

# Level 3 Technical Occupational Entry for Assistant Accountants (Accounting)

Unit pack

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## Preparing Financial Statements

Unit level	GLH	Unit reference number	Assessment
3	140	TBC	TBC

### Introduction

This unit provides students with the essential double-entry bookkeeping skills to enable them to record financial transactions in both manual systems and in accounting software. Students will understand accounting terminology, be able to prepare and close off ledger accounts, prepare the trial balance and complete reconciliations.

The unit introduces students to non-current assets, preparing them to record additions, depreciation and disposals. They will be able to complete calculations as well as record non-current asset transactions in both the ledger accounts and the non-current asset register.

Students will understand, and be able to record, period end adjustments including the adjustments for accruals, prepayments, inventory and irrecoverable and doubtful receivables. They will be able to adjust and extend the trial balance. Students will then be able to prepare accounts for sole traders using the accruals basis of accounting.

The unit takes students through the whole process, from initial recording of transactions to final accounts preparation, and therefore prepares them for employment where they may be required to prepare a portion of, or all of, the final accounts of a sole trader.

The unit also introduces students to partnership and company accounts. Students will be able to understand the differences between sole trader and partnership accounts and will be able to complete appropriation of profits as well as the partners current and capital accounts. The unit also introduces students to key aspects of company accounts that may be relevant to small businesses, such as the directors loan account, dividends and the capital account. Students will also understand the requirements of financial statements for different entities, including filing requirements and whether the cash basis may be used as an alternative to the accruals basis. Students will also be able to understand the differences between the cash and accruals basis of accounting.

After completing the unit, students will understand the range of business types and accounting formats that they may experience in practice.

## Learning outcomes

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1. Understand the accounting principles underlying final accounts preparation
  2. Understand the principles of advanced double-entry bookkeeping
  3. Record non-current assets
  4. Record period end adjustments
  5. Produce and extend the trial balance
  6. Produce financial statements
  7. Use accounting software
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## Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit. All areas indicated in the table below must be covered in teaching.

Learners may not be assessed on all content, or on the full depth or breadth of a piece of content. Content assessed may change over time to ensure validity of assessment.

<b>1. Understand the accounting principles underlying final accounts preparation</b>	
<b>1.1</b>	<b>The underlying accounting principles in the preparation of final accounts</b>
	Learners need to understand: 1.1.1 the accounting principles: <ul style="list-style-type: none"><li>- accruals</li><li>- going concern</li><li>- business entity</li><li>- materiality</li><li>- consistency</li><li>- prudence</li><li>- money measurement.</li></ul>
<b>1.2</b>	<b>Qualities of useful financial information</b>
	Learners need to know: 1.2.1 the fundamental qualitative characteristics: <ul style="list-style-type: none"><li>- relevance</li><li>- faithful representation</li></ul> 1.2.2 the enhancing qualitative characteristics: <ul style="list-style-type: none"><li>- comparability</li><li>- verifiability</li><li>- timeliness</li><li>- understandability</li></ul> 1.2.3 the importance of ensuring financial statements are free from material misstatement.

<b>2. Understand the principles of advanced double-entry bookkeeping</b>		
<b>2.1</b>	<b>Use of the accounting equation</b>	
	Learners need to understand: 2.1.1 the importance of the accounting equation for keeping accounting records 2.1.2 the effect of accounting transactions on elements of the accounting equation.	Learners need to be able to: 2.1.3 calculate the different elements of the accounting equation.
<b>2.2</b>	<b>Classification of ledger accounts</b>	
	Learners need to know: 2.2.1 the classification of general ledger accounts into: <ul style="list-style-type: none"> <li>- assets: non-current (tangible, intangible) and current</li> <li>- liabilities: non-current and current</li> <li>- capital (equity)</li> <li>- income</li> <li>- expenses.</li> </ul>	
<b>2.3</b>	<b>Purpose and use of books of prime entry and ledger accounting</b>	
	Learners need to understand: 2.3.1 the daybooks (books of prime entry): <ul style="list-style-type: none"> <li>- sales</li> <li>- sales returns</li> <li>- purchases</li> <li>- purchases returns</li> <li>- discounts allowed</li> <li>- discounts received</li> <li>- cash book</li> <li>- journal (including narratives)</li> </ul> 2.3.2 how daybooks are used to update ledger account records, including dealing with Value Added Tax (VAT) 2.3.3 the different ledgers and how they interact: <ul style="list-style-type: none"> <li>- general</li> <li>- receivables</li> <li>- payables</li> </ul> 2.3.4 control accounts: <ul style="list-style-type: none"> <li>- receivables ledger</li> <li>- payables ledger</li> <li>- wages and salaries</li> <li>- VAT</li> </ul> 2.3.5 that accounting software automates the transfer of data into the control accounts.	Learners need to be able to: 2.3.6 prepare ledger accounts using double-entry principles.

<b>2.4</b>	<b>Carry out financial period end routines</b>	
	<p>Learners need to understand:</p> <p>2.4.1 that at the end of the period accounts are balanced off differently depending on their classification in terms of income, expense, asset, liability or capital</p> <p>2.4.2 that accounting software automates the period end routine.</p>	<p>Learners need to be able to:</p> <p>2.4.3 verify general ledger balances by using relevant sources of information:</p> <ul style="list-style-type: none"> <li>- physical checks</li> <li>- inventory records</li> <li>- supplier</li> <li>- bank statements</li> <li>- receivables and payables ledgers</li> <li>- non-current asset register</li> </ul> <p>2.4.4 transfer balances or carry down balances on ledger accounts as appropriate</p> <p>2.4.5 complete control account reconciliations</p> <p>2.4.6 complete bank reconciliations.</p>

<b>3. Record non-current assets</b>		
<b>3.1</b>	<b>The importance of classifying expenditure into capital or revenue expenditure</b>	
	<p>Learners need to understand:</p> <p>3.1.1 which items can be included in the cost of a non-current asset (NCA)</p> <p>3.1.2 that revenue expenditure should be excluded from the cost of an NCA</p> <p>3.1.3 the importance of only capitalising expenditure in excess of the level specified in the organisation's policy</p> <p>3.1.4 the effect of capitalisation on the statement of profit or loss (SPL) and statement of financial position (SFP).</p>	<p>Learners need to be able to:</p> <p>3.1.5 categorise items into revenue and capital expenditure.</p>
<b>3.2</b>	<b>Record acquisitions and disposals of non-current assets</b>	
	<p>Learners need to understand:</p> <p>3.2.1 the purpose and content of the NCA register</p> <p>3.2.2 the meaning of the balance on the disposals account</p> <p>3.2.3 that part-exchange is a different form of funding to cash or credit</p> <p>3.2.4 that NCA registers can be part of accounting software or held independently on spreadsheets</p> <p>3.2.5 how gains and losses on disposal are treated at the period end.</p>	<p>Learners need to be able to:</p> <p>3.2.6 update the NCA register for acquisitions and disposals</p> <p>3.2.7 record acquisitions and disposals in the general ledger (including part-exchange).</p> <p><b>Excluded:</b> VAT treatment of part exchanges.</p>

<b>3.3</b>	<b>Calculate depreciation</b>	
	<p>Learners need to understand:</p> <p>3.3.1 the meaning of:</p> <ul style="list-style-type: none"> <li>- useful life</li> <li>- residual value</li> <li>- depreciable amount</li> <li>- carrying amount</li> </ul> <p>3.3.2 that the depreciable amount of the NCA should be allocated over the relevant period of its useful life</p> <p>3.3.3 that depreciation can be calculated automatically by accounting software.</p>	<p>Learners need to be able to:</p> <p>3.3.4 calculate the depreciation charge for an asset, using the straight-line method of depreciation for both full and part years</p> <p>3.3.5 calculate the depreciation charge for an asset, using the diminishing balance method of depreciation for a full year with a given percentage.</p>
<b>3.4</b>	<b>Record depreciation</b>	
	<p>Learners need to be able to:</p> <p>3.4.1 record depreciation in the:</p> <ul style="list-style-type: none"> <li>- NCA register</li> <li>- general ledger, including producing relevant journal entries</li> </ul> <p>3.4.2 reconcile the NCA register to the appropriate general ledger balances.</p>	

<b>4. Record period end adjustments</b>		
<b>4.1</b>	<b>Record accruals and prepayments of income and expenditure</b>	
	<p>Learners need to understand:</p> <p>4.1.1 why there can be a difference between the amount paid or received during the period and the amount recognised in the statement of profit or loss for that period</p> <p>4.1.2 how adjustments for accruals and prepayments for the current period and the reversal of adjustments for the previous period affect ledger accounts</p> <p>4.1.3 that accrued and prepaid income and expense balances are recognised as either assets or liabilities</p> <p>4.1.4 that accounting software automates recurring entries including for accruals and prepayments.</p>	<p>Learners need to be able to:</p> <p>4.1.5 calculate the amount of a prepayment or accrual adjustment to be made</p> <p>4.1.6 account for accruals and prepayments by making entries in the general ledger, including using the journal</p> <p>4.1.7 account for the reversal of accruals and prepayments from a previous period by making entries in the general ledger, including using the journal.</p>



<b>4.2</b>	<b>Record irrecoverable debts and allowances for doubtful receivables</b>	
	<p>Learners need to understand:</p> <p>4.2.1 the differences between:</p> <ul style="list-style-type: none"> <li>- irrecoverable debts</li> <li>- allowances for specific doubtful receivables</li> <li>- general allowances for doubtful receivables.</li> </ul>	<p>Learners need to be able to:</p> <p>4.2.2 account for the writing-off of an irrecoverable debt and for the recovery of an irrecoverable debt previously written off in the ledgers</p> <p>4.2.3 calculate new allowances for doubtful receivables and adjustments to existing allowances for doubtful receivables</p> <p>4.2.4 use the journal to record irrecoverable debts and adjustments to allowances for doubtful receivables.</p>
<b>4.3</b>	<b>Record inventory</b>	
	<p>Learners need to understand:</p> <p>4.3.1 the effect that changes in valuation of inventory have on profit or loss for a period</p> <p>4.3.2 that inventory must be valued at the lower of cost and net realisable value (NRV) on an individual item basis</p> <p>4.3.3 which types of expenditure can be included in the valuation of inventory</p> <p>4.3.4 that accounting software automates the process of recording, tracking and valuing inventory.</p>	<p>Learners need to be able to:</p> <p>4.3.5 determine the closing inventory figure</p> <p>4.3.6 make entries in the journal to record the value of closing inventory.</p>

5. Produce and extend the trial balance		
5.1	<b>Prepare an initial trial balance</b>	
	<p>Learners need to understand</p> <p>5.1.1 the importance of producing the trial balance to check for errors</p> <p>5.1.2 the limitations of the trial balance as a check for errors</p> <p>5.1.3 that accounting software completes the transfer of data into the trial balance.</p>	<p>Learners need to be able to:</p> <p>5.1.4 transfer balances from ledger accounts, a list of balances or written data into the correct debit or credit columns of the initial trial balance</p> <p>5.1.5 correct errors that are not shown by the initial trial balance</p> <p>5.1.6 correct errors that are shown by the initial trial balance by the use and clearing of the suspense account.</p>
5.2	<b>Prepare an adjusted or extended trial balance (ETB)</b>	
	<p>Learners need to understand:</p> <p>5.2.1 that accounting software automatically recalculates balances after adjustments.</p> <p>5.2.2 the role of the ETB in the preparation of financial statements.</p>	<p>Learners need to be able to:</p> <p>5.2.3 enter the following adjustments correctly into the adjusted trial balance:</p> <ul style="list-style-type: none"> <li>- closing inventory</li> <li>- accruals of income or expenses</li> <li>- prepayments of income or expenses</li> <li>- corrections of errors</li> <li>- depreciation</li> <li>- irrecoverable debts</li> <li>- allowances for doubtful receivables</li> <li>- disposals of NCA including part-exchange</li> </ul> <p>5.2.4 complete the SPL and SFP columns of the ETB for sole traders</p> <p>5.2.5 balance off the ETB by calculating the profit or loss figure and entering it into the relevant SPL and SFP columns.</p>

6. Produce financial statements		
6.1	<b>Requirements for financial statements of different entities</b>	
	Learners need to understand: 6.1.1 that sole traders and partnerships: <ul style="list-style-type: none"> <li>- produce accounts for internal purposes and to enable the completion of personal tax returns</li> <li>- do not publish their accounts</li> <li>- are not required to follow any specific format</li> <li>- use the cash basis as the default method of preparing accounts for tax purposes but an election can be made to use accruals-based accounts</li> </ul> 6.1.2 that companies: <ul style="list-style-type: none"> <li>- are required to file accounts at Companies House</li> <li>- must use accruals-based accounting</li> <li>- must follow specific rules and formats in the preparation of their accounts.</li> </ul>	
6.2	<b>Prepare financial statements on the accruals basis for sole traders</b>	
	Learners need to understand: 6.2.1 the purpose of SPLs 6.2.2 the purpose of SFPs 6.2.3 how the financial statements are linked to the accounting equation 6.2.4 how the SPL and SFP are related 6.2.5 how to calculate: <ul style="list-style-type: none"> <li>- sales revenue = sales - sales returns</li> <li>- net purchases = purchases - purchases returns + carriage inwards</li> <li>- cost of sales = opening inventory + net purchases - closing inventory</li> </ul> 6.2.6 the reasons for movement in the capital balance during a period 6.2.7 how the accounts would be different if the cash basis had been used.	Learners need to be able to: 6.2.8 account for drawings, capital injections and profits or losses during a period in order to complete the capital account. 6.2.9 prepare SPLs 6.2.10 prepare SFPs using the net assets presentation.
6.3	<b>Differences between partnership and sole trader accounts</b>	
	Learners need to understand: 6.3.1 the appropriation account 6.3.2 the partners' capital and current accounts.	Learners need to be able to: 6.3.3 prepare an appropriation account: <ul style="list-style-type: none"> <li>- interest on capital (calculation not required)</li> <li>- interest on drawings (calculation not required)</li> <li>- salaries or commission paid to partners</li> </ul> 6.3.4 calculate each partner's share of any residual profit or loss according to the profit-sharing ratio 6.3.5 prepare partners' current accounts:

		<ul style="list-style-type: none"> <li>- interest on capital (calculation not required)</li> <li>- interest on drawings (calculation not required)</li> <li>- salaries or commission paid to partners</li> <li>- drawings.</li> </ul>
<b>6.4</b>	<b>Differences between company and sole trader accounts</b>	
	<p>Learners need to understand:</p> <p>6.4.1 that companies are owned by shareholders, run by directors and that in owner-managed companies, this can be the same person/people</p> <p>6.4.2 that directors may be paid a salary that will be included as an expense in the SPL</p> <p>6.4.3 that tax will be deducted from profits</p> <p>6.4.4 that shareholders may be paid dividends that will reduce the companies retained earnings</p> <p>6.4.5 that a dividend can only be paid if retained earnings are available</p> <p>6.4.6 that in small owner-managed companies, the Directors Loan Account (DLA) is used to manage the amounts owed to and from the directors during the period</p> <p>6.4.7 that the DLA may be in debit or credit at any point in time.</p>	<p>Learners need to be able to:</p> <p>6.4.8 use the journal to record a declared dividend</p> <p>6.4.9 prepare the capital section of a company's SFP from given information on:</p> <ul style="list-style-type: none"> <li>- share capital</li> <li>- profit for the year</li> <li>- dividends declared.</li> </ul>

## 7. Use accounting software

### 7.1 Record financial transactions and produce reports

Learners need to understand:

7.1.1 the importance of maintaining up-to-date customer and supplier records.

Learners need to be able to:

7.1.2 import data from other software

7.1.3 create nominal ledger accounts

7.1.4 update customer and supplier records

7.1.5 record:

- opening balances
- sales invoices and credit notes
- purchases invoices and credit notes
- customer receipts and supplier payments
- other receipts and payments
- recurring entries
- capital expenditure
- capital disposals
- depreciation
- accruals and prepayments
- irrecoverable receivables
- dividends
- closing inventory
- journals to correct entries

7.1.6 run:

- aged receivables and payables reports
- a trial balance
- a SPL
- a SFP
- a transactional report for an item in the general ledger

7.1.7 prepare a bank reconciliation

7.1.8 select cash/accruals basis for sole trader accounts.

## Delivering this unit

Using case studies and practical examples is an effective way of teaching the content of this unit. Students could be encouraged to list items they would purchase when setting up a new venture, including buildings, fixtures and fittings. The effect of each these on the accounting equation could be tracked, leading to a discussion about double-entry. In order to understand the links between different aspects of bookkeeping, training providers could produce invoices and credit notes and use these to populate daybooks and the ledger accounts. This would lead to a simple trial balance.

Tutors could demonstrate how invoices and credit notes are entered into accounting software and demonstrate how these can then be tracked to the individual customer/supplier accounts, the general ledger balances, the trial balance, the profit or loss statement and statement of financial position reports in the accounting software. This will give students a practical insight into how accounting software achieves the same results as manual accounting but with automation of processes.

Practical case studies incorporating errors could be used to demonstrate errors that will be identified by the trial balance and how to resolve these errors. This will also enable students to understand how accounting software may support the accountant in error identification.

Bank reconciliations can be taught using students' personal experience of looking at their bank statement. A discussion as to why the bank statement shows a credit balance when there is money in the account is a good way of enforcing the difference between assets and liabilities. Again, demonstrations of how live bank feeds can support the process in accounting software would offer students valuable insight.

When preparing and recording depreciation calculations, students could be tasked with researching prices of an assets, such as cars that are the same model but different ages. The effect of methods of depreciation on profit and asset values could then be demonstrated.

To support delivery of recoding period end adjustments, accruals and prepayments could be illustrated with simulated invoices by reference to real examples within the training provider or employer. A local employer could be invited to talk about inventory and how it is tracked and valued. They could be asked to set questions based on real-life examples of how their inventory is managed.

Students could research some real partnerships online, such as large accounting companies, and look at the final accounts, particularly the SFP. Representatives from local partnerships, such as accountancy firms, could also talk through the format of their accounts.

## Test specification for Preparing Financial Statements unit assessment

Assessment method	Marking type	Duration of assessment
Computer based assessment (CBA)	Computer marked	2 hours

Learning outcomes	Weighting
1. Understand the principles of advanced double-entry bookkeeping	5%
2. Understand the accounting principles underlying final accounts preparation	24%
3. Record non-current assets	14%
4. Record period end adjustments	11%
5. Produce and extend the trial balance	5%
6. Produce financial statements	41%
7. Use accounting software	N/A

# Tax Processes for Assistant Accountants (FA2024)

Unit level	GLH	Unit reference number	Assessment
3	90	TBC	TBC

## Introduction

This unit explores tax processes that influence the daily operations of businesses. It provides students with the knowledge and skills that are needed to keep businesses, employers and clients compliant with laws and practices that apply to Value Added Tax (VAT), the Construction Industry Scheme (CIS) and payroll.

For VAT, students will understand the registration and deregistration rules and the rules relating to specialist VAT schemes. Students will be able to recognise different types of supplies and calculate VAT correctly for all schemes, understanding the importance of the rules relating to the recovery of input tax and the sanctions and penalties for inaccuracies, omissions and failure to make submissions and payments within the correct timescales. Students will be able to verify the accuracy of calculations, invoices and tax points, and will learn about the correction of errors. When learning about the content of the VAT return, students will understand how to apply special rules when goods are imported and exported out of the UK and the European Union (EU), and how to extract the appropriate data to complete VAT returns.

For CIS, students will understand the purpose of the CIS scheme, the meaning of contractors and sub-contractors, the requirement of contractors to verify subcontractors, deduct tax, make CIS returns, and keep records.

For payroll, students will understand the processes for businesses involved in calculating pay and deductions and the content of documents and reports produced on software, along with the timescales for submission and payment.

The rules relating to Northern Ireland are not assessed in this unit.



## **Learning outcomes**

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1. Understand legislation requirements relating to VAT
  2. Calculate VAT
  3. Review and verify VAT returns
  4. Understand the Construction Industry Scheme
  5. Understand principles of payroll
  6. Use accounting software
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## Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit. All areas indicated in the table below must be covered in teaching.

Learners may not be assessed on all content, or on the full depth or breadth of a piece of content. Content assessed may change over time to ensure validity of assessment.

<b>1. Understand legislation requirements relating to VAT</b>	
<b>1.1</b>	<b>UK tax law principles relating to VAT</b>
	<p>Learners need to understand:</p> <ul style="list-style-type: none"><li>1.1.1 that HMRC is the relevant tax authority for VAT in the UK</li><li>1.1.2 that VAT is a tax on consumer spending, charged on taxable supplies by taxable persons, including whether the tax charged falls on registered businesses or the end user</li><li>1.1.3 the definitions of:<ul style="list-style-type: none"><li>- taxable supplies</li><li>- standard-rated supplies</li><li>- reduced-rated supplies</li><li>- zero-rated supplies</li><li>- exempt supplies</li><li>- supplies outside the scope of VAT</li></ul></li><li>1.1.4 HMRC's rules about:<ul style="list-style-type: none"><li>- what records should be kept</li><li>- how long VAT records should be retained</li><li>- how VAT records should be retained</li><li>- penalties for failure to keep VAT records</li><li>- inspection of records and visits to registered businesses.</li></ul></li></ul>
<b>1.2</b>	<b>VAT registration and deregistration requirements</b>
	<p>Learners need to understand:</p> <ul style="list-style-type: none"><li>1.2.1 the registration and deregistration thresholds for the normal VAT scheme and how to apply them</li><li>1.2.2 what is meant by the historic turnover method (historic test) and the future turnover method (future test) and how to comply with them in respect of registration</li><li>1.2.3 the circumstances:<ul style="list-style-type: none"><li>- in which voluntary registration may be beneficial to a business</li><li>- for voluntary and compulsory deregistration.</li></ul></li></ul>

<b>1.3</b>	<b>Filing and payment of VAT returns</b>
	<p>Learners need to understand:</p> <p>1.3.1 the timing and frequency of:</p> <ul style="list-style-type: none"> <li>- filing VAT returns under the normal scheme</li> <li>- payment/re-payment of VAT under the normal scheme</li> </ul> <p>1.3.2 the circumstances in which monthly accounting may be beneficial to the business</p> <p>1.3.3 how statutory time limits for making payment differ depending on the payment method used</p> <p>1.3.4 that compatible software must be used and authorised for submitting VAT returns under MTD.</p>
<b>1.4</b>	<b>Special schemes</b>
	<p>Learners need to understand:</p> <p>1.4.1 the thresholds, qualification criteria and operation of the special VAT schemes:</p> <ul style="list-style-type: none"> <li>- annual accounting schemes</li> <li>- cash accounting schemes</li> <li>- flat rate scheme</li> </ul> <p>1.4.2 the timing and frequency of:</p> <ul style="list-style-type: none"> <li>- filing VAT returns</li> <li>- payment/re-payment of VAT</li> </ul> <p>1.4.3 the circumstances for voluntary and compulsory withdrawal from special schemes.</p>
<b>1.5</b>	<b>Implications for non-compliance with VAT regulations</b>
	<p>Learners need to understand:</p> <p>1.5.1 the powers of HMRC to penalise a business that has failed to register for VAT</p> <p>1.5.2 the details of the penalty regime applicable to non-registration or late registration</p> <p>1.5.3 how the penalty regime applies to late submission or non-submission of VAT returns (excluding changes in filing frequency)</p> <p>1.5.4 the powers of assessment that HMRC has in respect of failure to submit VAT returns</p> <p>1.5.5 the details of the penalty and interest regime applicable to late or non-payment of VAT due</p> <p>1.5.6 the consequences of failing to:</p> <ul style="list-style-type: none"> <li>- correct errors properly</li> <li>- report an error when required to do so</li> </ul> <p>1.5.7 the operational and legal consequences of incorrect recovery of VAT.</p>

<b>2. Calculate VAT</b>		
<b>2.1</b>	<b>Extracting relevant data from accounting records</b>	
	Learners need to understand:	
	2.1.1	relevant sources of VAT information needed by a business
	2.1.2	how to identify relevant accounting records that cover the required period of each VAT return
	2.1.3	how to identify and extract relevant revenue, expenditure and VAT figures from the accounting records
	2.1.4	how to validate data and determine that the figures extracted have come from original and verified source documents
	2.1.5	the benefits of accounting software in identifying errors.
<b>2.2</b>	<b>VAT invoices</b>	
	Learners need to understand:	
	2.2.1	the contents and form of a VAT invoice: <ul style="list-style-type: none"> <li>- simplified VAT invoices</li> <li>- modified VAT invoices</li> <li>- e-invoicing requirements</li> <li>- mixed-rated supplies</li> </ul>
	2.2.2	how to determine the tax point of an invoice, both basic and actual, when there are: <ul style="list-style-type: none"> <li>- advance payments</li> <li>- deposits</li> <li>- continuous supplies</li> <li>- goods on sale or return</li> </ul>
	2.2.3	the significance of the correct tax point for: <ul style="list-style-type: none"> <li>- eligibility for special VAT schemes</li> <li>- applying the correct rate of VAT</li> <li>- determining the correct VAT period</li> </ul>
	2.2.4	the time limits for issuing VAT invoices
	2.2.5	the rules relating to electronic invoicing.
<b>2.3</b>	<b>VAT calculations</b>	
	Learners need to understand:	Learners need to be able to:
	2.3.1	the difference between inputs and outputs, and between input tax and output tax
	2.3.2	the automation of calculations through use of accounting software
	2.3.3	rules for VAT when prompt payment discounts (PPD) are offered to customers
	2.3.4	the different implications of exempt supplies and of zero-rated supplies, and the effect on recovery of input tax
	2.3.5	how partial exemption works, the de-minimis limit and how this affects the recovery of input tax
	2.3.10	calculate VAT on: <ul style="list-style-type: none"> <li>- standard-rated supplies</li> <li>- reduced-rated supplies</li> </ul>
	2.3.11	calculate VAT when given the net or the gross amount of the supply
	2.3.12	calculate the VAT payable/repayable for a VAT period from information: <ul style="list-style-type: none"> <li>- the VAT scheme</li> <li>- sales and purchases invoices</li> <li>- credit notes issued and received</li> <li>- income received</li> <li>- payments made</li> <li>- cash and petty cash transactions</li> </ul>

	<p>2.3.6 the identification of what cannot be claimed as input tax:</p> <ul style="list-style-type: none"> <li>- expenditure on employee and business contact entertaining, including that of mixed groups</li> <li>- purchases and sales of cars and vans</li> <li>- assets with private use</li> </ul> <p>2.3.7 the VAT rules on fuel scale charges, how to apply them and their effect on the VAT payable or reclaimable</p> <p>2.3.8 how to apply bad debt relief, when this is available and what time limits apply</p> <p>2.3.9 how to account for postponed import VAT.</p>	<ul style="list-style-type: none"> <li>- deposits, advance payments and delayed payments</li> <li>- a flat-rate percentage</li> <li>- adjustments made for: <ul style="list-style-type: none"> <li>▪ fuel scale charges</li> <li>▪ bad debts</li> <li>▪ input tax that cannot be claimed</li> </ul> </li> </ul> <p>2.3.13 calculate the impact on VAT of:</p> <ul style="list-style-type: none"> <li>- PPD</li> <li>- fuel scale charges</li> <li>- bad debts</li> <li>- items on which input VAT cannot be reclaimed</li> </ul> <p>2.3.14 calculate VAT for international trade:</p> <ul style="list-style-type: none"> <li>- imports of goods</li> <li>- exports of goods</li> </ul> <p><b>Exclusion:</b> requirement to calculate VAT for international services.</p> <p>2.3.15 calculate the effect on VAT of a change in VAT rate</p> <p>2.3.16 calculate the effect on VAT of a change in VAT scheme</p> <p>2.3.17 calculate the effect on VAT of a change in business operations.</p>
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### 3. Review and verify VAT returns

#### 3.1 Make adjustments for errors or omissions in VAT returns

	<p>Learners need to understand:</p> <p>3.1.1 if previous period errors or omissions can be corrected by amendments on current VAT returns</p> <p>3.1.2 the thresholds and deadlines where previous period errors or omissions must be declared, including the timescales during which corrections can be made</p> <p>3.1.3 when previous period errors or omissions must be separately reported rather than corrected on current VAT returns</p> <p>3.1.4 when to report given previous period errors or omissions that cannot be corrected on current VAT returns.</p>	<p>Learners will be able to:</p> <p>3.1.5 calculate and process the appropriate adjustments for given previous errors</p> <p>3.1.6 recognise the impact that the adjustments for previous errors will have on VAT.</p>
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<b>3.2</b>	<b>Verify information contained within VAT returns</b>	
	<p>Learners need to understand:</p> <p>3.2.1 what is included in all relevant boxes of the VAT return (excluding Box 2, 8 and 9)</p> <p>3.2.2 how imports and exports are treated on a VAT return</p> <p>3.2.3 the importance of checking the VAT return before submission</p> <p>3.2.4 how to identify reasons for any given differences between the VAT return and the accounting records.</p>	<p>Learners need to be able to:</p> <p>3.2.5 review VAT returns from accounting information</p> <p>3.2.6 reconcile the VAT return to accounting records.</p> <p>3.2.7</p>

<b>4. Understand the Construction Industry Scheme</b>		
<b>4.1</b>	<b>The Construction Industry Scheme (CIS)</b>	
	<p>Learners need to understand:</p> <p>4.1.1 that CIS applies to the construction industry</p> <p>4.1.2 the requirements of contractors and sub-contractors to register for CIS</p> <p>4.1.3 the requirements to de-register or make an inactivity request</p> <p>4.1.4 the implication of a sub-contractor choosing not to register for CIS</p> <p>4.1.5 the responsibility of contractors to verify sub-contractors</p> <p>4.1.6 the responsibility of contractors to make deductions when paying sub-contractors</p> <p>4.1.7 the requirement, and payment deadlines, for contractors to pay deductions to HMRC</p> <p>4.1.8 the reporting requirements and filing deadlines of contractors</p> <p>4.1.9 the requirement to state that sub-contractors are not employees</p> <p>4.1.10 that a contractor which also has employees will have a PAYE/CIS scheme</p> <p>4.1.11 the requirement of contractors to maintain records for CIS and the record retention period</p> <p>4.1.12 HMRC's powers to require businesses to comply with:</p> <ul style="list-style-type: none"> <li>- regulations about registration</li> <li>- record keeping</li> <li>- submissions of returns</li> </ul>	<p>Learners will be able to:</p> <p>4.1.15 calculate:</p> <ul style="list-style-type: none"> <li>- deductions from sub-contractor payments</li> <li>- net payments to sub-contractors</li> <li>- the amount due to HMRC.</li> </ul>

	<ul style="list-style-type: none"> <li>- payment of amounts due</li> </ul>	
	4.1.13 the consequences of not meeting CIS obligations	
	4.1.14 the use of the domestic reverse charge.	

## 5. Understand principles of payroll

5.1	Employer responsibilities of payroll	
	<p>Learners need to understand:</p> <p>5.1.1 that payroll is operated by businesses or individuals who employ staff</p> <p>5.1.2 that HMRC is the relevant tax authority for payroll</p> <p>5.1.3 HMRC's powers to require businesses to comply with:</p> <ul style="list-style-type: none"> <li>- regulations about registration</li> <li>- record keeping</li> <li>- submissions of returns</li> <li>- payment of amounts due</li> </ul> <p>5.1.4 HMRC's rights in respect of inspection of records and visits</p> <p>5.1.5 HMRC's rules about:</p> <ul style="list-style-type: none"> <li>- what records should be kept</li> <li>- software</li> <li>- how payroll records should be retained</li> <li>- how long payroll records should be retained</li> </ul> <p>5.1.6 the difference between gross pay, taxable pay, taxable gross pay and net pay</p> <p>5.1.7 that businesses are required to make statutory deductions from gross pay:</p> <ul style="list-style-type: none"> <li>- Pay As You Earn (PAYE)</li> <li>- National Insurance contributions (NICs)</li> <li>- student loan repayments</li> <li>- pension contributions</li> </ul> <p>5.1.8 that businesses may be required to make non-statutory deductions from gross pay</p> <p>5.1.9 when businesses or individuals are required to register as an employer</p> <p>5.1.10 that employers are entitled to deduct statutory and other deductions from employees' pay</p>	<p>Learners will be able to:</p> <p>5.1.12 calculate the following:</p> <ul style="list-style-type: none"> <li>- gross pay</li> <li>- taxable gross pay</li> <li>- deductions from employees' pay</li> <li>- net pay</li> <li>- the amount due to HMRC</li> </ul> <p>5.1.13 reconcile gross pay to net pay and/or taxable gross pay.</p> <p><b>Note:</b> students will be provided with figures from which to calculate these values.</p> <p><b>Exclusion:</b> the calculation of Income Tax, National Insurance contributions (NICs) and student loan repayments.</p>

	5.1.11 the data protection principles specifically related to the personal data of employees.	
<b>5.2</b>	<b>Operating payroll</b>	
	Learners need to understand:	
	5.2.1 the outline content of forms produced for payroll:	
	<ul style="list-style-type: none"> <li>- payslips</li> <li>- P45s</li> <li>- P60s</li> <li>- P11Ds</li> </ul>	
	5.2.2 that employers must produce and distribute forms to employees within the required time period	
	5.2.3 that payroll reports must be submitted to HMRC by employers using Real-Time Information (RTI)	
	5.2.4 the content of Full Payment Submissions (FPS) and the Employer Payment Summary (EPS) reports submitted under RTI	
	5.2.5 that employers must report to HMRC employee payments and employee changes within the required timescale	
	5.2.6 the statutory time limits for submitting payroll returns and making payment to HMRC	
	5.2.7 the consequences of late filing and/or payment.	

<b>6</b>	<b>Use accounting software</b>	
<b>6.1</b>	<b>Process VAT</b>	
	Learners need to be able to:	
	6.1.1 process invoices:	
	<ul style="list-style-type: none"> <li>- to customers using different VAT rates</li> <li>- from suppliers using different VAT rates</li> </ul>	
	6.1.2 prepare VAT returns.	
<b>6.2</b>	<b>Process CIS transactions</b>	
	Learners need to be able to:	
	6.2.1 set up sub-contractors and select appropriate CIS rates	
	6.2.2 process invoices from CIS sub-contractors	
	6.2.3 process payments to CIS sub-contractors	
	6.2.4 prepare CIS returns.	

### Delivering this unit

To deliver this unit effectively, tutors must have up to date knowledge of the areas of tax covered and how processes may be automated using accounting software. Demonstrating the types of reports produced by different accounting systems and for different types of businesses would be helpful, along with the differences associated with special schemes, such as the annual, flat rate and cash accounting schemes.



An emphasis should be placed on understanding the sources of data used to produce reports in accounting systems and confirming their accuracy by applying and understanding the rules and regulations of HMRC. Knowledge must be updated regularly, and the unit should be taught alongside the relevant AAT tax reference material.

Wherever possible, students should be encouraged to have direct work experience in the preparation, completion and submission of VAT returns, CIS returns and payroll reports. The use of simulated activities based on real workplace scenarios would be helpful. Tutors should use examples of documents such as invoices, receipts, payslips and P60s to aid the understanding for students, whilst complying with confidentiality, security and data protection principles. Using examples of businesses who have carried out processes incorrectly, as well as those who have carried out processes in the correct way, will emphasise the penalty regimes and the importance of timely, accurate and complete reporting.

## Test specification for Tax Processes for Assistant Accountants unit assessment

Assessment method	Marking type	Duration of assessment
Computer based assessment (CBA)	Computer marked	1 ½ hours

Learning outcomes	Weighting
1. Understand the legislation requirements relating to VAT	25%
2. Calculate VAT	30%
3. Review and verify VAT returns	20%
4. Understand the Construction Industry Scheme	10%
5. Understand principles of payroll	15%
6. Use accounting software	N/A

# Principles of Management Accounting

Unit level	GLH	Unit reference number	Assessment
3	90	TBC	TBC

## Introduction

This unit provides students with the knowledge and skills required to understand the role of management accounting in an organisation, and how the information produced is used to aid decision making.

Students will learn the principles that underpin management accounting methodology and techniques, how costs are managed, and why organisations treat costs in different ways. Students will be able to recognise different approaches to management accounting and provide informed and reasoned judgements to guide management. They will also learn how to apply these principles and appreciate why effective management accounting is crucial to any organisation.

Students will learn techniques required for dealing with direct costs and revenues, and the treatment of overhead costs. They will also learn the techniques required for decision making, using estimates of costs, revenues and cashflow.

The application of ethical principles is threaded throughout this unit. All work must be carried out with integrity, objectivity and a high degree of professional competence.

## Learning outcomes

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1. Use techniques to record costs
  2. Use techniques to manage overheads
  3. Use budgeting for planning and control
  4. Use management accounting techniques
  5. Understand principles of cash management
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## Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit. All areas indicated in the table below must be covered in teaching.

Learners may not be assessed on all content, or on the full depth or breadth of a piece of content. Content assessed may change over time to ensure validity of assessment.

<b>1 Use techniques to record costs</b>	
<b>1.1 Record and calculate materials, labour and overhead costs</b>	
Learners need to be able to:	
1.1.1 use appropriate data and information from both manual records and software packages to: <ul style="list-style-type: none"> <li>- prepare and interpret inventory records for materials, work-in-progress and finished goods</li> <li>- calculate materials and labour costs</li> <li>- account for overheads.</li> </ul>	
<b>1.2 Prepare cost accounting journals</b>	
Learners need to understand:	Learners need to be able to:
1.2.1 principles of cost accounting journal entries for: <ul style="list-style-type: none"> <li>- direct materials or indirect materials</li> <li>- direct or indirect labour</li> <li>- overhead costs.</li> </ul>	1.2.2 prepare cost accounting journals for: <ul style="list-style-type: none"> <li>- materials</li> <li>- labour</li> <li>- overheads.</li> </ul>
<b>1.3 Apply inventory control methods</b>	
Learners need to be able to:	
1.3.1 calculate inventory control and valuation measures: <ul style="list-style-type: none"> <li>- inventory buffers, lead times, minimum/maximum order quantities               <ul style="list-style-type: none"> <li>▪ <math>\text{buffer inventory} = \text{re-order level} - (\text{average usage} \times \text{average lead time})</math></li> <li>▪ <math>\text{re-order level} = (\text{average usage} \times \text{average lead time}) + \text{buffer inventory}</math></li> </ul> </li> </ul> <p><b>Note:</b> students will be provided with either buffer inventory or re-order level values when completing calculations.</p> <ul style="list-style-type: none"> <li>▪ <math>\text{maximum inventory level} = \text{buffer inventory} + \text{maximum re-order quantity}</math></li> <li>▪ <math>\text{maximum re-order quantity} = \text{maximum inventory level} - \text{buffer inventory}</math></li> </ul> <p><b>Note:</b> students will be provided with either maximum inventory level or maximum re-order quantity values when completing calculations.</p> <ul style="list-style-type: none"> <li>▪ <math>\text{minimum re-order quantity} = \text{average usage} \times \text{average lead time}</math></li> <li>- economic order quantity (EOQ)               <ul style="list-style-type: none"> <li>▪ <math>= \sqrt{(2 \times \text{annual usage} \times \text{ordering cost}) \div \text{inventory holding cost}}</math></li> </ul> </li> <li>- compliance with inventory control policies</li> </ul>	
1.3.2 account for inventories using first-in-first-out (FIFO) and average cost (AVCO) methods <ul style="list-style-type: none"> <li>- the effect on reported profits of choice of method.</li> </ul>	

<b>2. Use techniques to manage overheads</b>		
<b>2.1</b>	<b>Calculate and attribute overhead costs using traditional methods</b>	
	Learners need to know: 2.1.1 different methods of indirect cost recovery: <ul style="list-style-type: none"> <li>- apportionment</li> <li>- allocation.</li> </ul>	Learners need to be able to: 2.1.2 attribute overhead costs to production and service cost centres: <ul style="list-style-type: none"> <li>- apportionment versus allocation</li> <li>- direct method</li> <li>- step-down method.</li> </ul>
<b>2.2</b>	<b>Calculate overhead absorption rates using traditional methods</b>	
	Learners need to be able to: 2.2.1 calculate overhead absorption rates using a suitable basis: <ul style="list-style-type: none"> <li>- for a manufacturer</li> <li>- for a service-based business.</li> </ul>	
<b>2.3</b>	<b>Calculate overhead absorption rates using activity-based costing</b>	
	Learners need to know: 2.3.1 the concept of activity-based costing: <ul style="list-style-type: none"> <li>- appropriate cost drivers</li> <li>- use of cost pools.</li> </ul>	Learners need to be able to: 2.3.2 calculate overhead absorption rates using appropriate cost drivers.
<b>2.4</b>	<b>Under- or over-absorption of overheads</b>	
	Learners need to understand: 2.4.1 how to account for under- or over-absorbed overhead costs in accordance with established procedures: <ul style="list-style-type: none"> <li>- calculating under- or over-absorption</li> <li>- interpreting the significance of under- or over-absorption of overhead costs on unit costs and total profit.</li> </ul>	

<b>3. Use budgeting for planning and control</b>		
<b>3.1</b>	<b>Principles of standard costing and budgeting</b>	
	Learners need to understand: 3.1.1 a product's standard price and standard cost 3.1.2 how standard prices and costs can be used to develop budgets 3.1.3 different types of budgets: <ul style="list-style-type: none"> <li>- fixed</li> <li>- flexed</li> <li>- rolling</li> </ul> 3.1.4 how operating statements are used to compare budgeted and actual performance.	Learners need to be able to: 3.1.5 prepare budgets for single product or multi-product organisations: <ul style="list-style-type: none"> <li>- revenue</li> <li>- materials</li> <li>- labour</li> <li>- variable overheads</li> <li>- fixed overheads</li> </ul> 3.1.6 flex fixed budgets.

<b>3.2</b>	<b>Calculate variances</b>
	<p>Learners need to be able to:</p> <p>3.2.1 recognise variances as being either favourable or adverse</p> <p>3.2.2 compare flexed budget versus actual costs and revenues to calculate:</p> <ul style="list-style-type: none"> <li>- sales price variance (total)</li> <li>- raw material variance (total)</li> <li>- labour variance (total)</li> <li>- variable overhead variance (total)</li> <li>- fixed production variance (total).</li> </ul>
<b>3.3</b>	<b>Analyse and investigate variances</b>
	<p>Learners need to be able to:</p> <p>3.3.1 determine the cause and effects of revenue and cost variances</p> <p>3.3.2 recognise significant variances for investigation</p> <p>3.3.3 report on remedial action to address adverse variances.</p>

<b>4. Use management accounting techniques</b>		
<b>4.1</b>	<b>Marginal and absorption costing</b>	
	<p>Learners need to understand:</p> <p>4.1.1 the difference between product and period costs</p> <p>4.1.2 the differences between costing techniques:</p> <ul style="list-style-type: none"> <li>- marginal costing</li> <li>- absorption costing</li> </ul> <p>4.1.3 the impact on reported performance of marginal versus absorption costing in both the short run and the long run</p> <p>4.1.4 when each technique is appropriate.</p>	<p>Learners need to be able to:</p> <p>4.1.5 calculate:</p> <ul style="list-style-type: none"> <li>- prime cost</li> <li>- marginal cost</li> <li>- absorption cost.</li> </ul>
<b>4.2</b>	<b>Cost behaviour</b>	
	<p>Learners need to understand:</p> <p>4.2.1 the implications of cost behaviour for cost analysis, decision making and reporting:</p> <ul style="list-style-type: none"> <li>- fixed</li> <li>- variable</li> <li>- semi-variable</li> <li>- stepped.</li> </ul>	<p>Learners need to be able to:</p> <p>4.2.2 use the high-low method to separate the fixed and variable cost elements of a semi-variable cost.</p>

<b>4.3</b>	<b>Cost Volume Profit (CVP) analysis</b>	
	<p>Learners need to understand:</p> <p>4.3.1 the concept of contribution, i.e. revenue minus variable costs</p> <p>4.3.2 the meaning of:</p> <ul style="list-style-type: none"> <li>- break-even analysis</li> <li>- margin of safety</li> <li>- margin of safety percentage</li> <li>- target profit</li> <li>- profit-volume ratio</li> </ul> <p>4.3.3 how to interpret a break-even chart.</p>	<p>Learners need to be able to:</p> <p>4.3.4 use estimates of relevant future revenue and costs</p> <p>4.3.5 use CVP analysis to calculate:</p> <ul style="list-style-type: none"> <li>- break-even analysis</li> <li>- margin of safety</li> <li>- margin of safety percentage</li> <li>- target profit</li> <li>- profit-volume ratio.</li> </ul>
<b>4.4</b>	<b>Changing activity levels</b>	
	<p>Learners need to understand:</p> <p>4.4.1 the effect of changing activity levels on unit revenue, costs and profits</p> <p>4.4.2 the difference between margin and mark-up.</p>	<p>Learners need to be able to:</p> <p>4.4.3 calculate changes in forecast unit revenue, costs and profits</p> <p>4.4.4 calculate margin and mark-up to determine missing figures.</p>

<b>5. Understand principles of cash management</b>		
<b>5.1</b>	<b>Cash budgeting</b>	
	<p>Learners need to understand:</p> <p>5.1.1 the key differences between cash and profit</p> <p>5.1.2 principles of forecasting cash receipts and payments for:</p> <ul style="list-style-type: none"> <li>- the acquisition and disposal of non-current assets</li> <li>- accounts receivable and payable</li> <li>- capital/new loans, repayment of loans and drawings.</li> </ul>	<p>Learners need to be able to:</p> <p>5.1.3 produce cash budgets.</p>
<b>5.2</b>	<b>Cash flow management</b>	
	<p>Learners need to understand:</p> <p>5.2.1 the importance of liquidity for business survival</p> <p>5.2.2 the actions that can be taken where liquidity is insufficient:</p> <ul style="list-style-type: none"> <li>- raise additional finance from owners in the form of capital</li> <li>- raise additional finance externally in the form of debt</li> </ul> <p>5.2.3 other methods of managing cash flow:</p> <ul style="list-style-type: none"> <li>- receivables collection</li> <li>- supplier payments</li> <li>- prompt payment discounts</li> <li>- non-current asset reviews</li> <li>- inventory levels.</li> </ul>	

## **Delivering this unit**

Tutors can facilitate students' understanding of why particular costing methods are used by ensuring examples are relevant and current. It would also be useful to highlight that students will encounter in their daily lives some elements of costing, whether simple or complex. Inventory control could be illustrated by using products available in supermarkets; break-even analysis could be shown using the example of a café or restaurant.

By referring to and using examples from organisations of differing sizes, which could be real or simulated, tutors will be able to illustrate the importance of overhead recovery and the choice of costing methods. More complex methods may be required for larger organisations, and external speakers could be invited to explain to students why they use a particular method within their organisation.

With regards to teaching budgets, students should be encouraged to participate in discussions about the reasons for and consequences of variances, rather than learning standard answers.

A starting point for teaching the principles of cash management is for students to review their own finances and bank statements and build a simple cash budget for their own income and expenses.



## Test specification for Principles of Management Accounting unit assessment

Assessment method	Marking type	Duration of assessment
Computer based assessment (CBA)	Computer marked	1 ½ hours

Learning outcomes	Weighting
1. Use techniques to record costs	20%
2. Use techniques to manage overheads	20%
3. Use budgeting for planning and control	20%
4. Use management accounting techniques	20%
5. Understand principles of cash management	20%

# The Assistant Accountant in a Business Environment

Unit level	GLH	Unit reference number	Assessment
3	90	TBC	TBC

## Introduction

This unit provides students with an understanding of the business, its environment and the role the finance function has in supporting the business.

Students will examine the different types of businesses, their stakeholders and the legal and regulatory environment in which they exist. This will include an introduction to contract law enabling students to recognise the key requirements for a contract and an understanding of contract terms. Students will understand the role of shareholders and the duties of directors under company law and some of the key considerations in forming a company.

Sustainability is increasingly important in the modern business environment, so students will gain an understanding of some of the key principles and the benefits a business can receive from developing their sustainability strategy. Students will also learn about developments in technology and the impact this has on the finance function, as well as understand the importance of maintaining up-to-date data. With these changes comes a greater risk to data, so students will learn some of the key principles of data protection, information security and cyber security.

Businesses will interact with their environment and students will gain an understanding of some of the key factors which can impact the business performance and decisions made by the business; they will consider this within the categories of the PESTLE model.

Professional ethics is an important topic for all members of professional accounting bodies, understanding the fundamental ethical principles and being able to recognise when there are potential threats to these principles. Students will not only know the ethical principles from the *AAT Code of Professional Ethics* but also be able to identify where these principles are threatened and provide advice on actions to take to protect them. In addition, students will understand money laundering, the processes and types and know how to respond to suspected money laundering in a business.

The role of the accountant in a business is far wider than producing management or financial reports; accountants need to be able to interpret, analyse, understand and communicate information. Students will understand the characteristics of good quality information and how to effectively communicate information to meet the users' needs. Visualisation is an important skill to support both analysis and communication and students will understand how software packages can support this.

Students need to work effectively within the business and support an inclusive business culture.

## Learning outcomes

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1. Understand business types and the role of stakeholders
  2. Understand the legal environment for businesses
  3. Understand the changing business environment
  4. Understand how businesses and accountants comply with principles of professional ethics
  5. Understand information and data security
  6. Understand business information and principles of communication
-

## Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit. All areas indicated in the table below must be covered in teaching.

Learners may not be assessed on all content, or on the full depth or breadth of a piece of content. Content assessed may change over time to ensure validity of assessment.

<b>1. Understand business types and the role of stakeholders</b>	
<b>1.1 The types of businesses</b>	<p>Learners need to understand:</p> <p>1.1.1 the standard business types and their key characteristics:</p> <ul style="list-style-type: none"><li>- sole traders</li><li>- general partnerships</li><li>- limited liability partnerships</li><li>- limited companies</li></ul> <p>1.1.2 that organisations can be either:</p> <ul style="list-style-type: none"><li>- profit seeking</li><li>- not-for-profit</li></ul> <p>1.1.3 types of funding used by businesses:</p> <ul style="list-style-type: none"><li>- capital introduced</li><li>- retained profits</li><li>- borrowing</li><li>- working capital.</li></ul>
<b>1.2 Business stakeholders' interactions and needs</b>	<p>Learners need to understand:</p> <p>1.2.1 different business stakeholders:</p> <ul style="list-style-type: none"><li>- customers</li><li>- suppliers</li><li>- finance providers</li><li>- owners</li><li>- government</li><li>- employees</li><li>- regulatory/professional bodies</li><li>- auditors</li><li>- the general public</li></ul> <p>1.2.2 stakeholders' objectives and requirements from the business</p> <p>1.2.3 stakeholders' contributions to and impact on the business.</p>

## 2. Understand the legal environment for businesses

### 2.1 Contract law

Learners need to understand:

2.1.1 the meaning of a simple contract

2.1.2 the requirements for the formation of a simple contract:

- agreement – offer and acceptance
- consideration
- intention to create legal relations
- capacity

2.1.3 the meaning of privity of contract

2.1.4 contractual terms

- terms v representations
- conditions
- warranties
- innominate terms
- express terms
- implied terms
- exclusion clauses

2.1.5 discharge of contract

- performance
- breach

2.1.6 remedies for breach of contract

- damages
- equitable remedies.

**Excluded: specific cases or legislative references.**

### 2.2 Company law

Learners need to understand:

2.2.1 the rights and roles of shareholders:

- types of share (ordinary, preference)
- liability of shareholders
- rights of shareholders (votes, dividends, return on capital in a winding up)

2.2.2 the duties of directors:

- act within powers
- promote the success of the company
- exercise independent judgement
- exercise reasonable care, skill and diligence
- avoid conflicts of interest
- not accept benefits from third parties
- declare interest in proposed transactions or arrangements

2.2.3 company formation and reporting

- registration requirements
- annual filing requirements

	<ul style="list-style-type: none"> <li>- the need to comply with financial reporting standards</li> <li>- the need to comply with tax regulations</li> </ul> <p><b>Excluded: specific cases or legislative references.</b></p>
<b>2.3</b>	<b>Fraud and money laundering</b>
	<p>Learners need to understand:</p> <p>2.3.1 money laundering law and regulations:</p> <ul style="list-style-type: none"> <li>- the process of money laundering (layering, placement, integration)</li> <li>- the types of money laundering (conceal, disguise, convert, transfer, remove, arrange, acquire, use, possess)</li> <li>- the consequences for an accountant of failing to act appropriately in response to money laundering, including the potential for the offences of 'tipping off' and 'failure to disclose'</li> <li>- the nature of the protection given to accountants by protected disclosures and authorised disclosures under money laundering law and regulations</li> <li>- the requirements for registering for anti-money laundering supervision</li> </ul> <p>2.3.2 the importance of reporting suspected money laundering in accordance with regulations:</p> <ul style="list-style-type: none"> <li>- the requirement for a suspicious activity report</li> <li>- the information that should be reported in an internal report or a suspicious activity report</li> <li>- timescales for reporting of suspected money laundering</li> </ul> <p>2.3.3 the common types of fraud within a business:</p> <ul style="list-style-type: none"> <li>- monetary</li> <li>- inventory</li> <li>- time based.</li> </ul> <p>2.3.4 the role of internal controls in:</p> <ul style="list-style-type: none"> <li>- preventing fraud and errors</li> <li>- detecting fraud and errors</li> </ul> <p>2.3.5 how poor internal control systems increase risk of fraud for a business.</p> <p><b>Excluded: Specific cases or legislative references.</b></p>

<b>3</b>	<b>Understand the changing business environment</b>
<b>3.1</b>	<b>The importance of sustainability</b>
	<p>Learners need to understand:</p> <p>3.1.1 the meaning of environmental, social and governance (ESG) frameworks</p> <p>3.1.2 the principles of sustainability</p> <ul style="list-style-type: none"> <li>- triple bottom line</li> <li>- net zero</li> <li>- carbon neutral</li> </ul> <p>3.1.3 the use of carbon offsetting</p> <p>3.1.4 the waste hierarchy organisations can adopt:</p>

	<ul style="list-style-type: none"> <li>- reduce</li> <li>- recycle</li> <li>- reuse</li> <li>- recover</li> <li>- landfill</li> </ul> <p>3.1.5 the benefits of corporate sustainability:</p> <ul style="list-style-type: none"> <li>- developing green skills in the organisation's workforce</li> <li>- environmental risks and their potential impact on business</li> <li>- sustainability policy (sustainable operations, responsible use of resources and considering future needs and the needs of stakeholders)</li> <li>- economic success and sustainable operations</li> <li>- accreditations are available, i.e. fair trade, rainforest alliance, B Corp</li> </ul> <p>3.1.6 the role of the finance function in supporting sustainability</p> <p>3.1.7 a business culture can support sustainability.</p>
<b>3.2</b>	<p><b>The concept of risk</b></p> <p>Learners need to understand:</p> <p>3.2.1 the difference between risk and uncertainty</p> <p>3.2.2 the different attitudes to risk:</p> <ul style="list-style-type: none"> <li>- seeking</li> <li>- neutral</li> <li>- adverse</li> </ul> <p>3.2.3 organisations need to:</p> <ul style="list-style-type: none"> <li>- protect against risk</li> <li>- be vigilant to risk and report or escalate</li> </ul> <p>3.2.4 the different types of risk:</p> <ul style="list-style-type: none"> <li>- business</li> <li>- financial</li> <li>- strategic</li> <li>- operational (cyber risk and reputational risk).</li> </ul>
<b>3.3</b>	<p><b>Technology in accounting</b></p> <p>Learners need to understand:</p> <p>3.3.1 different technologies and their use in accounting processes:</p> <ul style="list-style-type: none"> <li>- automation of processes</li> <li>- AI and machine learning</li> <li>- blockchain</li> <li>- electronic filing of documents</li> <li>- electronic signing of documents</li> <li>- data analytics</li> <li>- cloud accounting software</li> </ul> <p>3.3.2 the benefits and limitations of technologies used in accounting processes</p> <p>3.3.3 the maintenance of key databases and spreadsheets</p> <p>3.3.4 how technology is only effective if underlying data is kept up to date.</p> <p>3.3.5 the ethical use of:</p>

	<ul style="list-style-type: none"> <li>– technology</li> <li>– social media.</li> </ul>
<b>3.4</b>	<b>The use of PESTLE model for analysing the external environment</b> <p>Learners need to understand:</p> <p>3.4.1 the use of PESTLE to analyse the impact of the business's macro environment</p> <p>3.4.2 political factors affecting a business:</p> <ul style="list-style-type: none"> <li>- government policy</li> <li>- taxation</li> </ul> <p>3.4.3 economic factors affecting a business:</p> <ul style="list-style-type: none"> <li>- interest rates</li> <li>- exchange rates</li> <li>- inflation</li> </ul> <p>3.4.4 social factors affecting a business:</p> <ul style="list-style-type: none"> <li>- demographic changes</li> <li>- tastes and trends</li> </ul> <p>3.4.5 technological factors affecting a business:</p> <ul style="list-style-type: none"> <li>- changes in technology</li> <li>- impact on working practices</li> </ul> <p>3.4.6 legal factors affecting a business:</p> <ul style="list-style-type: none"> <li>- trade regulations</li> <li>- changes in law and regulations</li> </ul> <p>3.4.7 environmental factors affecting a business:</p> <ul style="list-style-type: none"> <li>- sustainability.</li> </ul> <p><b>Exclusion:</b> Students are only required to understand the different PESTLE categories and will not be required to complete a written PESTLE analysis.</p>



<b>4. Understand how businesses and accountants comply with principles of professional ethics</b>		
<b>4.1</b>	<b>The ethical code for professional accountants</b>	
	<p>Learners need to understand:</p> <p>4.1.1 the five fundamental principles of ethics:</p> <ul style="list-style-type: none"> <li>- confidentiality</li> <li>- professional behaviour</li> <li>- professional competence and due care</li> <li>- integrity</li> <li>- objectivity</li> </ul> <p>4.1.2 the importance of professional scepticism in the role of the accountant</p> <p>4.1.3 the difference between a principles-based approach and a rules-based approach</p> <p>4.1.4 how documented policies can safeguard against threats and ethical conflicts</p> <p>4.1.5 the types of safeguards that may be applied</p> <p>4.1.6 actions to take when an ethical threat cannot be eliminated or reduced to an acceptable level</p> <p>4.1.7 the potential consequences of unethical behaviour:</p> <ul style="list-style-type: none"> <li>- disciplinary action by the professional accounting body</li> <li>- internal disciplinary procedures</li> <li>- financial, legal and reputational.</li> </ul>	<p>Learners need to be able to:</p> <p>4.1.8 identify threats to ethical principles</p> <p>4.1.9 identify when confidential information can or must be disclosed</p> <p>4.1.10 identify safeguards that may be appropriate</p> <p>4.1.11 advise on action to take when ethical principles are threatened.</p>
<b>4.2</b>	<b>Continuing professional development (CPD)</b>	
	<p>Learners need to understand:</p> <p>4.2.1 the need to keep up to date with changes in:</p> <ul style="list-style-type: none"> <li>- the legal and regulatory environment</li> <li>- ethical guidelines</li> <li>- accounting standards</li> </ul> <p>4.2.2 the impact of changing technology on the role of the accountant</p> <p>4.2.3 sources of information and development in the role of the accountant</p> <p>4.2.4 the need for a growth mindset and flexibility in working approach</p> <p>4.2.5 the need for resilience in the business, team and as an individual.</p>	

5 Understand information and data security	
5.1	<b>Data protection, information security and cyber security</b> Learners need to understand: <ul style="list-style-type: none"> <li>5.1.1 the principles of data protection: <ul style="list-style-type: none"> <li>- lawfulness, fairness and transparency</li> <li>- purpose limitation</li> <li>- data minimisation</li> <li>- accuracy</li> <li>- storage limitation</li> <li>- integrity and confidentiality (security)</li> <li>- accountability</li> </ul> </li> <li>5.1.2 the impact of data protection breaches on the individual and business</li> <li>5.1.3 the vulnerabilities in financial systems</li> <li>5.1.4 the importance of maintaining information security: <ul style="list-style-type: none"> <li>- accounting systems access levels</li> <li>- security controls</li> <li>- integrity controls (input, processing, output)</li> </ul> </li> <li>5.1.5 the meaning of cyber risk <ul style="list-style-type: none"> <li>- impacts of a cyber attack on business operations and reputation</li> <li>- the increased value of data and the risk that poses to a business</li> <li>- the vulnerability of personal data to cyber attack</li> </ul> </li> <li>5.1.6 the importance of cyber security</li> <li>5.1.7 the controls that can be implemented to reduce the risk of cyber attacks: <ul style="list-style-type: none"> <li>- access control</li> <li>- firewalls</li> <li>- malware protection</li> <li>- secure configuration</li> <li>- security update management</li> </ul> </li> <li>5.1.8 the risks associated with the use of social media and how businesses and individuals can stay safe online.</li> </ul>

6 Understand business information and principles of communication	
6.1	<b>Provision of information in a business environment</b> Learners need to understand: <ul style="list-style-type: none"> <li>6.1.1 the attributes of good quality information (ACCURATE): <ul style="list-style-type: none"> <li>- accurate</li> <li>- complete</li> <li>- cost-effective</li> <li>- understandable</li> <li>- relevant</li> <li>- accessible</li> <li>- timely</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>- easy-to-use</li> </ul> <p>6.1.2 the characteristics of big data:</p> <ul style="list-style-type: none"> <li>- value</li> <li>- variety</li> <li>- velocity</li> <li>- veracity</li> <li>- volume</li> </ul> <p>6.1.3 the benefits and limitations of the use of big data</p> <p>6.1.4 the sources of internal and external data</p> <p>6.1.5 the role of management accounting:</p> <ul style="list-style-type: none"> <li>- performance reporting</li> <li>- planning</li> <li>- budgetary responsibilities</li> </ul> <p>6.1.6 the need to apply professional scepticism in relation to data</p> <p>6.1.7 the four different types of data analytics:</p> <ul style="list-style-type: none"> <li>- descriptive</li> <li>- diagnostic</li> <li>- predictive</li> <li>- prescriptive</li> </ul> <p>6.1.8 how finance and accounting software is used to present financial information</p> <p>6.1.9 the need for:</p> <ul style="list-style-type: none"> <li>- attention to detail</li> <li>- review and checking procedures</li> <li>- adherence to deadlines</li> <li>- prioritising workload.</li> </ul>	
<b>6.2</b>	<b>Visualising information</b>	
	<p>Learners need to understand:</p> <p>6.2.1 the importance of being able to present information in different visual formats</p> <p>6.2.2 different formats of information:</p> <ul style="list-style-type: none"> <li>- will support the needs of different stakeholders</li> <li>- can be used to communicate financial information to non-financial users</li> </ul> <p>6.2.3 that accounting software packages use dashboards to communicate to non-technical stakeholders.</p>	<p>Learners need to be able to:</p> <p>6.2.4 identify and analyse patterns or significant anomalies within data</p> <p>6.2.5 interpret visual information to indicate relationships and trends.</p>
<b>6.3</b>	<b>Communicating information</b>	
	<p>Learners need to understand:</p> <p>6.3.1 the information required to meet the needs of different business stakeholders:</p> <ul style="list-style-type: none"> <li>- customers</li> </ul>	

	<ul style="list-style-type: none"> <li>- employees</li> <li>- finance providers</li> <li>- government</li> <li>- owners</li> <li>- suppliers</li> </ul> <p>6.3.2 the principles used to determine the appropriate method of communication to use both internally and externally by the business</p> <p>6.3.3 the characteristics of professional communication:</p> <ul style="list-style-type: none"> <li>- meeting different stakeholder requirements</li> <li>- use of appropriate communication medium for desired outcome</li> <li>- importance of communicating valid information</li> <li>- importance of confidentiality.</li> </ul> <p>6.3.4 the importance of escalation and authorisation</p> <p>6.3.5 the importance of providing relevant and up to date information to support other business functions to achieve their goals</p> <p>6.3.6 different media methods are used to communicate information internally and externally</p> <p>6.3.7 the advantages and disadvantages of different methods and media for communication</p> <p>6.3.8 the importance of adapting communications to ensure inclusivity</p> <p>6.3.9 the importance of collaborative working.</p>
<b>6.4</b>	<b>Diversity, inclusion, and cultural awareness</b>
	<p>Learners need to understand:</p> <p>6.4.1 the value of diversity and inclusion and how they are approached by a business</p> <p>6.4.2 the need to respect and accept differences</p> <p>6.4.3 the importance of being aware of cultural differences in the workplace</p> <p>6.4.4 the role an individual has in creating an inclusive work environment.</p>

### Delivering this unit

When delivering this unit, tutors could refer to a range of organisations of differing types and sizes. This will enhance students' understanding of how the finance function supports the other functions and inputs into the short-, medium- and long-term decision making at all levels in an organisation. The structure of the business will have an impact on how it is controlled and how the processes and reporting in a business will interact. Through use of different examples, students will gain an awareness of the differences between tall and flat organisations and the impact that this has on the span of control.

Students need to know the different business types, their stakeholders and the differences in regulatory and legal requirements of these business types. and be able to effectively communicate information to meet their needs. Through case studies, or real business examples, students can identify stakeholders, their needs and their expectations and consider their power over and influence on the business. Contract law can be demonstrated with examples from real life cases to help students apply the terms of the contract to scenario based questions.

Throughout the delivery of topic areas associated with external business environments, students could apply PESTLE analysis to known organisations, either as part of a project or as group work. Students could explore how the analysis can be used by businesses to gain an understanding of threats and

opportunities that exist in the macro-economic environment, as well as understanding what political, economic, social, technological and environmental factors are and how changes may impact on performance and decisions. A number of topics across the syllabus can be discussed together with the macro-economic environment to help students understand how these topics integrate – legal/regulatory frameworks, sustainability, technology, risk, data/cyber security.

Ethics is fundamental to everyone working in accounting and finance, and it is key to have a thorough understanding of the principles and how to apply them to practical situations. Throughout the delivery of associated topic areas, tutors can help to prepare students by providing practical examples and opportunities to apply to ethical situations, so that students can identify the issues and the courses of action to be taken. They should appreciate the importance of personal and organisational values, culture, policies and code of ethics in acting ethically. They will need a sound understanding of the legal and regulatory frameworks that provide safeguards to the ethical principles, and when and how they should report unethical behaviours.

There have been changes in the industry as new technologies have been developed, which have changed the nature of accounting and the role of the accountant. It is therefore important for students to understand what technologies are used, the processes or activities for which they are used and the impact they have on the work undertaken by the accountant/finance function. Students should understand key features of blockchain, machine learning and AI, and the impact that these have on the processing of transactions, the available data, and the speed and complexity of reporting. Cloud accounting and electronic filing is increasing used by the industry, and students should know what these are as well as their key features, how they work in real time (such as bank feeds), the benefits they offer and the opportunities for add-ons/apps/plugin-ins to undertake specific processes, activities or reports. As well as digitalisation, it is important to appreciate the risks posed to data, and students should have a basic understanding of the risks of cyberattack and how data can be protected. Showing examples of these or providing the opportunity to use cloud software would aid students' understanding.

Students need to understand how to provide information in different formats and are encouraged to practice interpreting and communicating financial information by visualising data, such as by using graphs, images and diagrams. Students should be prepared to communicate information as well as understand the most appropriate method for specific audiences. Students need to know what big data is, where it can come from and the benefits that it can provide to organisations. Students should also be aware of the number of risks that are associated with big data and the need to use big data with caution in some cases.

Sustainability is a topic which has increasing importance for many business, news articles on real world business can be used to demonstrate how business have adopted strategies to not only improve their environmental impact but also improve their performance. Students need to understand the requirement for an inclusive and diverse workplace and how to appreciate cultural differences in how they operate as part of a business.

## Test specification for Accounting and the Business Environment assessment

Assessment method	Marking type	Duration of assessment
Computer based assessment (CBA)	Partially computer/partially human marked	2 ½ hours

This assessment will ask students to apply knowledge and skills gained across the qualification in an integrated way, within a workplace context.

The assessment is designed to cover the following units:

- The Assistant Accountant in the Business Environment (AABE)
- Preparing Financial Statements (PPFS)
- Principles of Management Accounting (PMAC)

It is centred on the business environment that assistant accountants work in, meaning that the learning outcomes specified in AABE will be assessed in depth. It will also assess specific learning outcomes from PPFS and PMAC within the context of an assistant accounting working in the business environment.

The following assessment objectives detail unit coverage across the assessment.

<b>Assessment objective 1</b>	Understanding types of business, their stakeholders and the regulatory framework
<b>Related learning outcomes</b>	<b>Assistant Accountant in the Business Environment</b> LO1 Understand business types and the role of stakeholders LO2 Understand the legal environment for businesses
<b>Assessment objective 2</b>	Understanding professional ethics and financial accounting
<b>Related learning outcomes</b>	<b>Assistant Accountant in the Business Environment</b> LO4 Understand how businesses and accountants comply with principles of professional ethics <b>Preparing Financial Statements</b> LO4 Record period end adjustments <ul style="list-style-type: none"> <li>• 4.1.1, 4.1.2, 4.1.3, 4.1.4</li> <li>• 4.2.1</li> <li>• 4.3.1, 4.3.2, 4.3.3, 4.3.4</li> </ul>

<b>Assessment objective 3</b>	<b>Understanding fraud, money laundering and financial accounting</b>
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	<b>Assistant Accountant in the Business Environment</b>
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	LO2 Understand the legal environment for businesses
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	<b>Preparing Financial Statements</b>
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	LO2 Use of the accounting equation
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- 2.1.1, 2.1.2
- 2.2.1
- 2.3.1
- 2.4.2, 2.4.3

<b>Related learning objectives</b>	
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	LO3 Record non-current assets
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- 3.1.1, 3.1.2, 3.1.3, 3.1.4
- 3.2.1, 3.2.3, 3.2.4
- 3.3.1, 3.3.2, 3.3.3

	LO5 Produce and extend the trial balance
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- 5.1.1, 5.1.2, 5.1.3
  - 5.2.1, 5.2.2
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<b>Assessment objective 4</b>	<b>Understanding the external environment, technology and risk</b>
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	<b>Assistant Accountant in the Business Environment</b>
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<b>Related learning objectives</b>	
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	LO3 Understand the changing business environment
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<b>Assessment objective 5</b>	<b>Understanding information and data protection</b>
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	<b>Assistant Accountant in the Business Environment</b>
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<b>Related learning objectives</b>	
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	LO5 Understand information and data security
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	LO6 Understand business information and principles of communication
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<b>Assessment objective 6</b>	<b>Understanding visualisation, communication and management accounting</b>
	<b>Assistant Accountant in the Business Environment</b> LO6 Understand business information and principles of communication <b>Principles of Management Accounting</b> LO4 Use management accounting techniques
Related learning objectives	<ul style="list-style-type: none"> <li>• 4.2.1</li> <li>• 4.3.1</li> <li>• 4.4.1</li> </ul> LO5 Understand principles of cash management <ul style="list-style-type: none"> <li>• 5.1.1, 5.1.2</li> <li>• 5.2.1, 5.2.2, 5.2.3</li> </ul>
<b>Assessment objective 7</b>	<b>Understanding sustainability and management accounting</b>
	<b>Assistant Accountant in the Business Environment</b> LO3 Understand the changing business environment <b>Principles of Management Accounting</b> LO3 Use budgeting for planning and control
Related learning objectives	<ul style="list-style-type: none"> <li>• 3.1.1, 3.1.3, 3.1.3, 3.1.4</li> <li>• 3.2.1, 3.2.2</li> <li>• 3.3.1, 3.3.2, 3.3.3</li> </ul>
<b>Assessment objective 8</b>	<b>Understanding diversity, cultural awareness and continuing professional development</b>
	<b>Assistant Accountant in the Business Environment</b> LO4 Understand how businesses and accountants comply with principles of professional ethics LO6 Understand business information and principles of communication



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