

SQA Advanced Unit Specification

General information for centres

Unit title: Recording Financial Information

Unit code: HP04 47

Unit purpose: This Unit is designed to enable candidates to develop their manual book-keeping skills. It will give them the knowledge needed to record financial information, using a double entry book-keeping system, up to trial balance. The Unit will also enable candidates to complete a VAT Return and incorporate control mechanisms into the book-keeping system.

This Unit is primarily intended for candidates who expect to take up a career or further study in accounting and/or financial administration. It is also relevant to those with appropriate work experience and who wish to formalise their book-keeping skills.

On completion of the Unit the candidate should be able to:

- 1 Record financial transactions in books of original entry
- 2 Record financial transactions in a double entry book-keeping system and extract a trial balance
- 3 Complete a VAT Return
- 4 Incorporate control mechanisms into a book-keeping system

Credit points and level: 1 SQA Credit at SCQF level 7: (8 SCQF credit points at SCQF level 7*)

**SCQF credit points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF credit points at an SCQF level. There are 12 SCQF levels, ranging from National 1 to Doctorates.*

Recommended prior knowledge and skills: Access to this Unit is at the discretion of the centre. However, candidates would normally be expected to be competent in both *Numeracy* and *Communication* at SCQF level 5 or have similar qualifications or experience.

Core Skills: The achievement of this Unit gives automatic certification of the following:

- ◆ Using Number at SCQF level 5

There are also opportunities to develop aspects of the Critical Thinking component of the Core Skill *Problem Solving* at SCQF level 4 in this Unit, and these are highlighted in the Support Notes of this Unit specification.

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Context for delivery: If this Unit is delivered as part of a Group Award, it is recommended that it should be taught and assessed within the subject area of the Group Award to which it contributes.

Assessment: This Unit could be assessed by four separate assessments. Alternatively, it could be assessed by combining the assessment of Outcomes.

An exemplar instrument of assessment and marking guidelines have been produced to show the national standard of achievement required at SCQF level 7.

Since the Core Skill component of Using Number at SCQF level 5 is embedded in this Unit, it is strongly recommended that you follow the assessment guidelines given. If you wish to use a different assessment model, you should seek prior verification of the assessment instrument(s) you intend to use to ensure that the Core Skill is still covered.

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Unit specification: statement of standards

Unit title: Recording Financial Information

Unit code: HP04 47

The sections of the Unit stating the Outcomes, Knowledge and/or Skills, and Evidence Requirements are mandatory.

Outcome 1

Record financial transactions in books of original entry

Knowledge and/or Skills

- ◆ Financial transactions
- ◆ VAT on financial transactions
- ◆ Prompt Payment Discounts
- ◆ Books of original entry

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- ◆ Record a minimum of 20 financial transactions, covering revenue and capital items, in the relevant books of original entry
 - Details of transactions contained within sales and purchase invoices, sales and purchases credit notes, bank transactions received and paid, cash received and paid.
 - Details of transactions should be recorded in the Sales, Sales Returns, Purchases, and Purchases Returns day books, and Cash Book.
- ◆ Calculate and account for VAT on these transactions in the books of original entry. Transactions should cover standard rated, zero rated and exempt items. Transactions should cover adding VAT to net amounts and extracting VAT from gross amounts.
- ◆ Calculate and account for Prompt Payment Discounts for receipts from customers and payments to suppliers for 4 invoices and 1 credit note. Details of the discounts should be recorded in the Discount Allowed and Discount Received day books or other appropriate accounting records.
- ◆ Total day books and balance cash book.

The evidence should be generated under closed book supervised conditions.

Figures must be accurate within a tolerance of three arithmetic or computational errors, with a maximum of three errors of principle.

Assessment Guidelines

This Outcome may be assessed separately or combined with the assessment of Outcome 2.

It is recommended that the assessment of this Outcome be completed within one hour. The assessment could be presented as a case study with candidates recording the financial transactions of a business, for one month, in the appropriate books of original entry. Candidates may be provided with appropriate accounting stationery.

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Outcome 2

Record financial transactions in a double entry book-keeping system and extract a trial balance.

Knowledge and/or Skills

- ◆ Double entry book-keeping
- ◆ Ledger accounts
- ◆ Trial balance

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- ◆ Post financial transactions from the books of original entry - Sales, Sales Returns, Purchases, Purchases Returns and Cash Book - to sales, purchase and general ledger accounts applying double entry book-keeping principles.
- ◆ Balance the ledger accounts for assets, liabilities, income and expenses.
- ◆ Extract a trial balance from the ledger accounts.

The evidence should be generated under closed book supervised conditions.

Figures must be accurate within a tolerance of three arithmetic or computational errors, with a maximum of four errors of principle.

Assessment Guidelines

This Outcome may be assessed separately or combined with the assessment of Outcome 1.

It is recommended that the assessment of this Outcome be completed within one hour. The assessment could be presented as a continuation of the case study from Outcome 1. Candidates may use any acceptable ledger account layout (T accounts or running balance). Candidates may be provided with appropriate accounting stationery.

Outcome 3

Complete a VAT Return

Knowledge and/or Skills

- ◆ VAT Inputs and Outputs
- ◆ VAT Return

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- ◆ Calculate the figures required for a VAT Return from the books of original entry completed in Outcome 1 for a minimum of one month.
- ◆ Complete a VAT Return.

The evidence should be generated under open-book supervised conditions.

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Figures must be accurate within a tolerance of two arithmetic or computational errors, with a maximum of one error of principle.

Assessment Guidelines

It is recommended that the assessment of this Outcome be completed within one hour. The assessment could be presented as a continuation of the case study from Outcomes 1 and 2. Using the corrected books of original entry, and referring to ledger accounts where appropriate, candidates could extract and total input VAT, output VAT, total relevant inputs and total relevant outputs. Finally candidates could use these totals to complete a VAT Return.

Outcome 4

Incorporate control mechanisms into a book-keeping system.

Knowledge and/or Skills

- ◆ Bank reconciliation
- ◆ Correction of errors
- ◆ Suspense account

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- ◆ Reconcile a cash book with a bank statement, and prepare a bank reconciliation statement. A minimum of six different anomalies covering outstanding lodgements, unpresented cheques, standing orders, direct debits, charges, errors in cash book should be included in the reconciliation.
- ◆ Prepare journal entries to correct eight different types of errors in ledger accounts, four of which should affect a suspense account.
- ◆ Open, post to and clear a suspense account.

The evidence should be generated under open-book supervised conditions.

Figures must be accurate within a tolerance of two arithmetic or computational errors, with a maximum of four errors of principle.

Assessment Guidelines

It is recommended that the assessment of this Outcome be completed within one hour.

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Administrative information

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| Unit code: | HP04 47 |
| Unit title: | Recording Financial Information |
| Superclass category: | AK |
| Original date of publication: | August 2017 |
| Version: | 01 |

History of changes:

| Version | Description of change | Date |
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SQA Advanced Unit Specification

Unit specification: support notes

Unit title: Recording Financial Information

This part of the Unit specification is offered as guidance. The support notes are not mandatory.

While the exact time allocated to this Unit is at the discretion of the centre, the notional design length is 40 hours.

Guidance on the content and context for this Unit

This Unit is primarily intended for candidates who expect to take up a career or further study in accounting and/or financial administration. It is also relevant to those with appropriate work experience and who wish to formalise their book-keeping skills.

For those candidates who successfully achieve this Unit as part of the SQA Advanced Diploma in Accounting there may be opportunities to gain exemptions from a number of professional accounting bodies. Centres should contact the relevant professional bodies to ascertain their current exemption policies.

Outcome 1 covers the recording of financial transactions in the books of original entry.

- ◆ Cash and credit transactions
- ◆ Capital and revenue items
- ◆ Documents involved in transactions — sales invoices, purchases invoices, sales credit notes, purchases credit notes, bank transactions received and paid, cash received and paid
- ◆ VAT — standard and zero rates; exempt
- ◆ Prompt Payment Discounts for receipts from customers and payments to suppliers
- ◆ Day Books — Sales, Sales Returns, Purchases, Purchases Returns, Discount Allowed, Discount Received
- ◆ Cash Book

Outcome 2 covers the recording of financial transactions in a double entry book-keeping system and extracting a trial balance.

- ◆ Double entry book-keeping principles
- ◆ Ledger accounts — assets, liabilities, income and expenses
- ◆ Ledger accounts — T accounts or running balance
- ◆ Ledgers — Sales, Purchases, General
- ◆ Preparation and purpose of trial balance

Outcome 3 involves the completion of a VAT Return.

- ◆ VAT Inputs and Outputs
- ◆ Total relevant inputs and total relevant outputs
- ◆ Completion of VAT Return

Outcome 4 covers control mechanisms which may be incorporated into a book-keeping system.

- ◆ Bank reconciliation — updating of Cash Book; bank reconciliation statement
- ◆ Correction of errors — use of journal to correct errors; errors not affecting agreement of trial balance (error of commission, error of omission, error of principle, compensating error, error of original entry, complete reversal of entry); use of suspense account in correction of errors affecting agreement of trial balance

SQA Advanced Unit Specification

Guidance on the delivery and assessment of this Unit

This Unit is likely to form part of a Group Award designed to provide candidates with the knowledge and skills for further study or employment within an accounting environment.

Where this Unit is being delivered as part of the SQA Advanced Certificate/Diploma Accounting Group Award it is recommended that the Unit be delivered towards the beginning of the Group Award to give candidates a good understanding of manual book-keeping using double entry principles. Candidates will then apply these skills in a practical situation. It will also give candidates knowledge and skills in the completion of a VAT Return and the incorporation of control mechanisms into the book-keeping system.

The assessments could be designed around one case study. This could consist of a sole trader where the candidates start the process by recording financial transactions in the books of original entry, posting these transactions to ledger accounts and then preparing a trial balance. Thereafter candidates could use the same books of original entry to prepare a VAT Return. Finally, candidates gain an appreciation of control mechanisms by preparing a bank reconciliation statement and correcting errors.

Each Outcome could be assessed separately or the assessment of Outcomes 1 and 2 could be combined.

All evidence should be produced under supervised conditions. The evidence for Outcomes 1 and 2 will be produced under closed book supervised conditions and for Outcomes 3 and 4 under open-book supervised conditions.

Opportunities for developing Core Skills

The achievement of this Unit gives automatic certification of the Using Number component of the Core Skill *Numeracy* at SCQF level 5. Throughout all 4 Outcomes of the Unit, candidates apply a wide range of numerical skills to practical tasks.

The delivery and assessment of this Unit may also contribute towards the Critical Thinking component of the Core Skill *Problem Solving* at SCQF level 4. In particular, in Outcome 4 candidates are investigating reasons why a straightforward problem with the book-keeping system has arisen. Thereafter they are carrying out the necessary steps to deal with the problem by preparing bank reconciliation statements and journal entries to correct errors in the ledger accounts and suspense account.

Open learning

This Unit could be delivered by distance learning. However, it would require planning by the centre to ensure the authenticity of candidate evidence. Arrangements would have to be made to ensure that evidence is generated under the assessment conditions specified for each Outcome.

To keep the administrative burden to a minimum, it is recommended that the assessments of Outcomes are combined for distance learning candidates. Further advice can be found on SQA's website - www.sqa.org.uk.

Equality and inclusion

This unit specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence. Further advice can be found on our website www.sqa.org.uk/assessmentarrangements.

SQA Advanced Unit Specification

General information for candidates

Unit title: Recording Financial Information

This Unit is designed to enable you to develop manual book-keeping skills.

In Outcome 1 you will learn how to record financial transactions in the books of original entry of a business. This will cover sales and sales returns, purchases and purchase returns and cash and bank receipts and payments. You will calculate and account for Value Added Tax (VAT) and Prompt Payment Discounts. You will learn how to distinguish between cash and credit transactions and capital and revenue expenditure. You will write up the day books and cash book of the organisation to record these transactions.

Outcome 2 covers the double entry book-keeping system which is fundamental to book-keeping and accounts. You will learn how every transaction affects two items and how to record these in ledger accounts. You will also learn how to compile a Trial Balance to check the accuracy of the double entries.

In Outcome 3 you will look at VAT. You will learn about the rates of VAT and how to complete a VAT Return from the books of original entry.

Outcome 4 looks at control mechanisms within a book-keeping system. You will learn how to reconcile the cash book balance with the bank statement and correct errors in the book-keeping records.

Each Outcome may be assessed separately or the assessments may be combined. The assessments will be carried out under supervised conditions.

You will have opportunities to develop components within the Core Skills of *Numeracy* and *Problem Solving* in this Unit. Achievement of this Unit gives automatic certification of Using Number at SCQF level 5.