paradigm shift.

Accounting 2025 – New Content Added for 2025 Workbook

Please note that some chapters do not have any new content for 2025 so the omission of certain chapters in our review below is not an error.

This document is not intended to cover all points in the relevant sections: instead, we just want to give you an overview of the main points.

If you have also purchased access to our Certificate Level subscription package, don't forget to make use of the online quick-fire questions on these 2025 syllabus updates which are provided as part of our Accounting course: the quick-fire questions will get you working with the following content in an active way, which is always the best way to learn!

Chapter 1 Introduction to accounting

3.3.1 Taskforce on Climate-related Financial Disclosures

- Listed companies in the UK are required to apply the disclosure recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD)

- These disclosures include information on the climate-related risks and opportunities that the company faces

- An understanding of the detailed TCFD requirements is not necessary for the purposes of the Accounting examination

3.4 The ISSB and Sustainability Disclosure Standards

- The International Sustainability Standards Board (ISSB) has no authority to mandate the application of IFRS Sustainability Disclosure Standards

- It is up to national governments to require the application of IFRS Sustainability Disclosure Standards in annual reports

Chapter 3   Recording financial transactions

1.4   Cloud computing

- Cloud computing: On-demand access, via the internet, to computing resources such as applications, servers (physical and virtual), data storage, development tools, networking capabilities, etc

- These resources are hosted remotely by a cloud services provider (CSP)

- Cloud accounting: Performing accounting tasks using cloud computing software, usually delivered in a software-as-a-service (SaaS) model

- Cloud computing technologies have changed how organisations store and manage data

- A significant amount of organisational data is now held in servers operated by cloud-based service providers

- Cloud computing allows access to business services via the internet

- Types of cloud services:

    o Software as a service (SaaS) – Example: Anti-virus software. Software is hosted in the cloud with full functionality appearing on users' devices (e.g. Hotmail, Gmail). This is the most common type of cloud service, often directed at the end user

    o Platform as a service (PaaS) – Example: Windows Azure. The cloud provider offers virtual space for customers to host and develop their own applications, usually for a fee

    o Infrastructure as a service (IaaS) – Example: Data storage and backup. Cloud storage can handle both structured and unstructured data

- Benefits of cloud accounting include collaboration possibilities with advisors and professionals

- For example, an accounting team can remotely work with auditors or tax advisors, with all parties having access to live data simultaneously

1.5   Artificial intelligence

- Artificial Intelligence (AI): The creation and use of advanced computer systems to perform tasks typically requiring human intelligence

- AI includes functions like learning from data, reasoning and problem-solving, sensory understanding, language processing, and recognising patterns

- AI systems can adapt to new information or environments, operate with a degree of autonomy, and make informed decisions

- AI often, but not necessarily, involves Machine Learning

- AI is increasingly common in modern life

- An example is streaming platforms like Netflix, which analyse user watch history to suggest films or shows tailored to individual preferences, thus enhancing user engagement and satisfaction

AI's Role in Accounting and Bookkeeping

- AI is being increasingly utilised by accountants for its ability to save time and increase accuracy in postings

- AI can assist bookkeepers in several ways:

  - Automating data entry: AI can extract relevant information from receipts, invoices, and bank statements, significantly reducing manual work and potential errors when inputting digital documents

  - Categorisation of expenses: AI can learn to automatically categorise repeat transactions, such as coding invoices from the same supplier under the same expense type (e.g. EE invoices coded under "Phone expenses"). AI can also categorise new transactions by learning from past data, saving bookkeepers time and reducing error potential

  - Reconciliations: AI can match transactions between bank statements and accounting records, highlighting discrepancies for review. This streamlines the process of reconciling accounts

  - Fraud and error detection: AI can identify unusual patterns or amounts in financial data, alerting users to potential fraud or mistakes, such as unusually high sales compared to the average

  - Report generation: AI can assist in generating routine financial reports, freeing up time for bookkeepers to focus on more complex analysis

  - AI-powered customer service chatbots: Can answer basic client questions about their accounts, reducing the administrative burden on bookkeepers

Disadvantages of using AI in bookkeeping

- High initial cost: Setting up AI systems involves significant investment in software and training, which may be too costly for some businesses

- Difficulties with non-standard transactions: AI may misinterpret complex transactions requiring judgement, recording them incorrectly without detection

- Data dependence: AI's accuracy depends on the data it has been trained on. Poor data quality will result in errors, forcing bookkeepers to manually verify AI-generated results

- Security concerns: AI systems have access to confidential financial data, making robust security essential to prevent data breaches or unauthorised access

- AI can empower bookkeepers to focus on higher-value tasks by reducing time spent on repetitive data entry

- However, manual checks of AI task outputs will still be necessary to ensure accuracy, just as checks on human-generated tasks are conducted

3.3 Cheques

- Cheques: A written instruction from an account holder directing the bank to pay a specified amount to a designated individual or organisation

- When a business receives a cheque from a customer:

  - The business should record the cheque amount in the accounting system

  - Either the physical cheque is taken to the bank for processing, or alternatively, the cheque can be submitted electronically through online banking by scanning or providing a photo

  - The bank will process and cash the cheque, and the funds will be reflected in the business's bank account

- The process of cashing cheques can take several days

- Cheques are increasingly less common and largely replaced by online banking, though some small businesses and individuals still utilise them

Chapter 5   Preparing basic financial statements

1.2   Potential errors in an initial trial balance

- Some errors that can arise in a computerised accounting system include the following points

- Users may make data entry errors, such as inputting an incorrect amount (e.g. 10,000 instead of 100,000)

- Software "bugs" could cause errors. An example is the early 2000s, where subpostmasters employed by the Post Office encountered issues with Horizon software managing their accounts

- Subpostmasters claimed the software had bugs leading to apparent shortfalls in accounts, while the Post Office argued the software was accurate and attributed discrepancies to fraud by the subpostmasters

- Hundreds of subpostmasters were convicted, and those affected later sued the Post Office. In 2019, it was ruled that Horizon had bugs, errors and defects. The inquiry into this scandal is still ongoing in 2024

- Inaccurate formulae in the software could cause errors, such as incorrect tax or depreciation rates being applied

- Accounting systems are often integrated with other software packages like payroll or inventory management, and errors with integration or issues in the other software can result in accounting data inaccuracies

4   Preparing the statement of financial position

- A pro forma is first prepared with the relevant headings for assets, capital, and liabilities

- Assets, liabilities, opening capital, and drawings are transferred from the trial balance to the pro forma statement of financial position

- Profit or loss for the year from the statement of profit or loss is included as part of capital in the statement of financial position

- The total assets are summed, and the total capital and liabilities are also summed, ensuring that the total assets equal the total capital and liabilities to confirm that the statement of financial position balances

4.1   How to prepare the statement of financial position

- Accounts representing assets, capital, and liabilities (but not income and expenses) are balanced off in the accounting records at the end of the reporting period, with remaining balances carried down

- These carried down balances become the opening balances for the next reporting period

- Drawings are transferred to the capital account, and the profit or loss from the statement of profit or loss is also included in the capital account

- The closing balance on the capital account at the end of one period is then carried down to become the opening balance of the following period

- In the exam, candidates will be provided with a draft trial balance, a number of adjustments, and pro forma statements of profit or loss and financial position

- A full example and recommended methods for completing the exam are provided in Chapter 12

Chapter 6 Errors and corrections to accounting records and financial statements

2.2   Cheques

- Some smaller businesses continue to use cheques, although their use has declined significantly in recent years due to the growing preference for electronic payment methods

- Further information on cheques is available in Chapter 3, but cheques are not considered further in the Accounting syllabus

Chapter 10 Non-current assets, depreciation and impairment

6 Non-current asset disposals

- When a non-current asset is disposed of, the cost of the asset and its accumulated depreciation must be removed from the accounting records

- The proceeds received from the sale or disposal of the asset are recorded

- A profit or loss on disposal is recognised in the statement of profit or loss

6.2 Accounting for non-current asset disposals

- It is critical to understand how to use a disposals T account, as it may appear in the exam in various formats such as multiple-choice, multi-part multiple-choice, or multiple-response questions

- However, if required to calculate a profit or loss on disposal, you do not need to use a disposals T account

- The solution presented gives an example of how a disposals T account can be used, as well as an alternative method of calculation

Chapter 14   Company financial statements under UK GAAP

2.1   Publishing annual accounts

- A paper copy of the financial statements can be posted to the Registrar for filing at Companies House, or an electronic copy can be submitted online

- Once submitted, these financial statements are published online at https://find-and-update.company-information.service.gov.uk/ for public viewing

- Filing documents electronically via Companies House WebFiling service has the following benefits:

  o Saves the company time and money – documents do not need to be printed and posted, and electronic filing charges are lower than paper filing

  o Built-in checks help identify errors before submission, and if rejected, the filing can be corrected and resubmitted quickly

  o There is an option to sign up for email reminders, helping companies submit documents on time and avoid late filing penalties

- Documents can be submitted using various third-party software packages

Glossary

Artificial Intelligence (AI) involves developing advanced computer systems capable of performing tasks typically requiring human intelligence, including learning from data, reasoning, problem-solving, sensory understanding, language processing, and pattern recognition. AI systems are characterised by their ability to adapt to new information or environments, operate autonomously, and make informed decisions. AI frequently, though not exclusively, uses Machine Learning

Cheques are written instructions from an account holder directing their bank to pay a specified sum to a designated individual or organisation

Cloud Accounting refers to performing accounting tasks through cloud-based software, generally provided as a software-as-a-service (SaaS) model

Cloud Computing provides on-demand internet access to various computing resources, including applications, physical and virtual servers, data storage, development tools, and networking capabilities. These resources are hosted remotely at a data centre managed by a cloud services provider (CSP)