

SQA Advanced Unit specification

General information for centres

Unit title: Using Financial Accounting Software

Unit code: HR10 47

Unit purpose: This Unit is designed to enable candidates to use a commercial accounting software package to process financial transactions and to prepare accounting reports for a small business.

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 for candidates who wish to extend their manual book-keeping skills to those of a computerised accounting system and to those with appropriate work experience who wish to formalise their skills.

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

- 1 Use an accounting software package to set up and amend accounting records
- 2 Use an accounting software package to process financial transactions
- 3 Use an accounting software package to incorporate year-end adjustments and produce financial statements for a small business
- 4 Use an accounting software package to produce a range of accounting reports

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 have some prior knowledge of manual book-keeping. This could be demonstrated by achievement of the SQA Advanced Unit *HP04 47: Recording Financial Information* or similar qualification at SCQF level 6/7 prior to undertaking this Unit.

Core Skills: Achievement of this Unit gives automatic certification of the following:

- ◆ Providing/Creating Information at SCQF level 5

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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 a practical assignment that covers all Outcomes. Alternatively, it could be assessed by four separate practical assignments.

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

Since the Providing/Creating component of the *Information Communication Technology* Core Skill 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: Using Financial Accounting Software

Unit code: HR10 47

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

Outcome 1

Use an accounting software package to set up and amend accounting records

Knowledge and/or Skills

- ◆ Customer and supplier records
- ◆ Nominal ledger accounts
- ◆ Back-up procedures

Evidence Requirements

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

- ◆ Set up two new customer accounts and two new supplier accounts.
- ◆ Set up two new nominal ledger accounts and incorporate these into the appropriate section of the final account structure. The two new nominal accounts should come from new asset, new liability, new source of income or new expense account.
- ◆ Amend two existing customer, two existing supplier and two existing nominal ledger accounts.
- ◆ Back-up data files securely.

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

Evidence must be accurate within a tolerance of one error.

Assessment Guidelines

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

This Outcome may be assessed separately or combined with the assessment of other Outcomes. Assessment Guidelines for a single assessment covering all Outcomes is given after Outcome 4.

Outcome 2

Use an accounting software package to process financial transactions

Knowledge and/or Skills

- ◆ VAT categories
- ◆ Receivables invoices and credit notes
- ◆ Payables invoices and credit notes
- ◆ Purchase of non-current assets
- ◆ Cheques issued and received
- ◆ Discount allowed and received
- ◆ Cash receipts and cash payments
- ◆ Recurring entries
- ◆ Error correction
- ◆ Irrecoverable debt write-off
- ◆ Back-up procedures

Evidence Requirements

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

- ◆ Process four sales invoices, four purchase invoices, two sales credit notes, two purchase credit notes. Transactions to include VAT standard rated, zero rated and exempt supplies.
- ◆ Process cheques issued to include two cheques to payables, four cheques for payment of expenses and two cheques for purchase of non-current assets. The cheques to payables should be for payment of amount due after returns and discounts have been deducted. Transactions to include standard rated, zero rated and exempt supplies and transactions outwith the scope of VAT.
- ◆ Process cheques received to include two cheques from receivables, two cheques for other income and one loan cheque. Cheques from receivables should be for receipt of amount due after returns and discount have been deducted.
- ◆ Process two transactions incorporating discount allowed and two transactions incorporating discount received.
- ◆ Process three cash receipts and three cash payments. Transactions to include standard rated, zero rated and exempt supplies and transactions outwith the scope of VAT.
- ◆ Set up and process two recurring entries for direct debits or standing orders.
- ◆ Write off a receivables account as an irrecoverable debt.
- ◆ Record details of two new non-current assets in the non-current asset register — including one straight line depreciation and one reducing balance depreciation.
- ◆ Correct two errors using the error correction facilities of the software package.
- ◆ Back-up data files securely.

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

Evidence must be accurate within a tolerance of four errors.

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Assessment Guidelines

It is recommended that the assessment of this Outcome be completed within one and a half hours.

This Outcome may be assessed separately or combined with the assessment of other Outcomes. Assessment Guidelines for a single assessment covering all Outcomes is given after Outcome 4.

Outcome 3

Use an accounting software package to incorporate year-end adjustments and produce financial statements for a small business

Knowledge and/or Skills

- ◆ Accruals
- ◆ Prepayments
- ◆ Depreciation
- ◆ Inventory journals
- ◆ Income statement
- ◆ Statement of financial position
- ◆ Back-up procedures

Evidence Requirements

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

- ◆ Set up and process year-end adjustments for two accrued expenses and two prepaid expenses
- ◆ Set up and process two charges for depreciation of non-current assets (one straight line, one reducing balance)
- ◆ Process the appropriate journal entries for opening and closing inventory values
- ◆ Produce and print financial statements for a small business — income statement and statement of financial position
- ◆ Back-up data files securely

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

Evidence must be accurate within a tolerance of two errors.

Assessment Guidelines

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

This Outcome may be assessed separately or combined with the assessment of other Outcomes. Assessment Guidelines for a single assessment covering all Outcomes is given after Outcome 4.

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Outcome 4

Use an accounting software package to produce a range of accounting reports

Knowledge and/or Skills

- ◆ Trial Balance
- ◆ Audit Trail
- ◆ VAT Return
- ◆ Other reports

Evidence Requirements

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

- ◆ Produce and print a Trial Balance, an Audit Trail, a VAT Return, plus two additional reports from the following:
 - Aged Receivables Analysis
 - Receivables Reminder Letter
 - Customer Address List
 - Supplier Address List
 - Nominal Ledger Code List
 - Fixed Asset List

The evidence should be generated under open-book supervised conditions. The reports should be printed without error.

Assessment Guidelines

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

This Outcome may be assessed separately or combined with the assessment of other Outcomes. Further guidance is given below.

Assessment Guidelines for the Unit

These guidelines relate to a single assessment that covers all Outcomes

A holistic approach to assessment may be adopted with all Outcomes being assessed in a single open-book supervised assessment. Candidates could have access to software manuals, help menus and any other course materials during the assessment.

It is recommended that the combined assessment of the four Outcomes be completed within three hours.

Candidates could be provided with a set of data files relating to a business. This data might consist of a number of customer accounts and a number of supplier accounts as well as a number of nominal ledger accounts already set up. Opening balances from a previous month could be included in receivable and payable accounts. In addition, the final account structure could already be set up within the nominal ledger of the software package.

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Candidates could then be given financial transactions, covering the Knowledge and/or Skills items and Evidence Requirements, for one month to process. The transactions would require candidates to open up some new customer accounts, some new supplier accounts and some new nominal ledger accounts.

Where new nominal ledger accounts are opened up, these would have to be entered into the financial statements structure within the nominal ledger so that these account balances are included in the financial statements produced at the end of the month. The candidates would also have to amend some existing customer and supplier accounts — for example change of address, phone number, contact name, credit limit, etc. Some nominal ledger accounts would also have to be amended — for example, change of account name.

Later in the assessment the candidate would be required to print a range of reports. To test the candidate's understanding they could be asked, for example, to produce a report showing customer names and addresses but the report should only include those new customers that the candidate had set up or those existing customers whose details the candidate had amended (as opposed to including every customer — this also has the advantage of cutting down on the amount of paper used).

The financial transactions could be batched — eg invoices sent out last month; invoices received last month; credit notes sent out; credit notes received; cheques issued; cheques received; cash receipts issued; cash receipts received and other transactions. Invoices and credit notes should cover the range of VAT categories outlined in Knowledge and/or Skills and Evidence Requirements. The amount of cheques issued to payable and received from receivable should be the appropriate amount after the application of a credit note and of a cash discount so that the candidate has to process discounts allowed and received.

Two of the cheques issued could be for the purchase of new non-current assets. Candidates should differentiate between the gross and net amount of the asset when entering it in the non-current asset register. Thereafter, one asset could be depreciated by the straight line method and one by the reducing balance method.

Candidates could also set up, for example, recurring entries for the payment of direct debits and standing orders. One of the expenses being paid by direct debit could be for the new expense account that was set up in the nominal ledger — this ensures that the candidate has to set up the appropriate expense account and then set up the recurring entry against that account. Candidates could also write off a receivable account and could process the journal entry to record the closing inventory valuation at the month-end.

Assessment Guidelines for the Unit (where a single assessment covers all Outcomes)

Candidates could be informed at the end of the assessment instrument that two of the transactions entered earlier in the assessment have errors and the candidate could be instructed to correct the errors using the facilities available in the software package.

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Administrative Information

Unit code:	HR10 47
Unit title:	Using Financial Accounting Software
Superclass category:	CD
Original date of publication:	August 2017
Version	01

Version	Description of change	Date

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SQA acknowledges the valuable contribution that Scotland's colleges have made to the development of SQA Advanced Qualifications.

FURTHER INFORMATION: Call SQA's Customer Contact Centre on 44 (0) 141 500 5030 or 0345 279 1000. Alternatively, complete our Centre Feedback Form.

Unit Specification: support notes

Unit title: Using Financial Accounting Software

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 Certificate/SQA Advanced Diploma in Accounting Group Award, 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.

This Unit is designed to enable candidates to use a commercial accounting software package to process financial transactions and to prepare accounting reports for a small business.

Outcome 1

Candidates should be able to maintain the receivables ledger, payables ledger and nominal ledger of a business using an accounting software package. This would include amending details of existing accounts and setting up new accounts in each of the ledgers. Candidates should be familiar with the Chart of Accounts (the framework for the Financial Statements) within the package. Candidates should also be aware of the allocation of code number to accounts and the significance of the different ranges of account numbers — eg account numbers allocated to non-current assets, account numbers allocated to current assets, etc. Candidates should understand the need to amend the Chart of Accounts when setting up new nominal ledger accounts so that the new accounts would be incorporated into the financial statements framework in the package. Candidates should be familiar with the range of reports associated with each of the ledgers and should be encouraged to investigate all available reports and the use to which they could be put.

Outcome 2

Candidates should be able to process all the standard financial transactions that occur regularly in a business. It would be normal to batch transactions for processing. Candidates should be familiar with the use of batches and batch totals to help ensure accuracy in posting transactions. Candidates should be encouraged to produce day books and a Trial Balance after each batch that is processed. Candidates should be able to explain which balances in the Trial Balances will change as a result of the batch of documents processed and to check these changes against their batch totals. Candidates should be encouraged to back-up data files after each batch that is processed. Candidates should print off the Audit Trail or refer to it on-screen and be able to recognise the way in which the package details each transaction that has been processed. Again, candidates should be encouraged to investigate all available reports and the use to which they could be put.

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Centres could provide candidates with sets of data which can be used to practise each of the batches that have to be processed — eg sales invoices, purchases invoices, sales credits, etc. For example, centres could provide candidates with data relating to receipts from receivables. This could include both cash receipts and cheques received. The batch could include part payments of amounts due; full payment of accounts; full payment where there has also been a credit note issued to the customer and full payment where there is both a credit note issued to the customer and the customer is to be allowed a discount for prompt payment. On completion of the batch the candidate should produce the relevant day books and check the totals in the day books against their batch totals. The candidate should also produce a Trial Balance and explain which balances have changed as a result of processing this batch of cheques.

Similarly, centres could provide candidates with sets of data relating to receivables for, say, six months. Some debts would be current, some one month overdue, some two months overdue, etc. Candidates could be asked to identify those receivables who should be considered as possible irrecoverable debts; those who should receive a “mild” reminder letter; those who should be sent a “stronger” reminder letter, etc. Candidates should also be familiar with the way in which an entire account can be written off as an irrecoverable debt or, alternatively, an individual invoice can be written off.

When processing payments for expenses and for non-current asset purchases, candidates should use the package to differentiate between data which contains gross amounts and data which contain net amounts, and the facilities within the package for converting gross amounts to net amounts when appropriate.

Candidates should be aware that the net amount should be entered in the Non-current Asset Register and not the gross amount.

Candidates should be familiar with the VAT codes used within the package and their significance in compilation of the VAT return.

After every batch that is processed, candidates should back-up data files securely.

Outcome 3

Candidates should be familiar with the distinction between setting up accruals and prepayments and actually processing them at the month-end. Similarly, candidates should be familiar with the distinction between setting an asset up in the Non-current Asset Register and then processing the depreciation at the end of the month. When setting up assets in the Non-current Asset Register candidates would again be expected to understand the coding system adopted by the software package — eg the code for depreciation of an asset as shown in the Income Statement and the code for the depreciation as shown on the Statement of Financial Position. Candidates should be able to prepare journal entries to charge the opening inventory to the cost of sales in the Trading Account and to reduce the cost of sales by the value of the closing inventory at the end of the month. Candidates should back-up data files securely.

Outcome 4

Throughout the Unit, candidates should be encouraged to investigate the range of reports available and the uses to which these reports can be put within the business.

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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/SQA Advanced Diploma in Accounting Group Award, it is recommended that the Unit be delivered towards the beginning of the Group Award, following the SQA Advanced Unit *HP04 47: Recording Financial Information*. This means that candidates will be able to understand what the accounting package does when processing the batches of data and to appreciate some of the advantages of using a software package rather than manual processing of financial transactions.

It is recommended that the assessment is carried out in one single assessment which covers all four Outcomes. However, the Outcomes could be assessed separately or alternatively, Outcomes 1 and 2 could be combined into a single assessment, and Outcomes 3 and 4 could be combined into another single assessment.

All evidence should be produced under open-book supervised conditions.

During the delivery of this Unit, it is recommended that candidates be made aware of the existence of current accounting standards and legislation.

Opportunities for developing Core Skills

The delivery and assessment of this Unit may contribute towards the Core Skill *Information and Communication Technology* at SCQF level 5. The Core Skill component *Providing/Creating Information* at SCQF level 5 is embedded in this Unit. Throughout all four Outcomes of the Unit, candidates apply a wide range of IT skills related to performing IT operations, processing information, accessing information and keeping information safe.

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.

General information for candidates

Unit Title: Using Financial Accounting Software

This Unit is designed to enable you to process financial transactions using a commercial accounting software package. You may already be familiar with the double entry book-keeping system and be able to post business transactions manually. This Unit enables you to process these same transactions but using a software package rather than posting manually.

The Unit has four main areas, each the subject of a separate Outcome.

In Outcome 1 you will look at the three main ledgers in a book-keeping system — the Receivables Ledger (Customer records); the Payables Ledger (Supplier records) and the Nominal Ledger (all other assets, liabilities, expenses and income). You will learn how to set up new records as well as how to amend existing records. You will learn the coding system used within the accounting software package and you will learn how to amend the Financial Statements Structure when you introduce new accounts into the nominal ledger. You will become familiar with a range of reports relating to each of these ledgers. You will learn how to back-up data files in order to securely store the data.

In Outcome 2 you will learn how to process the major financial transactions that occur on a daily basis in most small to medium sized businesses. These will include the processing of sales and purchase invoices; sales and purchase credit notes; cheques issued and received and cash receipts issued and received. You will learn how data is batched and batch totals are used for checking purposes. You will also learn how to enter non-current assets in a Non-current Asset Register; how to set up and process recurring entries through the bank account — for standing orders and direct debits and you will learn how to write off a debt as an irrecoverable debt. You will also learn how to analyse debts by age and how to 'chase' debts by sending out appropriate letters to overdue receivables. You will become familiar with a range of reports relating to each of batches that you have processed — including day books; the trial balance and the audit trail. You will learn how to back-up data files in order to securely store the data.

In Outcome 3 you will learn how to set up and process the month-end adjustments and then produce the financial statements for the business — the Income Statement and the Statement of Financial Position. By processing month-end adjustments for accruals, prepayments and depreciation and by preparing inventory journals, you will then be able to produce financial statements that give a true and fair view of the profit earned by or the loss incurred by the business. You will normally do this for one month but you will also produce figures for the year to date.

In Outcome 4 you will learn how to produce a variety of reports for a business including Customer Reports and Supplier Reports as well as other reports such as VAT Return; Trial Balance; Audit Trail; Day Books and Letters.

This Unit may be assessed by one practical assignment which covers all the Outcomes or each Outcome may be assessed separately. The assessments will be carried out under open-book supervised conditions. This means that you will be able to bring with you to the assessment any software manual or other notes or teaching materials. You may also access help menus during the assessment.

You will have opportunities to develop the Core Skill of Information Technology in this Unit. Achievement of this Unit gives automatic certification of Providing/Creating Information at SCQF level 5.