

National Unit Specification: general information

UNIT Recording of Financial Transactions (Intermediate 2)

NUMBER D929 11

COURSE

SUMMARY

This unit will enable candidates to record financial information into ledger accounts, check financial records using a trial balance and bank reconciliation statement, and correct errors contained in financial records.

OUTCOMES

- 1 Post transactions to the ledger.
- 2 Prepare a trial balance.
- 3 Correct errors in accounting records.
- 4 Prepare a bank reconciliation statement.

RECOMMENDED ENTRY

Entry is at the discretion of the centre. However, it would be beneficial if candidates had achieved suitable performance (eg a General Level award) in relevant subjects at Standard Grade such as Accounting and Finance or had relevant units such as Recording of Financial Transactions (Intermediate 1), Preparing Final Accounts (Intermediate 1) and Analysis and Interpretation of Accounting Data (Intermediate 1). Candidates would also benefit from having achieved Numeracy (Intermediate 1).

CREDIT VALUE

1 Credit at Intermediate 2.

Administrative Information

Superclass: AK

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CORE SKILLS

Information on the automatic certification of any core skills in this unit is published in *Automatic Certification of Core Skills in National Qualifications* (SQA, 1999).

National Unit Specification: statement of standards

UNIT Recording of Financial Transactions (Intermediate 2)

Acceptable performance in this unit will be the satisfactory achievement of the standards set out in this part of the unit specification. All sections of the statement of standards are mandatory and cannot be altered without reference to the Scottish Qualifications Authority.

OUTCOME 1

Post transactions to the ledger.

Performance criteria

- a) The ledger accounts opened are clearly titled and coded.
- b) Posting of transactions to the ledger is comprehensive and entries are consistent with information supplied.
- c) Transactions are posted consistently in accordance with double entry principles.

Note on range for the outcome

There are no specific requirements as to the range of contexts within which the performance criteria should be demonstrated.

Transactions which should be included are sales (both cash and credit), purchases on credit, purchases and sales returns, payment of expenses, VAT, acquisition of fixed asset, capital paid in, 2 loan payments received from customers (including discount allowed), payments to suppliers (including discount received), transfers between cash and bank and drawings.

Ledger accounts for: trade debtors, trade creditors, sales, sales returns, purchases, purchases returns, expenses, fixed assets, loans, capital, VAT, discount allowable, discount receivable, bank.

Source Documents: invoices, credit notes, receipts, cheques.

Evidence requirements

Please refer to *Evidence requirements for the unit* at the end of the Statement of Standards.

OUTCOME 2

Prepare a trial balance.

Performance criteria

- a) The statement is headed correctly and laid out in good form.
- b) Extraction of debit and credit balances from the ledger is comprehensive and consistent with ledger entries.
- c) The totalling of the columns is accurate.

National Unit Specification: statement of standards

UNIT Recording of Financial Transactions (Intermediate 2)

Note on range for the outcome

Balances from: trade debtors, trade creditors, sales, sales returns, purchases, purchases returns, expenses, fixed assets, loans, capital, VAT, discount allowable, discount receivable, bank.

Evidence requirements

Please refer to *Evidence requirements for the unit* at the end of the Statement of Standards.

OUTCOME 3

Correct errors in accounting records.

Performance criteria

- a) The correcting entries in existing ledger accounts are comprehensive and are consistent with the nature of the errors.
- b) The correcting entries in the Suspense Account are comprehensive and are consistent with the nature of the errors.

Note on range for the outcome

Errors not affecting the trial balance: errors or omission, commission, original entry, reversal, compensatory and principle. Errors affecting the trial balance posting of the incorrect amount to a ledger account, item not posted, incorrect balance transferred from ledger to trial balance.

Evidence requirements

Please refer to *Evidence requirements for the unit* at the end of the Statement of Standards.

OUTCOME 4

Prepare a bank reconciliation statement.

Performance criteria

- a) The bank reconciliation statement is neat, legible and headed correctly.
- b) Entries to update the bank account are comprehensive and consistent with the entries in the bank statement.
- c) Entries to reconcile the bank statement and corrected bank balance are comprehensive and consistent with the entries in the bank account.

National Unit Specification: statement of standards (cont)

UNIT Recording of Financial Transactions (Intermediate 2)

Note on range for the outcome

Items in the bank statement not yet recorded in the bank account, such as bank interest, bank charges, direct debit/standing order and credit transfer.

Items in the bank account not yet recorded in the bank statement, such as lodgements and outstanding cheques.

Errors in the firm's records which require to be corrected should also be included eg incorrect recording of cheque.

Evidence requirements

Please refer to *Evidence requirements for the unit* at the end of the Statement of Standards.

EVIDENCE REQUIREMENTS FOR THE UNIT

Outcome 1

On a manual or computerised basis, the preparation of a minimum of 20 ledger accounts incorporating all classes listed in the range, with data posted from source documents and other information and the accounts balanced at the end of the period.

Outcome 2

On a manual or computerised basis, the preparation of a trial balance from a minimum of 20 ledger accounts in accordance with the standard laid down in the performance criteria.

Outcome 3

Preparation of adjusting entries in ledger accounts (drawn from those stated in the evidence requirements for outcomes 1 and 2) and a suspense account.

Outcome 4

Preparation of an updated Bank Account and Bank Reconciliation Statement incorporating all the items in the range statement. Evidence in the form of a practical exercise involving at least eight adjustments.

National Unit Specification: support notes

UNIT Recording of Financial Transactions (Intermediate 2)

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 deals with the posting of transactions to the ledger, checking the accuracy of the entries by use of a trial balance and bank reconciliation statement and the subsequent correction of any errors found.

Candidates should be aware of the functions of various business documents used in the buying, selling and paying processes.

Candidates should also be aware of the calculations necessary to record trade discount and VAT. The calculation of VAT where a cash discount is involved should also be included.

GUIDANCE ON LEARNING AND TEACHING APPROACHES FOR THIS UNIT

The emphasis throughout the unit should be on an activity approach where candidates undertake practical exercises to overtake the unit content. It is important, however, that due emphasis be put on the theoretical background to these practical activities.

Teaching strategies should be adopted which enable each candidate to progress at his/her own speed, irrespective of the progress of the remainder of the group.

There is ample scope within the unit for the use of information technology. However, where accounting packages are used, centres should ensure that candidates understand the operation of the processes involved, as the unit internal assessments require manual methods to be employed.

GUIDANCE ON APPROACHES TO ASSESSMENT FOR THIS UNIT

Practical assignments will be the most suitable form of assessment instrument. One method of assessment would be to assess an outcome immediately following its delivery, with time allowed for remediation prior to any reassessment. Alternatively it could be possible to assess more than one outcome with one assessment instrument. It would, for instance, be possible to set an assignment which combined preparing ledger accounts with preparing a trial balance. The recommended approach to assessment is the use of assignments delivered under controlled conditions. No prescribed time limit has been determined for the completion of each assessment.

Where an instrument assesses more than one outcome, success in one outcome and failure in another would require only the failed outcome to be reassessed.

For the purposes of assessment an error refers to any errors involving the recording of accounting information, arithmetical errors or any errors relating to the application of accounting theory and principles.

National Unit Specification: support notes

UNIT Recording of Financial Transactions (Intermediate 2)

It is expected that each assessment will require the application of a marking scheme articulating with specific criteria. Such criteria would include and allow for different types of errors – arithmetic, consequentiality, and lack of accounting knowledge. There is no specific upper limit for the allocation of marks over an assessment instrument, but ease of use, consistency and comprehensiveness should be evident.

SPECIAL NEEDS

This unit specification is intended to ensure that there are no artificial barriers to learning or assessment. Special needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments or considering special alternative outcomes for units. For information on these, please refer to the SQA document *Guidance on Special Assessment and Certification Arrangements for Candidates with Special Needs/Candidates whose First Language is not English* (SQA, 1998).