

Higher National Unit Specification



General information for centres

Unit title: Record Keeping and Accounting for Small Business

Unit code: F93J 33

Unit purpose: This Unit is designed to enable candidates to keep simple financial records for a small business. It covers the recording of financial transactions, bank reconciliation statements and the calculation of wages. It is primarily intended for candidates who are undertaking programmes encouraging enterprise and entrepreneurship.

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

- 1 Record financial transactions in the cash book.
- 2 Prepare a bank reconciliation statement.
- 3 Calculate wages.

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 had competence in *Communication* at SCQF level 5 and *Numeracy* at SCQF level 4/5 or equivalent or have relevant experience.

Core Skills: There may be opportunities to further 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. However, the assessment of Outcomes 1 and 2 may be combined.

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 financial transactions in the cash book

Knowledge and/or Skills

- ◆ Cash and bank transactions
- ◆ Revenue and capital transactions
- ◆ VAT

Evidence Requirements

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

- ◆ record **20** financial transactions, covering revenue and capital items, in the cash book for a business covering **four** weeks' trading.
- ◆ account for VAT on these transactions. Transactions should cover standard rated, zero rated and exempt items. The calculation of VAT should cover both adding VAT to net amounts and extracting VAT from gross amounts.

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 two errors of principle.

Assessment Guidelines

It is recommended that the assessment of this Outcome be completed within one hour. Alternatively, if the assessment of this Outcome is combined with Outcome 2 it is recommended that the assessment be completed within two hours.

Centres may provide a cash book with opening bank and cash balance information.

OR

The assessment could be presented as a case study with candidates recording the financial transactions of a business, for one month, in the cash book. Candidates may be provided with appropriate accounting stationery.

Higher National Unit specification: statement of standards (cont)

Unit title: Record Keeping and Accounting for Small Business

Outcome 2

Prepare a bank reconciliation statement

Knowledge and/or Skills

- ◆ Bank statements
- ◆ Cash book
- ◆ Anomalies

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
- ◆ prepare a bank reconciliation statement

Six different anomalies covering standing orders, direct debits, outstanding lodgements, unpresented cheques, charges, errors in cash book to be included in the reconciliation.

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

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

Assessment Guidelines

It is recommended that the assessment of this Outcome be completed within one hour. Alternatively, if the assessment of this Outcome is combined with Outcome 1 it is recommended that the assessment be completed within two hours.

The assessment could be presented as a cash book and a bank statement with six anomalies between the transactions recorded in each of these items.

Higher National Unit specification: statement of standards (cont)

Unit title: Record Keeping and Accounting for Small Business

Outcome 3

Calculate wages

Knowledge and/or Skills

- ◆ Gross pay
- ◆ Statutory deductions
- ◆ Net pay

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can, for **two** weekly paid employees:

- ◆ calculate gross pay — basic pay and overtime — for a two week period
- ◆ calculate statutory deductions: income tax, employer and employee National Insurance
- ◆ prepare pay advices/slips for one week clearly showing net pay

The evidence should be generated under open-book supervised conditions. Candidates should be provided with appropriate pro forma documentation, extracts from tax tables and NIC tables.

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

Candidates should use current legislation and tax rates throughout.

Assessment Guidelines

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

Administrative Information

Unit code: F93J 33

Unit title: Record Keeping and Accounting for Small Business

Superclass category: AE

Original date of publication: August 2010

Version: 02 (November 2014)

History of changes:

Version	Description of change	Date
02	Outcome 3 revised to reflect current legislation/practice.	20/11/14

Source: SQA

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Higher National Unit specification: support notes

Unit title: Record Keeping and Accounting for Small Business

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 designed to provide candidates with the basics of financial record keeping for a small business. Candidates should achieve a level of competence expected of someone likely to carry out the routine recording and checking of transactions in the books of their own, or another person's, small business. The knowledge and understanding could apply to a range of organisations.

Outcome 1 covers the recording of financial transactions in the cash book

- ◆ Cash and bank 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
- ◆ Cash Book

Outcome 2 covers the reconciliation of the business bank account with bank statements.

- ◆ Bank reconciliation — updating of Cash Book; bank reconciliation statement
- ◆ Anomalies — outstanding lodgements, unpresented cheques, standing orders, direct debits, charges, errors in cash book

Outcome 3 involves the calculation of employee weekly pay and associated records for a business.

- ◆ Calculation of:
 - Gross pay — basic pay; overtime
 - Statutory deductions — Income Tax; National Insurance (employer and employee)
 - Net pay
- ◆ Use of current PAYE documentation
- ◆ Real Time Information

Higher National Unit specification: support notes (cont)

Unit title: Record Keeping and Accounting for Small Business

Guidance on the delivery and assessment of this Unit

This Unit may be offered as an option in a variety of HN Group Awards and it is recommended that the assessment is contextualized to take account of this.

It is recommended that this Unit be delivered and assessed in the order suggested by the Outcomes. It is possible to assess Outcomes 1 and 2 in a combined assessment.

While it is not appropriate to use book-keeping, payroll 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 cash books and ledgers in spreadsheet format, no formulae should be included.

In Outcome 1, the source documents used to complete the 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 the appropriate rate of VAT rather than specify the actual current rates, and transactions for exempt goods and services should also be included. Calculation of VAT should cover both adding VAT to net amounts and extracting VAT from gross amounts.

The same case study can be used to complete Outcome 2 whereby candidates will be given a bank statement to reconcile to the cash book for the business. **Six** different anomalies covering standing orders, direct debits, outstanding lodgements, unrepresented cheques, charges, errors in cash book should be included in the reconciliation.

For Outcome 3 candidates should be provided with appropriate pro forma documents to complete and extracts from income tax and National Insurance tables.

All assessments are undertaken in open-book supervised conditions.

Opportunities for developing Core Skills

In this Unit candidates will have opportunities to develop skills in the Using Number component of the Core Skill *Numeracy* at SCQF level 5. Candidates apply a range of numerical skills to practical tasks in all Outcomes.

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.

Further advice can be found on SQA's website - www.sqa.org.uk.

Higher National Unit specification: support notes (cont)

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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

Unit title: Record Keeping and Accounting for Small Business

This Unit is designed to enable you to develop financial record keeping skills. It covers recording financial transactions, bank reconciliation and calculation of wages.

In Outcome 1 you will learn how to record financial transactions in the cash book of a business. This will cover cash and bank receipts and payments and VAT will be recorded and accounted for. You will learn how to distinguish between capital and revenue expenditure.

Outcome 2 covers reconciling the financial records of the business with those of the bank. You will learn how to identify anomalies between the records kept by the business and the bank in order to allow you to reconcile the two figures. You will learn how to deal with the different anomalies that arise between the business and bank records, including standing orders, direct debits, outstanding lodgements, unrepresented cheques, charges and errors in the cash book.

Outcome 3 covers the manual preparation of payroll records. You will learn how to calculate gross pay (including any overtime payments) and then net pay by calculating and deducting statutory deductions. Although in practice payroll processing will be carried out using a software package and submitted electronically it is necessary to do the calculations manually to demonstrate understanding of the process. You should be provided with appropriate pro forma documents to complete along with extracts from income tax and National Insurance tables. You will gain knowledge of current legislation as it applies to employee remuneration, including rates of income tax, tax allowances, employer and employee National Insurance contribution rates.

This Unit may be assessed by two separate assessments. The assessment of Outcomes 1 and 2 may be combined. All assessments will be carried out under open-book supervised conditions.

You will 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.