
	7.2.2	prepare adjusting entries for following: a. prepayments/ prepaid expenses; b. accruals/ accrued expenses; c. provision (allowance) for depreciation; d. provision (allowance) for doubtful debts;			*
	7.2.3	prepare adjusted financial statements;			*
7.3 Closing Entries	7.3.1	explain the process of closing of books of accounts at the end of accounting period;		*	
	7.3.2	prepare general journal entries to close the expenses and revenues for a period.			*

Topic and Sub-topics		Student Learning Outcomes		Cognitive Level			
				K	U	A	
8. Accounting for Incomplete Records/ Single Entry		Students should be able to:					
8.1	Single Entry/ Incomplete Records (Pure single entry method)	8.1.1	define accounting systems;	CA	*	*	
		8.1.2	describe practices of: a. double entry system b. single entry system;				
		8.1.3	differentiate between single entry and double entry;				*
		8.1.4	explain pure single entry method (net worth system);				*
		8.1.5	calculate capital at the end and at the start;				
		8.1.6	retrieve missing figures, i.e. cash and bank balance, credit purchases, net purchases, credit sales (revenue) and net sales (revenue);				
		8.1.7	distinguish between statement of affairs and statement of financial position;				*
		8.1.8	prepare statement of profit and loss and statement of affairs by pure single entry method;				
8.2	Mark-up and Margin	8.2.1	explain the concepts of mark-up and margin;		*		
		8.2.2	differentiate between mark-up and margin;		*		
		8.2.3	illustrate the method of computing mark-up and margin;			*	
		8.2.4	retrieve missing figures with the help of mark-up and margin.			*	

Topic and Sub-topics	Student Learning Outcomes	Cognitive Level		
		K	U	A
9. Correction of Errors	Students should be able to:			
9.1 Accounting Errors and its Kinds	9.1.1 define accounting error; 9.1.2 explain the classification of error, i.e. a. errors not affecting trial balance (book keeping error) b. errors affecting trial balance (trial balance error);	*	*	
9.2 Errors Not Affecting Trial Balance	9.2.1 explain the errors that do not affect trial balance, i.e. a. error of omission b. error of commission c. error of principle d. error of complete reversal e. error of original entry f. compensating error; 9.2.2 describe the method of correcting various error not effecting the trial balance; 9.2.3 prepare general journal entries to correct error not effecting trial balance;		*	
9.3 Errors Affecting Trial Balance and Suspense Account	9.3.1 explain the errors that affect trial balance, i.e. a. error of transposition b. error of casting c. error of partial omission d. error of incomplete reversal; 9.3.2 describe the method of correcting various errors that affect trial balance; 9.3.3 prepare general journal entries to correct errors affecting trail balance;		*	*

Topic and Sub-topics	Student Learning Outcomes		Cognitive Level		
			K	U	A
	Students should be able to:				
	9.3.4	define suspense account;	*		
	9.3.5	exemplify the working of a suspense account;		*	
	9.3.6	prepare suspense account;			*
9.4 Effect of Errors on Gross and Net Profit	9.4.1	calculate revised profit by correcting different accounting errors (both affecting and not affecting trial balance).			*

Topic and Sub-topics	Student Learning Outcomes		Cognitive Level		
			K	U	A
10. Accounting for Non-Profit Organisation (NPO)	Students should be able to:				
10.1 Concept of Non-Profit Organisations	10.1.1	state the purpose of establishing a non-profit organisation (NPO);	*		
	10.1.2	list types of NPOs;	*		
10.2 Terminologies related to NPO	10.2.1	differentiate between accounting terminologies used by NPOs and other forms of the businesses;		*	
	10.2.2	explain the following accounting concepts related to NPOs: a. accumulated fund b. surplus c. deficit d. subscription in arrears e. subscription in advance f. ancillary activities;		*	
10.3 Statement of Income and Expenditure (Income and Expenditure Account)	10.3.1	explain statement of income and expenditures (income and expenditures account);		*	
	10.3.2	prepare subscription account including workings for arrears and advances;			*
	10.3.3	solve adjustment of income and expenditure;			*
	10.3.4	differentiate between: a. receipts and payment b. income and expenditure;		*	
	10.3.5	prepare statement of income and expenditures (income and expenditures account);			*
	10.3.6	explain concept and working of accumulated funds;		*	
	10.3.7	prepare statement of financial affairs (balance sheet) of NPO; [Note: Questions will not be set on life membership fee].			*

Scheme of Assessment

Grade IX

Table 1: Number of Student Learning Outcomes by Cognitive level

Topic No	Topic	No. of Sub Topics	SLOs			Total
			K	U	A	
1.	Introduction to Accounting	3	2	9	2	13
2.	Accounting Cycle	4	3	4	7	14
3.	Books of Prime Entry/ Books of Original Entry	2	1	5	3	9
4.	Special Journal and Control Accounts	2	0	3	3	6
5.	Depreciation and Bad Debts	5	1	4	9	14
Total		16	7	25	24	56
Percentage			13	44	43	100

Table 2: Exam Specifications

Topic No.	Topics	Marks Distribution		Total Marks
		MCQs	CRQs	
1.	Introduction to Accounting	5	Total 8 Marks (2 CRQs)	13
2.	Accounting Cycle	8	Total 10 Marks (2 CRQs)	18
3.	Books of Prime Entry/ Books of Original Entry	4	Total 9 Marks (2 CRQs)	13
4.	Special Journal and Control Accounts	5	Total 8 Marks (2 CRQs)	13
5.	Depreciation and Bad Debts	8	Total 10 Marks (2 CRQs)	18
Total		30	45	75

Grade X

Table 3: Number of Student Learning Outcomes by Cognitive level

Topic No	Topic	No. of Sub Topics	SLOs			Total
			K	U	A	
6.	Depreciation and Bad Debts	4	0	3	6	9
7.	Financial Statements	3	2	1	7	10
8.	Accounting for Incomplete Records/ Single Entry	2	0	6	5	11
9.	Correction of Errors	4	2	6	4	12
10.	Accounting for Non-Profit Organisations (N.P.O)	3	2	5	4	11
Total		16	6	21	26	53
Percentage			13	40	47	100

Table 4: Exam Specifications

Topic No.	Topics	Marks Distribution		Total Marks
		MCQs	CRQs	
6.	Depreciation and Bad Debts	6	Total 10 Marks (2 CRQs)	16
7.	Financial Statements	6	Total 10 Marks (2 CRQs)	16
8.	Accounting for Incomplete Records/ Single Entry	6	Total 9 Marks (2 CRQs)	15
9.	Correction of Errors	6	Total 8 Marks (2 CRQs)	14
10.	Accounting for Non-Profit Organisation (NPO)	6	Total 8 Marks (2 CRQs)	14
Total		30	45	75

- Multiple Choice Question (MCQ) requires candidates to choose one best/ correct answer from four options for each question. Each MCQ carries ONE mark.
- Constructed Response Question (CRQ) requires students to respond with a short text (few phrases/ sentences), calculations or diagrams.

- Tables 1 and 3 indicate the number and nature of SLOs in each topic in grades IX and X. This will serve as a guide in the construction of the examination paper. It also indicates that more emphasis has been given to Understanding (44% in SSC I and 40% in SSC II), Application and higher order skills (43% in SSC I and 47% in SSC II) to discourage rote memorisation. Tables 1 and 3 however do not translate directly into marks.
- There will be two examinations, one at the end of Grade IX and one at the end of Grade X.
- In each grade, the theory paper will be in two parts: paper I and paper II. Both papers will be administrated within 3 hours.
- Paper I theory will consist of 30 compulsory, multiple choice items. These questions will involve four response options.
- Paper II theory will carry 45 marks and consist of a number of compulsory, structured questions and a number of extended response questions. Each extended response question will be presented in an either/or form.
- All constructed response questions will be in a booklet which will also serve as an answer script.

Annex A: Accounting Formulae

Case 1:

Assets = Liabilities + Capital

Assets = Liabilities + (Capital + Profit)

Since, Profit = Revenue - Expenses

Therefore,

Assets = Liabilities + (Capital + Revenue - Expenses)

So, extended accounting equation is

Assets = Liabilities + Capital + Revenue - Expenses

Case 2:

Assets = Liabilities + Capital

Since, Assets = Non-current assets + current assets

Therefore,

Non-current assets + current assets = Liabilities + Capital

Since, Liabilities = Non-current liabilities + current liabilities

Therefore,

Non-current assets + current assets = Non-current liabilities + current liabilities + Capital

Non-current assets + current assets = Non-current liabilities + current liabilities + (Capital + Profit)

Since, Profit = Revenue - Expenses

Therefore,

Non-current assets + current assets = Non-current liabilities + current liabilities + (Capital + Revenue - Expenses)

So, extended accounting equation is

Non-current assets + current assets = Non-current liabilities + current liabilities + Capital + Revenue - Expenses

Annex B: Formats of Financial Statements of a Sole Trader
Income Statement (Profit and Loss Account)
for the year ended December 31, 201X

Gross Sales (revenue)		****	
Less: Sales (revenue) return		(****)	
Net Sales (revenue)			****
<u>Less: Cost of sales</u>			
Opening inventory		****	
<u>Add: Net purchases</u>			
Purchases	****		
Add: inward expenses	****		
Less: purchases return	(****)		
Net purchases		****	
Ending inventory		(****)	
Cost of sales			(****)
Gross profit			****
<u>Less: Operating expenses</u>			
General expenses		****	
Marketing expenses		****	
Administrative expenses		****	
Interest expenses		****	
Depreciation expenses		****	
Other expenses		****	
Total operating expenses			(****)
<u>Add: Other income</u>			
Discount received		****	
Commission income		****	
Interest income		****	

Net profit/ net loss			****/(****)

Statement of Financial Position (Balance Sheet) As at December 31, 201X		
<u>Assets</u>		
<u>Non-current assets</u>		
Land		****
Plant & Building	****	
Less: Provision (allowance) for depreciation	(****)	****
Machine & Equipment	****	
Less: Provision (allowance) for depreciation	(****)	****
Total non-current assets		****
<u>Current assets</u>		
Inventories	****	
Short-term assets/ office supplies	****	
Advance payments/ prepaids	****	
Net Trade receivables (accounts receivable)	****	
Other receivables	****	
Cash and cash equivalents	****	
Total current assets		****
Total assets		****
<u>Equity</u>		
Capital at start		
Add: Net Profit	****	
Less: Net Loss	(****)	
Less: Drawing	(****)	
Add: Investment	****	
Capital at end Total equity		****
<u>Non-current liabilities</u>		
Long-term trade liabilities	****	
Long-term bank loans	****	
Total non-current liabilities		****
<u>Current liabilities</u>		
Short-term bank loans/ bank overdraft	****	
Trade payables (accounts payable)	****	
Outstanding expenses/ accrued expenses	****	
Other liabilities	****	
Total current liabilities		****
Total liabilities		****
Total equity and liabilities		****

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