

# ASSOCIATION OF ACCOUNTING TECHNICIANS

## GUIDANCE NOTES

### ACCOUNTING QUALIFICATION - DIPLOMA PATHWAY

#### UNIT 30: INTRODUCTORY ACCOUNTING

#### *General*

The Foundation level of the Diploma Pathway consists of two units:

Unit 30 Introductory Accounting - Assessed by Exam

Unit 31 Work Skills - Assessed by Skills Test

This guidance relates to Unit 30 Introductory Accounting, which is equivalent to units 1, 2 and 3 of the NVQ in Accounting. However, there are some slight differences/movements between this unit and the NVQ units, and to aid centre staff in the delivery of this unit, the differences are shown below.

Topic	Change
<ul style="list-style-type: none"><li>• Aged debtors list</li><li>• Oral communication</li><li>• Confidentiality</li><li>• Document retention</li><li>• Basic law relating to data protection</li><li>• Computerised accounts</li></ul>	All of these topics are excluded from this unit but included in Unit 31 Work Skills.
<ul style="list-style-type: none"><li>• Non trade debtors control account</li></ul>	Now excluded from Diploma standards. There are several variations on how organisations might divide their ledger when they have debtors, but not arising from the trade they deal in. Thus, the candidate is not required to know about this specific approach, as the knowledge and understanding will allow candidates to apply appropriate practice in the workplace.
<ul style="list-style-type: none"><li>• Petty cash procedures</li></ul>	Now wholly included in element 30.3 rather than spread across all elements as in the current NVQ.

#### *Delivery Guidance*

Unit 30 Introductory Accounting will equip the student with the skills to operate a manual accounting system. Unit 31 Work Skills will enhance the students accounting skills by introducing computerised accounting. Thus it is advisable for centers to deliver Unit 30 before the computerised aspect of Unit 31.

The AAT External Verification programme has revealed many varying approaches to delivery of the Foundation level NVQ and there is no reason for these different and creative approaches to cease. Some centers with an academic year approach may be able to offer students the opportunity to tackle the Unit 30 exam in December, dependant upon the number of hours devoted to the unit each week. This would leave the remaining tuition time devoted

to Unit 31 delivery and assessment. Those centers with a roll-on/roll-off provision will have a more flexible approach to assessment. Alternatively centers may wish to deliver these units in tandem with assessment of both units, exam for Unit 30 and skills test for Unit 31, at the end of the programme.

### ***Technical Guidance***

In order to be consistent with published materials the ledgers will be referred to as:

- main (general) ledger
- subsidiary (sales) ledger
- subsidiary (purchases) ledger

The following section explains the content of each element and gives further guidance on the depth of knowledge and understanding requirements.

#### **Element 30.1**

The performance criteria set out the tasks a student should be able to perform. Students are required to prepare and code sales invoices and credit notes, enter them in day books and ledgers, and account for receipts from customers and prepare paying in documentation. Students will also be required to deal with discrepancies, prepare statements of account for debtors, and write to customers to chase payment of overdue accounts

The range statements clarify the performance criteria by listing the source documents to be used, the extent of the use of coding, the type of receipts to be dealt with and the range of discrepancies to be dealt with.

#### **Element 30.2**

The performance criteria set out the tasks a student should be able to perform. Students are required to check and code supplier invoices and credit notes, which should include VAT and discounts, make the necessary entries in day books and ledgers, and account for payments. Students will also be required to write to suppliers and resolve discrepancies, make payments to employees from payslips and record those payments in the main ledger.

The range statements clarify the performance criteria by listing the source documents to be used, the types of discounts to be dealt with, the extent of the use of coding, the type of payments to be made, and the records involved in recording payments to employees. The requirement to identify queries and discrepancies is now treated as a single competence relating to writing to suppliers regarding discrepancies in invoices.

#### **Element 30.3**

The performance criteria set out the tasks a student should be able to perform. Students are required to operate a petty cash system, use the journal, reconcile control accounts and the bank statement and prepare an initial trial balance. Students will also be required to create a suspense account and subsequently clear it.

The range statements clarify the performance criteria by listing the adjustments to be made and the source documents to be used.

## Unit 30 Knowledge and Understanding

The following table is intended as a guide to the depth of knowledge and understanding required for this unit.

1	Business transactions and documents involved (Element 1, 2, 3) <i>Quotations, sales confirmations/acknowledgements, invoices, credit notes, statements of account, delivery notes, goods received notes, goods returns notes, purchase orders, remittance advice notes.</i>
2	Basic law relating to contract law and Sale of Goods Act (Element 1, 2) <i>Contract law: Offer, termination of an offer, acceptance including the postal rule, invitation to treat, consideration, intention to create legal relations, breach of contract. Remedies for breach <b>not</b> assessable. Sale of Goods Act: Satisfactory quality, fit for purpose, as described.</i>
3	General principles of VAT (Element 1, 2, 3) <i>Understanding that VAT registered organizations are collectors of VAT on behalf of H M Customs and Excise, and that VAT charged is set off against VAT paid and the net amount owing sent to H M Customs and Excise periodically. Calculation of VAT inclusive and VAT exclusive figures. Day book entries and double entry including VAT and the VAT control account. Understanding that some supplies will be zero rated, some standard rated and some exempt.</i>
4	Types of discounts (Element 1, 2, 3) <i>Bulk, trade and settlement. Reasons for offering discounts.</i>
5	Cheques, including crossings and endorsements (Element 1, 2) <i>Words and figures not matching, out of date cheques, crossings, history of endorsements. Drawer, drawee, payee. Account code, sort code. Wrongly completed cheques and out of date cheques. Bank drafts and building society cheques.</i>
6	The function, form and use of banking documentation (Element 1, 2, 3) <i>Standing order mandates, direct debit set up, paying in slips in respect of cash cheques and credit card vouchers.</i>
7	Automated receipts and payments (Element 1, 2, 3) <i>BACS, credit cards, debit cards, EFTPOS.</i>
8	Credit limits (Element 1) <i>Reasons for credit limits, applying and using credit limits.</i>
9	Double entry bookkeeping, including balancing accounts (Element 1, 2, 3) <i>T accounts and balancing by the brought forward and carried forward method. Accounts with no activity in the month do not need to be balanced again.</i>
10	Operation of manual accounting systems (Element 1, 2, 3) <i>Day books, subsidiary and main ledgers, division of the ledger.</i>
11	Methods of coding (Element 1, 2, 3) <i>Customer/supplier account codes, product codes, main (general) ledger codes. Alpha-numeric codes, numerical codes, alphabetical codes.</i>
12	Relationship between the accounting system and the ledger (Element 1, 2, 3) <i>Procedures for matching invoices against source documents, and authorization, before entering in day books and posting to ledgers.</i>
13	Accounting for receipts from credit customers and customers without credit accounts (Element 1) <i>Traditionally known as cash sales, double entry involved.</i>
14	Credit card procedure (Element 1, 2) <i>Procedures for credit card sales, floor limits, authorization, documents involved including paying in to bank manually or electronically.</i>

15 Documentation for payments (Element 2, 3) <i>Remittance advice slips, tear off slips from supplier statements, BACS notifications.</i>
16 Accounting for payments to credit suppliers, and to suppliers where a credit account is not available (Elements 2) <i>Double entry involved.</i>
17 Different ordering systems: internet, verbal and written (Element 2) <i>Ordering by telephone, face to face, on company purchase order forms or by using the internet.</i>
18 Discrepancies arising from supplier invoices (Element 2) <i>No evidence of delivery, incorrect goods, quantities, calculations and discounts.</i>
19 Capital and revenue expenditure (Element 2, 3) <i>Classification and double entry.</i>
20 Batch control (Element 2) <i>Batching purchase invoices and calculating totals of batch for cross referencing against final total of day book. Batching purchase invoices for effective time management.</i>
21 Payroll accounting procedures: accounting for gross pay and statutory and non-statutory deductions through the wages and salaries control account; payments to external agencies; security and control; simple gross pay to net calculations but excluding the use of tax and NI tables (Element 2) <i>Control account entries including gross pay, net pay, employers and employees NIC, PAYE, employer and employee pension contributions and trade union fees. Understanding that deductions made have to be paid to Inland Revenue periodically, security of records and cash. Understanding of how deductions affect gross pay.</i>
22 Methods of handling and storing money including the security aspects (Element 2) <i>Security of money on the premises and in transit to the bank. Night safe facilities.</i>
23 Organisational procedures for filing source documents (Element 1, 2, 3) <i>Alphabetical, numerical, subject.</i>
24 Understanding that the accounting system and administration systems and procedures will be affected by the nature of the organisations business transactions (Element 1, 2, 3) <i>Nature of business, size of business.</i>
24 Petty cash procedures (Element 3) <i>Claims procedures, authorization, imprest levels, petty cash book, control account, security.</i>
26 The use of the petty cash book and cash book as part of the double entry system or as books of prime entry (Element 3) <i>Petty cash book treated as a primary record and total of analysis columns transferred to main ledger account periodically, or petty cash book treated as part of the main ledger.</i>
27 General bank services and operation of the bank clearing system (Element 3) <i>Clearing system procedure, services offered by banks including night safe facilities, cash dispensing, loan and overdraft facilities.</i>
28 Importance of reconciling bank statements, control accounts and petty cash records (Element 3) <i>Bank reconciliation statements starting with bank statement balance, and control accounts in main ledger matching subsidiary records.</i>
28 Use of the journal (Element 3) <i>Correct errors and write off bad debts. Includes the use of the suspense account.</i>
29 Function and form of the trial balance Element 3) Importance of trial balance, reasons why it may not balance ( <i>but not required to be</i>

*explained using traditional terminology such as error or omission etc), varying order of accounts in trial balance. **Not** including adjustment columns or extended trial balance.*

***The Exam (NB This section is yet to be finalized and may change substantially.)***

The exam will be in two sections.

**Section 1**

This section will test the students' ability to post from day books, the cash book and petty cashbook, and the journal to subsidiary and main ledger accounts. This section will also require students to total accounts and carry balances forward at the end of a period and show clearly the opening balance for the new month. Whilst students may use the term opening and closing balances, for consistency published material will always use the terms balance carried forward and brought forward or carried down and brought down. Traditionally the use of the term brought forward refers to balances brought forward from a previous page, and balances brought down refer to balances brought down on the same page. Similarly for carried forward and carried down.

Students who post an entry to **both sides** of an account will gain no marks for that entry. Likewise students who insert a balance carried down or brought down as a debit **and** credit entry will gain no marks.

The student will be asked to transfer the balances calculated in the accounts to the initial trial balance, in addition to other given amounts.

**Section 2**

This section will test the remaining parts of the knowledge and understanding although students can expect to see double entry tasks in this section also.

Tasks may be of a multiple choice nature, numerical or require an answer in narrative.

As an example, students may be asked to:

- make entries into control accounts and reconcile with subsidiary records
- compare the bank account to the bank statement and produce a reconciliation statement
- calculate VAT figures
- produce journal entries
- write off bad debts
- account for payroll calculations
- explain the basic principles of contract law and the Sale of Goods Act
- calculate discounts
- explain the use of credit limits
- deal with discrepancies
- identify capital and revenue expenditure
- answers questions on the banking system and documents, organizational and administrative procedures and documents, methods of coding and filing.

The above list is not intended to be exhaustive, but indicative of the areas that may be examined. All areas of knowledge and understanding are examinable over time, but not all at one diet.

When a student is asked to give say two examples, only the first two answers will be taken into consideration so it is of no value giving further examples.