



Higher National Unit specification

General information for centres

Unit title: Recording Financial Transactions

Unit code: F847 33

Unit purpose: This Unit is designed to enable candidates to develop book-keeping skills so that they can provide data for business trial balances and VAT returns. It is primarily intended for candidates who wish to offer book-keeping as a skill within an administrative role, or for those considering a career in book-keeping or finance. It is also relevant to candidates with relevant work experience who wish to formalise their book-keeping skills.

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

- 1 Record business transactions in the books of original entry of a sole trader.
- 2 Post business transactions to ledger accounts using the principles of double entry book-keeping and prepare a trial balance.
- 3 Complete a VAT Return.

Credit points and level: 1 HN credit at SCQF level 6: (8 SCQF credit points at SCQF level 6*)

**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 Access 1 to Doctorates.*

Recommended prior knowledge and skills: Access to this Unit is at the discretion of the centre. However, it would be beneficial if candidates have competence in communication and numeracy skills which may be demonstrated by the achievement of the Core Skills *Communication* and *Numeracy* at SCQF level 5 or equivalent, or have relevant experience.

Core Skills: There are opportunities to develop the Using Number component of the Core Skill *Numeracy* at SCQF level 5 in this Unit, although there is no automatic certification of the Core Skill or Core Skills components.

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 three separate assessments. Alternatively, it could be assessed by combining the assessment of Outcomes. It is recommended that a holistic approach is taken with the three assessments covering one business and time period.

An exemplar instrument of assessment and marking guidelines have been produced to show the national standard of achievement required at SCQF level 6.

Higher National Unit specification: statement of standards

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

Outcome 1

Record business transactions in the books of original entry of a sole trader

Knowledge and/or Skills

- ◆ Business documents
- ◆ Day books
- ◆ Analysed petty cash book
- ◆ Cash book
- ◆ VAT

Evidence Requirements

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

- ◆ Extract data from an invoice and a credit note to finalise entries in the Sales, Sales Returns, Purchases and Purchases Returns day books.
- ◆ Calculate totals for each of the day books.
- ◆ Extract data from a petty cash voucher, which includes VAT, to complete entries for an analysed Petty Cash Book.
- ◆ Calculate totals for analysed Petty Cash Book and restore petty cash imprest.
- ◆ Record ten business transactions in a Cash Book of which seven are adjusted for VAT across the range of Standard, Reduced and Zero rates and where one further transaction is VAT exempt.
- ◆ Balance the Cash Book.

Centres should provide candidates with four day books, each of which shows only one transaction, a petty cash book containing three transactions and a cash book with only opening balances at cash and bank in which to record the above.

Evidence should be presented as the completed books of original entry, ie four day books containing six transactions in total, one Petty Cash Book containing four transactions and one Cash Book containing eleven transactions.

The evidence should be generated under closed book supervised conditions. The use of accounting or book-keeping software is not permitted.

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

Higher National Unit specification: statement of standards (cont)

Unit title: Recording Financial Transactions

Assessment Guidelines

Satisfactory evidence for this Outcome could form the basis for Outcome 2 without correction of errors.

Outcome 1, 2 and 3 can be assessed together. Figures from the books of original entry completed in Outcome 1 can be transferred into ledgers as described for Outcome 2. Figures from Outcomes 1 and 2 can be used to provide figures on business inputs and outputs for completion of Outcome 3.

Centres may provide candidates with four day books, each of which shows only one transaction, a petty cash book containing three transactions and a cash book with only opening balances at cash and bank. All of these could relate to one accounting period, for example, a week or a month. Candidates may also be given one invoice, one credit note and one petty cash voucher which they can use to enter data into the appropriate books. They may also be given a list of ten cash and bank transactions of which seven require calculations for VAT. The seven VAT calculations could cover Standard, Reduced and Zero rates and one further transaction could be identified as being VAT exempt. Candidates will be expected to know the current rates of VAT and VAT rates may not be specifically identified in the cashbook transaction list. Candidates could then calculate totals for the day books and the petty cash book and restore the petty cash imprest.

Higher National Unit specification: statement of standards (cont)

Unit title: Recording Financial Transactions

Outcome 2

Post business transactions to ledger accounts using the principles of double entry book-keeping and prepare a trial balance

Knowledge and/or Skills

- ◆ Double entry book-keeping principles
- ◆ Accounting ledgers
- ◆ Trial balance

Evidence Requirements

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

- ◆ Post business transactions for assets, liabilities, income, and expenses from the books of original entry to ledger accounts using double entry book-keeping principles. The transactions should be posted from the four day books (Sales, Sales Returns, Purchases, and Purchases Returns) containing a total of six transactions, a Petty Cash Book containing four transactions, and a Cash Book containing eleven transactions.
- ◆ Extract balances from the ledger accounts to prepare a trial balance.

Evidence should be presented as fourteen general, two sales and two purchases ledger accounts and a trial balance.

The evidence should be generated under closed book supervised conditions. The use of accounting or book-keeping software is not permitted.

Figures must be accurate within a tolerance of three arithmetic errors with a maximum of four errors principle. Where the books of original entry from Outcome 1 have been used consequential errors should not be counted.

Assessment Guidelines

Satisfactory evidence for this Outcome can form the basis for Outcome 3 without correction of errors.

Outcomes 1, 2 and 3 can be assessed together. Figures from the books of original entry completed in Outcome 1 can be transferred into ledgers as described for Outcome 2. Figures from Outcomes 1 and 2 can be used to provide figures on business inputs and outputs for completion of Outcome 3.

Centres may provide ledger accounts with opening balances and, using double entry book-keeping principles, candidates could post the figures from the books of original entry from Outcome 1 to complete the ledger accounts. Final balances on the ledger accounts could then be used to prepare a trial balance for the financial period.

Higher National Unit specification: statement of standards (cont)

Unit title: Recording Financial Transactions

Outcome 3

Complete a VAT Return

Knowledge and/or Skills

- ◆ Inputs
- ◆ Outputs
- ◆ VAT Return

Evidence Requirements

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

- ◆ Extract data on inputs and outputs from a set of book keeping records or ledger accounts.
- ◆ Complete a VAT Return.

Candidate evidence will be in the form of a completed VAT Return form.

The evidence should be generated under closed book supervised conditions. The use of accounting or book-keeping software is not permitted.

Figures must be accurate within a tolerance of two arithmetic or computational errors, with a maximum of two errors of principle. Consequential errors arising from Outcome 1 and Outcome 2 should not be counted.

Assessment Guidelines

Outcomes 1, 2 and 3 can be assessed together. Figures from Outcomes 1 and 2 can be used to provide figures on business inputs and outputs for completion of Outcome 3.

Using the books of original entry and ledgers prepared in Outcomes 1 and 2, candidates could calculate figures to enter in boxes 1, 4, 6 and 7 of a VAT return. Candidates may provide workings for these figures. They will then complete the remaining boxes 2, 3 and 5. While there is no standard method for pulling together the input and output data required, centres could consider drawing up a proforma document to simplify this process.

Administrative Information

Unit code:	F847 33
Unit title:	Recording Financial Transactions
Superclass category:	AK
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History of changes:

Version	Description of change	Date
02	Terminology and reference to financial statements revised to reflect requirements of FRS 102.	06/08/15

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Higher National Unit specification: support notes

Unit title: Recording Financial Transactions

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 likely to form part of a Group Award and is designed to provide candidates with the knowledge and skills for further study or employment within an administrative environment. This Unit is mandatory within HNC/HND *Administration and Information Technology* (G9M7 15 and G9M8 16) but may form part of other Group Awards and may be delivered as a stand-alone Unit.

Where this Unit is being delivered as part of the HNC/HND *Administration and Information Technology* Group Award it is recommended that a thematic approach to delivery and assessment is adopted. Themes for small, sole trader types of business could be specialist shops, services providers or repair workshops.

This Unit is primarily intended for candidates who wish to offer book-keeping skills within an administrative role. It is also relevant to those with appropriate work experience and who wish to formalise their book-keeping skills.

It introduces them to the principles of double entry book-keeping and VAT. Candidates will develop the knowledge and skills required to carry out the routine book-keeping tasks they could encounter in small to medium sized businesses. The financial records and terminology used should be in accordance with current accounting standards.

Guidance on the delivery and assessment of this Unit

It is recommended that this Unit be delivered and assessed in the order suggested by the Outcomes. It is possible to assess the Outcomes holistically by combining all three Outcomes or by combining Outcomes 1 and 2 or 2 and 3.

While it is not appropriate to use book-keeping or accounting software in delivering and assessing this Unit, centres may choose to allow candidates to use other non-specialist software such as word processing or spreadsheets. Where centres provide books and ledgers in these formats, no formulae should be included.

The source documents used to complete the day books and petty cash book could show a range of document designs. The importance of dates on documents in relation to tax point and of showing net and gross amounts will link to discussion on VAT. Cash and bank transactions should direct candidates to apply standard, reduced or zero VAT rates rather than specify the actual current rates, and transactions for exempt goods or services should also be included. Calculation of VAT should cover both adding VAT to net amounts and extracting VAT from gross amounts.

Higher National Unit specification: support notes (cont)

Unit title: Recording Financial Transactions

For Outcomes 1 and 2 centres can decide whether to use the running balance or 'T' account approach for presenting double entry information. However, it would be useful for candidates to know that there is an alternative approach. While it is usual practice to divide ledgers into three categories, trade receivables/revenue, trade payables/purchases, nominal/general, centres may decide to work with one ledger.

For Outcome 3, an overview of the UK VAT scheme, its purpose, and how businesses are involved will provide a framework for the transactions candidates have posted.

Opportunities for developing Core Skills

The delivery and assessment of this Unit may contribute towards the Using Number component of the Core Skill *Numeracy* at SCQF level 5. Throughout all three Outcomes of the Unit, candidates apply a range of numerical skills to practical tasks.

Open learning

If this Unit is delivered by open or distance learning methods, additional resources will be required for candidate support, assessment and quality assurance. It would require planning by the centre to ensure the sufficiency and authenticity of candidates' evidence.

Disabled candidates and/or those with additional support needs

The additional support needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments, or considering whether any reasonable adjustments may be required. Further advice can be found on our website www.sqa.org.uk/assessmentarrangements

General information for candidates

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Candidates with disabilities and/or additional support needs

This Unit is designed to enable you to develop book-keeping skills. It covers book-keeping and the UK VAT scheme. It will enable you to understand the basic principles of double entry book-keeping by introducing you to the books of original entry. You will then carry out double entry by posting transactions to the ledger accounts for assets, liabilities, income and expenses and use balances from these to prepare a trial balance.

The Unit will also help you understand the principles of the UK VAT scheme and how to complete a basic VAT Return Form.

Each of the above areas is the subject of a separate Outcome:

- 1 Record business transactions in the books of original entry of a sole trader.
- 2 Post business transactions to ledger accounts using the principles of double entry book-keeping and prepare a trial balance.
- 3 Complete a VAT Return.

The Outcomes may be assessed separately or the assessments may be combined.

You may have opportunities to develop the Core Skill of *Numeracy* at SCQF level 5 in this Unit, although there is no automatic certification of Core Skills or Core Skills components.