

6. Detailed study guide

A Types of business transactions and documentation

1. Types of business transaction

- a) Describe a range of business transactions including:^[K]
 - i) Sales
 - ii) Purchases
 - iii) Receipts
 - iv) Payments
 - v) Petty cash
 - vi) Payroll
- b) Define types of discounts including, where applicable, the effect that trade discounts have on sales tax.^[K]
- c) Describe the processing and security procedures relating to the use of:^[K]
 - i) Cash
 - ii) Cheques
 - iii) Credit and debit cards
 - iv) Digital payment methods

2. Types of business documentation

- a) Summarise the purpose and content of a range of business documents; including but not limited to:^[K]
 - i) Customer (sales) invoice
 - ii) Supplier (purchase) invoice
 - iii) Credit note
 - iv) Debit note
 - v) Delivery note
 - vi) Remittance advice
- b) Prepare the financial documents to be sent to credit customers including:^[S]
 - i) Customer (sales) invoice
 - ii) Credit note
 - iii) Statements of account
- c) Prepare remittance advice to accompany payments to suppliers.^[S]

- d) Prepare a petty cash voucher including the sales tax element of an expense when presented with an inclusive amount.^[S]

3. Process of recording business transactions within the accounting system

- a) Identify the characteristics of accounting data and the sources of accounting records, showing an understanding of how the accounting data and records meet the business' requirements.^[K]
- b) Describe the key features of a computerised accounting system, including the use of external servers to store data (the cloud).^[K]
- c) Summarise how users locate, display and check accounting data to meet user requirements and understand how data entry errors are dealt with.^[K]
- d) Summarise the tools and techniques used to process accounting transactions and period-end routines and consider how errors are identified and dealt with.^[K]
- e) Identify risks to data security, data protection procedures and the storage of data.^[K]
- f) Explain the principles of coding in entering accounting transactions including:^[K]
 - i) Describing the need for a coding system for financial transactions within double-entry bookkeeping
 - ii) Describing the use of a coding system within an accounting system
- g) Code sales invoices, supplier invoices and credit notes ready for entry into the accounting system.^[S]

- h) Describe the accounting documents and management reports produced by computerised accounting systems and understand the link between the accounting system and other systems in the business.^[K]

B Duality of transactions and double-entry bookkeeping

1. Double-entry bookkeeping

- a) Define the accounting equation.^[K]
- b) Demonstrate the use of the accounting equation.^[K]
- c) Describe how the accounting equation relates to double-entry bookkeeping.^[K]
- d) Explain how transactions are entered into the accounting system.^[K]

2. Journal entries

- a) Explain the use of journal entries, including the reasons for and format of journal entries.^[K]
- b) Prepare journal entries for various transactions.^[S]

3. Elements of the financial statements

- a) Define and distinguish between the elements of the financial statements.^[K]
- b) Identify the content of a statement of financial position and a statement of profit or loss and other comprehensive income.^[K]

C Banking system and transactions

1. The banking process

- a) Explain the differences between the services offered by banks and other financial services businesses.^[K]

- b) Describe how the bank clearing system works.^[K]

- c) Identify and compare different forms of payment.^[K]

- d) Summarise the processing and security procedures relating to the use of cash, cheques, credit cards, debit cards and digital payment methods.^[K]

2. Documentation

- a) Explain why it is important for an organisation to have a formal document retention policy.^[K]
- b) Identify the different categories of documents that may be stored as part of a document retention policy.^[K]

D Payroll

1. Process payroll transactions within the accounting system

- a) Calculate and prepare entries in the accounting system to process payroll transactions including:^[S]
 - i) Calculation of gross wages for employees paid by the hour, paid by output and salaried workers
 - ii) Accounting for payroll costs and deductions
 - iii) The employers' responsibilities for taxes, state benefit contributions and other deductions
- b) Identify the different payment methods in a payroll system; for example, cash, cheques and automated payments.^[K]
- c) Explain why authorisation of payroll transactions and security of payroll information is important in an organisation.^[K]

E General ledger accounts

1. Prepare general ledger accounts

- a) Prepare general ledger accounts, clearly showing the balances brought forward and carried forward as appropriate.^[S]

F Cash and bank

1. Maintaining cash records

- a) Record cash transactions within the accounting system, including any sales tax effect where applicable.^[S]

2. Maintaining a petty cash record

- a) Enter and analyse petty cash transactions in the accounting system, including any sales tax effect where applicable.^[S]
- b) Demonstrate the use of the imprest and non-imprest systems of maintaining a petty cash record.^[S]
- c) Reconcile the petty cash record with cash in hand.^[S]
- d) Prepare and account for petty cash reimbursements.^[S]

G Sales and credit transactions

1. Recording sales, customer account balances and receivables

- a) Record sales transactions taking into account:^[S]
 - i) Various types of discount
 - ii) Sales tax
 - iii) The impact on the sales tax ledger account where applicable.
- b) Enter sales invoices and credit notes issued to customers into the accounting system.^[S]

- c) Prepare the receivables general ledger account by accounting for:^[S]
 - i) Sales
 - ii) Sales returns
 - iii) Receipts from customers, including checking the accuracy and validity of receipts against relevant supporting information
 - iv) Discounts
 - v) Contra entries
- d) Prepare entries in the accounting system to record cash sales, credit sales and receipts from customers.^[S]
- e) Account for irrecoverable debts and allowances for irrecoverable debts.^[S]

H Purchases and credit transactions

1. Recording purchases, supplier account balances and payables

- a) Record purchase transactions taking into account:^[S]
 - i) Various types of discounts
 - ii) Sales tax
 - iii) The impact on the sales tax general ledger account where applicable
- b) Enter supplier invoices and credit notes received from suppliers into the accounting system.^[S]
- c) Prepare the payables general ledger account by accounting for:^[S]
 - i) Purchases
 - ii) Purchase returns
 - iii) Payments to suppliers, including checking the accuracy and validity of the payment against relevant supporting information
 - iv) Discounts
 - v) Contra entries
- d) Prepare entries in the accounting system to record cash purchases, credit purchases and payments to suppliers.^[S]

I Reconciliation

1. Purpose of reconciliations

- a) Describe the purpose of reconciliations to external documents as a checking device to aid management and help identify errors.^[K]
- b) Explain why it is important to reconcile to external documents regularly and to deal with discrepancies quickly and professionally.^[K]

2. Reconcile the cash records

- a) Reconcile the cash records to a bank statement and deal with any discrepancies.^[S]

3. Reconcile individual supplier accounts

- a) Reconcile the balances on individual supplier accounts to supplier statements and deal with any discrepancies.^[S]

J Preparing the trial balance

1. Prepare the trial balance

- a) Extract an initial trial balance.^[S]

2. Correcting errors

- a) Identify the types of errors that are revealed by extracting a trial balance.^[K]
- b) Identify the types of errors that are not revealed by extracting a trial balance.^[K]
- c) Prepare manual journal entries to correct errors in the trial balance.^[S]
- d) Identify when a suspense account is required and clear the suspense account using manual journal entries.^[S]
- e) Redraft the trial balance following correction of all errors.^[S]