

ADVANCED

CERTIFICATE IN

BOOKKEEPING

LEVEL 3

aat

Updates to this specification

Since first publication of the AAT Advanced Certificate in Bookkeeping qualification specification, the following areas of the qualification specification have been updated.

Version	Date first published	What's been updated
Version 3.0	11 September 2017	Section 10 Equality and diversity
Version 2.0	22 April 2016	Section 1 Short qualifications Section 4.6 Transferring units Section 8 Advanced Bookkeeping Section 8 Final Accounts Preparation
Version 1.0	01 October 2015	First publication

Disclaimer: This qualification specification applies only to students registered with AAT from 01 September 2016.

Contents

Updates to this specification	2
Contents.....	3
1. Short Qualifications from AAT.....	4
2. Studying with AAT	5
3. Choosing to study the AAT Advanced Certificate in Bookkeeping.....	6
4. About the AAT Advanced Certificate in Bookkeeping.....	9
5. Employer involvement.....	12
6. Support for this qualification.....	13
7. The assessment in detail.....	14
8. Units	17
Advanced Bookkeeping	19
Final Accounts Preparation	28
Indirect Tax	37
9. Delivering AAT qualifications	45
10. Equality and diversity	47
11. Support for training providers	48

1. Short Qualifications from AAT

AAT works across the globe with around 130,000 students and members in more than 90 countries. They are represented at every level of the finance and accounting world, including students studying for a career in finance, people already working in accountancy and self-employed business owners.

Alongside the AAT Accounting Qualifications, AAT also offers Short Qualifications to meet the varied needs of our students. Our Short Qualifications provide a range of entry points through which students with varied experiences can engage with AAT and to achieve their career goals.

In studying an AAT Short Qualification, students will focus on specific finance knowledge and skills. They may then choose to advance in specialised subject areas such as bookkeeping or to move on to studying the full AAT Accounting Qualifications and become full members of AAT.

The decisions made in the course of a professional life in accountancy or finance can have real ethical implications. To reflect these realities of the workplace, we have embedded ethical dilemmas and decision making throughout AAT's qualifications and assessments. We hope that this will help to set our students on the right path as they embark on careers as accountancy or finance professionals.

2. Studying with AAT

All students must register with AAT to study their AAT Short Qualification.

The annual AAT student registration fee allows students to:

- study AAT Short Qualifications
- sit AAT assessments
- access a range of study resources that support successful study progression.

We support and develop our students through more than 500 AAT-approved training providers around the world. We also have an extensive branch network where students can access support and training and meet other AAT students in their local area.

Prospective students wishing to register for a qualification are able to register online at aat.org.uk/register/student Students are advised to register with an AAT-approved training provider before registering with AAT. On registration, an email confirming registration will be sent.

3. Choosing to study the AAT Advanced Certificate in Bookkeeping

3.1 Who should choose to study this qualification?

The AAT Advanced Certificate in Bookkeeping develops existing skills and knowledge to an advanced level for anyone wishing to pursue a career in bookkeeping.

The AAT Advanced Certificate in Bookkeeping offers progression for those who already have bookkeeping knowledge at Foundation level, either to gain employment in a bookkeeping role or to further study. This qualification is suitable for those who have completed the AAT Foundation Certificate in Bookkeeping and may help students already working in a bookkeeping role to progress by offering them formal recognition of their skills. The AAT Advanced Certificate in Bookkeeping is open to those who are working and those who are not currently in employment.

AAT does not set any prerequisites for the study of the AAT Advanced Certificate in Bookkeeping. However, for the best chance of success, we recommend that students begin their studies with a good standard of English and maths. If students do have any other relevant school or college qualifications, a degree or some accounting experience, these may in certain circumstances entitle students to claim exemptions.

3.2 Why choose this qualification?

At Advanced level, AAT offers both the AAT Advanced Certificate in Bookkeeping and the AAT Advanced Diploma in Accounting.

Students may wish to choose the AAT Advanced Certificate in Bookkeeping to focus solely on developing their bookkeeping skills in order to progress quickly to employment or to focus on becoming a bookkeeper. Students may also wish to start with the AAT Advanced Certificate in Bookkeeping before progressing to complete the AAT Advanced Diploma in Accounting in order to gain a wider knowledge of accountancy.

This qualification will usually take around six months to complete, but this will depend on the study method and course timetable.

3.3 What does the qualification cover?

The purpose of the AAT Advanced Certificate in Bookkeeping is to ensure that students have the advanced bookkeeping skills necessary to work in a bookkeeping role or to progress to higher level accountancy. Students will gain the knowledge and skills needed to carry out advanced bookkeeping transactions and tasks in three mandatory units (210 guided learning hours).

The qualification is composed of three mandatory units, assessed in three end-of-unit assessments:

- Advanced Bookkeeping
- Final Accounts Preparation
- Indirect Tax.

A student completing this qualification will understand advanced bookkeeping principles and concepts, preparation of financial statements for sole traders and partnerships, and issues around indirect tax (VAT in the UK) in business. All of this will be learned in the context of the ethical issues that a bookkeeper may encounter in their professional life.

It is good practice for students to work with employers while studying. This could include work experience or placements, working on projects or exercises set or supervised by those working in the industry, or by attending masterclasses or guest lectures by people working in accounting.

Employers also contribute to the development of AAT qualifications. A student who passes an AAT assessment is passing a test of real workplace skills, set in a real workplace context and reviewed by practitioners and industry experts.

3.4 What will this qualification lead to?

The bookkeeping skills developed by studying this qualification will enable a student to seek employment with confidence and/or to progress to the next level of learning.

The skills developed in the AAT Advanced Certificate in Bookkeeping can lead to employment as:

- a professional bookkeeper
- a senior bookkeeper
- an accounts manager
- a ledger manager.

The AAT Advanced Certificate in Bookkeeping is not part of an apprenticeship.

3.5 How can this qualification lead to other AAT qualifications?

Students completing the AAT Advanced Certificate in Bookkeeping may wish to go on and complete the full AAT Advanced Diploma in Accounting. If students wish to continue studying and choose to complete one of the full AAT Accounting Qualifications, their Short Qualification achievement/s may be transferred to the larger qualifications.

3.6 Who supports this qualification?

AAT qualifications are recognised and valued by employers as vocational and technical qualifications that effectively prepare students for the world of work and for working specifically in accountancy and finance roles. Completing an AAT qualification also demonstrates to an employer that a student not only has technical and professional skills, but that they are also committed to developing their skills and knowledge.

Throughout the qualification development process, AAT works with employers in the accountancy and finance sector to consult on the content, structure and assessment of our qualifications in order to ensure that the skills developed while studying an AAT qualification are those that are valued by at university and by employers.



Instead of running up massive debt, I'm working for myself in a bookkeeping business that I set up at the age of 18. I now employ two full-time and one part-time staff members.

David Hassall,
Bookkeeper
DH Business Support

4. About the AAT Advanced Certificate in Bookkeeping

Qualification name	Qualification number
AAT Advanced Certificate in Bookkeeping	601/8219/2
Level	Credits
3	28
Guided learning hours (GLH)	Total qualification time (TQT)
210	280 hours

4.1 Guide Learning Hours (GLH) value

The total GLH value for this qualification is 210 hours.

The GLH for a qualification are an estimate of the amount of time a student spends learning under the supervision of a teacher or tutor. This might include lectures, tutorials or supervised study. Learning that involves the teacher or tutor and makes use of 'simultaneous electronic communication' methods such as telephone conversations or remote invigilation is also included, as well as time spent by tutors, teachers or external experts assessing student performance. It does not include time that students spend on unsupervised preparation or study.

The GLH are set and recommended as appropriate by AAT, but some learners may need more or less support to achieve the qualification. The GLH value is not a compulsory measure for all learners. Training providers have the flexibility to offer the qualification in the hours required by their own students, within the constraints of any funded provision requirements.

4.2 Total Qualification Time (TQT) value

The TQT value for this qualification is 280 hours.

The TQT is also a measure of how long it takes to complete a qualification, but it includes both guided learning hours and unsupervised learning.

Any independent study time or any additional work by the student that is directed by, but not under the supervision of, a tutor is included in the TQT value. This might include working through e-learning at home or time spent on independent research.

4.3 Is this qualification linked to the National Occupational Standards?

This qualification is linked to the current [Accountancy National Occupational Standards](#), last revised in 2012.

4.4 Are there any prerequisites for this qualification?

AAT does not set any prerequisites for the study of this qualification.

However, for the best chance of success, we recommend that students begin their studies with a good standard of English and maths. Accountants work at the very heart of a business and are expected to be able to communicate information clearly and appropriately to a given audience.

4.5 Will current students be able to transfer their results onto this qualification to complete their studies?

Students who have already started an AAT qualification should try to complete their studies on their current programme where possible.

If this is not possible, transitional arrangements may be available. In some cases, students may be able to transfer results for current units to similar units in an updated qualification, although this will be strictly time limited.

It is important to check for the latest information to see if transitional arrangements apply via aat.org.uk/training/qualifications/aq2016-faqs-ta-rpl

4.6 Transferring results from a Short Qualification to an AAT Accounting Qualification

Students who have completed unit assessments in AAT Short Qualifications may be able to transfer their results if the same units appear in the following AAT Accounting Qualifications:

- AAT Foundation Certificate in Accounting
- AAT Foundation Diploma in Accounting and Business
- AAT Advanced Diploma in Accounting.

There may be restrictions on transferring some units. Any unit result transferred from a Short Qualification to an AAT Accounting Qualification will only be transferred at 70% (the pass threshold). To achieve a higher percentage for a unit that has been transferred this way, a student is required to retake the assessment and any re-sit rules of the AAT Accounting Qualifications will apply.

It is important to check for the latest information to see if transitional arrangements apply through MyAAT at aat.org.uk/training/qualifications/aq2016-faqs-ta-rpl

4.7 Recognition of prior learning (RPL)

If a student can demonstrate that they already have the knowledge and skills to meet the assessment requirements for a unit assessment, they may be eligible for RPL. This must be arranged through a registered AAT training provider and mapping of the student's skills and knowledge must be uploaded to AAT's assessment platform. There are restrictions regarding which units may be claimed under exemptions or RPL, and restrictions on the number of units that may be claimed.

For this qualification, RPL is available, although there is a restriction on the number of units that may be claimed by RPL. This ensures that at least 50% of the qualification will always be externally assessed.

Where RPL is successfully claimed for a unit assessment, the student will be given a mark of 70% for that assessment (the pass threshold).

Full details on RPL can be accessed through MyAAT at aat.org.uk/aq2016

4.8 Exemptions from AAT assessments

Exemptions may be offered to students who can provide evidence of gaining a previous relevant qualification. If eligible, students may be exempt from sitting some AAT assessments. This includes students who have completed a recognised accounting or finance-related degree with one of AAT's partner universities.

There are restrictions on how many exemptions are allowed within each qualification. Fees will be charged for exemptions.

Where an exemption is successfully claimed for a unit assessment, the student will be given a mark of 70% for that assessment (the pass threshold).

Further details on exemptions can be accessed through MyAAT at aat.org.uk/training/qualifications/aq2016-faqs

5. Employer involvement

AAT qualifications are recognised and valued by employers as vocational and technical qualifications that prepare students for the world of work and for working specifically in accountancy and finance roles.

5.1 Employer involvement in development and assessment

AAT has worked closely with employers in the development of this qualification to ensure that the qualification demands the skills that an employer would expect of a student at this level.

5.2 Working with employers to deliver the qualification

AAT qualifications are practical and technical qualifications that have been developed with the involvement and support of employers. Teaching and learning should reflect this practical focus, and students must be encouraged to relate their learning to current issues and activities within the sector. Students must have significant contact with employers in the accounting sector and/or in an accounting department of an organisation during their course of study. Employer involvement enhances the student's experience by allowing them to apply their knowledge to real workplace situations and builds bridges between the worlds of study and work.

Employer involvement may include:

- students participating in structured work experience or placements that enable them to develop their accounting skills and knowledge
- students working on projects, exercises or assessments set or supervised by those working in the industry (for example, employers may develop case studies or assignments for students to complete)
- areas of qualification content delivered via masterclasses or guest lectures by industry practitioner(s)
- visiting employers (or employers providing premises, facilities or equipment)
- attending talks by employers on employability, general careers advice, CV writing, and interview preparation
- attending careers fairs, events or other networking opportunities
- learning in simulated or centre-based working environments
- employers providing job references for students.

AAT reserves the right to inspect training provider evidence that these opportunities are being offered.

6. Support for this qualification

6.1 AAT qualification support

Throughout the life of this qualification, AAT will make available a range of free materials and resources to support tutors and students in delivery and assessment.

Materials produced for this qualification may include:

- specification
- sample assessment materials
- e-learning
- Green Light tests
- webinars
- tutor-to-tutor sessions at network meetings.

Up-to-date information on support materials can be accessed through MyAAT at aat.org.uk/training/study-support/search

6.2 Published materials

A number of commercial publishers produce support materials for AAT qualifications. While AAT ensures that commercial publishers have the information they need to produce materials in good time to support our training providers and students, we do not formally endorse the materials of any one publisher and we do not review publishers' materials for accuracy.

Tutors are reminded to always refer back to the unit content for what to teach and what will be assessed, and to refer to a range of supporting materials where possible. While published materials can offer excellent support and variety in teaching and learning, they should not be used without reference to this specification.

7. The assessment in detail

7.1 How will students be assessed?

Students must successfully complete three unit assessments to achieve this qualification. The proportion of this qualification assessed by external assessment is 100%.

All assessments in this qualification:

- are set and marked by AAT (with the exception of RPL, which is marked by the training provider)
- are computer based
- are time limited
- are scheduled by training providers or assessment venues
- take place at approved centres and venues under controlled conditions.

This qualification is not graded. To pass the qualification, students must pass all mandatory assessments.

7.2 Availability of assessments

Unit assessments are available to be scheduled on demand throughout the year, except during periods set and communicated by AAT.

7.3 Controlled conditions

AAT has published detailed regulations for training providers regarding the conduct of computer based assessments.

Training providers must ensure that they comply with the minimum requirements for the hardware and software used in the delivery of AAT assessments and ensure that all assessments are delivered securely.

Each training provider and assessment venue must have at least one computer based assessment (CBA) administrator and at least one invigilator. Training providers and assessment venues must ensure that all assessments are invigilated and conducted in accordance with AAT policies and procedures. To avoid any possible conflict of interest, the CBA administrator and invigilator for an assessment must not be active AAT student members or related to any student taking that assessment. Tutors who have prepared students for the assessment cannot act as the sole invigilator.

AAT requirements and regulations for the conduct of assessments are detailed in the *Instructions for conducting AAT computer based assessments (CBAs)* guidance document, available at aat.org.uk/assessment/secureassess/support

7.4 Sitting the assessment

The assessments in this qualification are computer based with a time restriction.

Students will be presented with a range of question types and formats in an assessment. These may include multiple-choice questions, numeric gap-fill questions, or question tools that replicate workplace

activities, such as making entries in a journal. In some assessments, questions will require a written answer. While tasks generally do not have to be completed in a specific order, students are encouraged to proceed through them in the order in which they are presented.

Students should familiarise themselves with the CBA environment and some of the question styles that they might encounter in the assessment by using the sample assessment materials provided by AAT. Registered students may access Study Support and sample assessment materials through MyAAT at aat.org.uk/training/study-support/search

7.5 Marking

All AAT assessments are marked by AAT, with the exception of RPL. Assessments may be:

- wholly computer marked
- partially computer marked and partially human marked
- wholly human marked.

Computer marking is completed within the assessment software in accordance with an objective marking scheme devised during assessment development. Human marking is conducted by a team of markers, with appropriate subject matter knowledge, who are appointed by AAT. Markers use mark schemes devised during assessment development.

Assessments undergo regular quality assurance, which includes:

- standardisation of markers
- sampling for marking consistency
- review of borderline scripts.

7.6 Results

For computer-marked assessments, provisional results will be available straight after the assessment. Results for assessments that are wholly or partially human marked are delivered within the timescales advertised on the AAT website.

Students' results will simply state whether they are competent or not yet competent in the assessment.

AAT's feedback service provides a simple summary of a student's performance in each assessment. The feedback statement confirms their overall result and includes a breakdown of performance by task. Feedback statements are automatically generated and are designed to help students identify their strengths and any topic areas requiring further study. The student is presented with a short descriptor against each task to describe their performance in that task against the topics assessed. There are five feedback descriptors. Each descriptor provides an indication of how the student has performed in that task and includes generic advice on how to proceed with their studies or continuing professional development (CPD).

7.7 Re-sits

This qualification is not subject to re-sit restrictions.

Students should only be entered for an assessment when they are well prepared and they are expected to pass the assessment. Where a student is unsuccessful in an assessment attempt, they should discuss their results with their tutor and revise appropriately before retaking the assessment.

Students who have completed unit assessments in AAT Short Qualifications may be able to transfer their results if the same units appear in an AAT Accounting Qualification. Any unit result transferred from a Short Qualification to an Accounting Qualification will only be transferred at 70% (the pass threshold). To achieve a higher percentage in the Accounting Qualifications for a transferred unit, a student would be required to retake the assessment and any re-sit rules of the Accounting Qualifications would apply.

Full details on AQ2016 may be found on aat.org.uk/aq2016

7.8 Enquiry and appeals

If the student thinks that their assessment outcome does not reflect their performance, they can submit an enquiry through MyAAT at aat.org.uk/assessment/enquiries-and-appeals AAT's results enquiry service includes a check of all procedures leading to the issue of the outcome. This service checks that all parts of the assessment were marked; that the marks were totalled correctly; and that the marks were recorded correctly. It also includes a review of the original marking to check that the agreed mark scheme was applied correctly.

Enquiries can be made by a training provider on behalf of an individual student or group of students.

If the student is not satisfied with the response to their enquiry, they can submit an appeal.

There is an administrative fee for enquiries and appeals. AAT will not charge a fee if the enquiry leads to a change in mark awarded for the assessment.

8. Units

All units in this qualification specification follow a standard format. The unit specification gives guidance on the requirements of the unit for students, tutors, assessors and those responsible for monitoring national standards. Each unit contains the following sections.

Unit title

This qualification, and its component units, is regulated. The unit title shown is the regulated title of the unit. The unit title will appear on the student's qualification certificate exactly as it appears in this specification.

Unit level

All regulated units and qualifications are assigned a level. There are nine levels of achievement, from Entry Level to Level 8.

GLH value

The GLH value is defined as all the time when a tutor, trainer or facilitator is present to give specific guidance. This definition includes lectures, tutorials and supervised study. It also includes time spent by staff assessing student achievements. It does not include time spent by staff marking assignments or homework where the student is not present.

Assessment

Short Qualification units will be assessed by unit assessment only.

Introduction

The unit introduction gives the reader an appreciation of the unit in the context of the vocational setting of the qualification, as well as highlighting the focus of the unit. It gives the reader a snapshot of the unit and the key knowledge, skills and understanding gained while studying the unit. The unit introduction highlights any links to other AAT units and shows how the unit relates to them.

Learning outcomes

The learning outcomes of a unit set out what a student is expected to know or be able to do as a result of their learning.

Scope of content

The scope of content identifies the breadth of knowledge, skills and understanding needed to achieve each of the learning outcomes. The content provides the range of subject material for the programme of learning and specifies the skills, knowledge and understanding required for achievement of the unit.

Content structure

1. Each learning outcome is stated in full.
2. Assessment criteria specify the standard that a student is expected to meet in order to demonstrate that the learning outcome has been achieved. These may be shown as 'students must know' for a knowledge criterion, or 'students must be able to' for a skills criterion. Some learning outcomes may include both knowledge and skills elements.
3. Each assessment criterion is then expanded into key concepts related to that learning outcome.
4. Each concept is then further expanded into indicative content where applicable.

Relationship between content and assessment

Students must have the opportunity to cover all of the unit content. It is not a requirement of the unit specification that all of the content is assessed. However, the indicative content will need to be covered in a programme of learning in order for students to be able to meet the standard determined in the assessment criteria.

Delivering this unit

This section explains the unit content's relationship to content in other AAT units.

Links to standards

This section lists any relevant National Occupational Standards or Apprenticeship Standards that apply to the unit.

Test specification for unit assessment

The test specification for the unit assessment gives details about the assessment method, marking type and duration of the exam. The contribution that each learning outcome makes to the overall mark for the unit assessment is also provided.

Advanced Bookkeeping

Unit level	GLH value	Assessment
3	90	Unit assessment only

Introduction

This unit is the first of two Advanced financial accounting units. It develops Foundation skills, incorporating advanced bookkeeping and managing records for non-current assets, in preparation for producing final accounts for unincorporated organisations.

The purpose of this unit is to build on skills and knowledge learned in the Foundation level accounting units and to develop bookkeeping skills, taken to an initial trial balance. This is valuable progress for the student, both in terms of moving towards preparing final accounts and also in terms of offering employers more technical skills at this stage. The bookkeeping skills that students have acquired at an earlier stage will be reinforced and developed in this unit. While the daybooks and some of the ledger accounts may be familiar, the accruals basis of accounting is introduced to underpin many of the adjustments that are commonly found in the workplace, including accruals, prepayments, accounting for irrecoverable and doubtful debts and the period end valuation of inventory. This takes the student to the position of being able to draw up a trial balance using adjusted figures, and extend it to identify the profit or loss for the period.

Students will study non-current asset accounting in some depth, including the accurate recording and control of the valuable resource of non-current assets which is vital to all organisations. On completion of this unit, students will understand and know how to use the non-current assets register as an important and independent record of the details of each individual non-current asset. The student will know how to use the various ledger accounts required to record the acquisition and disposal of non-current assets, how to calculate the gain or loss on disposal, and how to choose and apply depreciation methods and rates.

Students are expected to know and explain why they are following certain procedures, rather than just knowing that they have to be followed. While recognising that computerised accounts packages and spreadsheets will normally be used in the workplace, this unit helps the student understand the background processes. On completion of this unit, students will also begin to understand how ethical principles apply in the context of their work in this area. This enables the student to be a more independent member of a team and to work intelligently in their role, requiring increasingly less supervision as their knowledge grows and starting to supervise more junior members of the team.

This unit refers to value added tax or VAT. This is an indirect tax operating in the UK but this type of tax may also operate and be known by another name in other countries.

Advanced Bookkeeping is a **mandatory** unit in this qualification.

Learning outcomes

1. Apply the principles of advanced double-entry bookkeeping
2. Implement procedures for the acquisition and disposal of non-current assets
3. Prepare and record depreciation calculations
4. Record period end adjustments
5. Produce and extend the trial balance

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.

Students may not be assessed on all content, or on the full depth or breadth of a piece of content in any particular assessment. Content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

1. Apply the principles of advanced double-entry bookkeeping

1.1 Demonstrate the accounting equation

Students need to know:

- the importance of the accounting equation for keeping accounting records
- the effect of accounting transactions on elements of the accounting equation.

1.2 Classify assets, liabilities and equity in an accounting context

Students need to know:

- definitions and examples of assets: non-current (tangible, intangible) and current; liabilities: current and non-current; equity and capital; income (revenue); expenses (costs).

Students need to be able to:

- classify general ledger accounts as income (revenue), expense (cost), asset, liability or equity (capital).

1.3 Demonstrate the purpose and use of books of prime entry and ledger accounting

Students need to know:

- the different books and records that make up the accounting system: books of prime entry: sales and purchases daybooks, cash-book, journal (including narratives), general ledger accounts, memorandum ledgers, control accounts: sales ledger, purchases ledger, VAT (may be known by another name in other countries) and payroll
- what information should be recorded in each record
- how these records relate to each other, including dealing with VAT
- the importance of following organisation policies and procedures
- the importance of the integrity and accuracy of records
- why the records need to be kept secure, and how.

Students need to be able to:

- write up general ledger accounts correctly and accurately
 - close off accounts to the statement of profit or loss, where appropriate
 - carry down balances, where appropriate.
-

1.4 Apply ethical principles when recording transactions

Students need to know:

- the meaning of objectivity and its importance in accounting
- the importance of transparency and fairness
- that only valid transactions for the period must be included, and that all relevant transactions must be included.

Students need to be able to:

- apply the ethical principle of confidentiality
- identify whether entries are made with integrity, professional competence and due care
- identify whether transactions are genuine and valid for inclusion in the organisation's records
- identify professional behaviour, including dealing with the pressures of familiarity and authority.

1.5 Carry out financial period end routines

Students need to know:

- that income or expense accounts will carry a balance prior to closing off to the statement of profit or loss at the end of the financial period
- which account balances to carry forward and which to close off to the statement of profit or loss at the end of a financial period.

Students need to know how to:

- verify general ledger balances by using other sources of information and performing reconciliations where appropriate: physical checks, inventory records, supplier and bank statements, sales and purchases ledgers (memorandum ledger accounts)
 - resolve discrepancies or refer them to the appropriate person
 - identify and make corrections in the general ledger, including the journal.
-

2. Implement procedures for the acquisition and disposal of non-current assets

2.1 Demonstrate the importance of prior authority for capital expenditure

Students need to know:

- why authorisation is necessary
 - the appropriate person in an organisation to give authority.
-

2.2 Identify capital expenditure

Students need to know:

- that International Financial Reporting Standards (IFRS) exist that are relevant to non-current assets
- the definitions of cost, useful life, residual value, depreciable amount, carrying amount
- what can and cannot be included in the cost of non-current assets
- the importance of organisational policy, including applying a given level of materiality
- that revenue expenses should be excluded
- that the depreciable amount of the acquisition should be allocated over its useful life; this is an application of the accrual basis of accounting
- the effect of capitalisation on the statement of profit or loss and statement of financial position.

Students need to be able to:

- treat VAT according to the registration status of the acquiring organisation.
-

2.3 Differentiate between funding methods for acquisition of non-current assets

Students need to know:

- the following funding methods: cash purchase (including purchase on standard commercial credit terms); borrowing, including loans, hire purchase, finance lease (no detailed knowledge of accounting treatment); part-exchange
 - the suitability of each of the above in a tightly defined business context.
-

2.4 Record acquisitions and disposals of non-current assets

Students need to know:

- the purpose and content of the non-current assets register, including assisting physical verification and checking general ledger entries and balances
- the carrying amount of an asset that has been disposed of at the end of the period
- the meaning of the balance on the disposals account
- how gains and losses on disposal are treated at the period end

Students need to be able to:

- update the non-current assets register for acquisitions and disposals
 - record acquisitions and disposals in the general ledger
 - account for acquisitions and disposals by part-exchange
 - treat VAT, according to the registration status of the acquiring organisation
 - use the following accounts: non-current asset at cost (for example, motor vehicles at cost), non-current asset accumulated depreciation, bank/cash, loan, disposals.
-

3. Prepare and record depreciation calculations

3.1 Calculate depreciation

Students need to know:

- how charges are treated at the period end.

Students need to be able to:

- choose and use appropriate methods of depreciation, taking into account the expected pattern of usage of the asset
- choose and use appropriate rates of depreciation, taking into account the estimated useful life of the acquisition
- use the straight-line method of depreciation, using a percentage, fraction or over a period of time, including cases when a residual value is expected, for a full year or pro rata for part of a year, according to the organisational policy
- use the diminishing balance method of depreciation for a full year using a percentage
- use the units of production method of depreciation.

3.2 Record depreciation

Students need to be able to:

- record depreciation in the non-current assets register
 - record depreciation in the general ledger, including the journal
 - use the following accounts: depreciation charges, non-current asset accumulated depreciation.
-

4. Record period end adjustments

4.1 Record accruals and prepayments in income and expense accounts

Students need to know:

- that adjustments for accruals and prepayments are an application of the accrual basis of accounting
- how opening and closing accruals and prepayments affect income and expense accounts.

Students need to be able to:

- explain the difference between the amount paid or received and the amount recognised in the accounts
 - account for accruals and prepayments by making a double-entry in the current period and reversing it in the future period
 - recognise the reversal of a previous period adjustment in the ledger accounts
 - calculate adjustments pro rata
 - enter adjustments in the general ledger, including the journal
 - calculate the amount transferred to the statement of profit or loss
 - use the following accounts: accruals/accrued expenses, accrued income, prepayments/prepaid expenses, prepaid income.
-

4.2 Record irrecoverable debts and allowances for doubtful debts

Students need to know:

- the differences between irrecoverable debts, allowances for specific doubtful debts and general allowances
- that allowances for doubtful debts are an application of the accrual basis of accounting (recognition only).

Students need to be able to:

- calculate new allowances for doubtful debts in accordance with organisational policy
 - calculate adjustments for an existing general allowance for doubtful debts
 - account for the recovery of an irrecoverable debt previously written off
 - use the journal to record irrecoverable debts and allowances for doubtful debts (VAT implications are not required)
 - use the following accounts: irrecoverable debts (statement of profit or loss), sales ledger control account, allowance for doubtful debts account (statement of financial position), allowance for doubtful debts adjustment account (statement of profit or loss).
-

4.3 Record inventory

Students need to know:

- that IFRS exist that are relevant to inventory valuation
- the meaning of net realisable value
- that valuation must be at the lower of cost and net realisable value on an individual item basis
- the principles of different methods of valuation (calculations not required)
- what can and cannot be included in the valuation of inventory
- that accounting for inventory is an application of the accrual basis of accounting.

Students need to be able to:

- determine the correct closing inventory figure in accordance with current accounting standards
 - calculate the cost of inventory from selling price when VAT or an element of profit is included (calculations involving an understanding of mark-up or sales margin will not be required)
 - make entries in the journal
 - use the following accounts: closing inventory – statement of profit or loss, closing inventory – statement of financial position.
-

4.4 Record period end adjustments

Students need to know:

- that, when making period end adjustments, there is scope to significantly affect the reported results of the organisation
- the effects of including misleading or inaccurate period end adjustments (non-compliance with regulations, misinformed decision making by users of the final accounts).

Students need to be able to:

- respond appropriately to period end pressures (time pressure, pressure to report favourable results, pressure from authority).
-

5. Produce and extend the trial balance

5.1 Prepare a trial balance

Students need to know:

- that certain accounts can carry either a debit or a credit balance (in particular: VAT, disposals, allowance for doubtful debts adjustment, bank, loan, irrecoverable debts)
- the importance of the trial balance for the preparation of final accounts.

Students need to be able to:

- transfer balances from ledger accounts, a list of balances or written data into correct debit or credit columns of the trial balance
 - correct any errors that are not shown by the trial balance
 - use and clear the suspense account.
-

5.2 Carry out adjustments to the trial balance

Students need to be able to:

- place the following adjustments correctly in the extended trial balance: closing inventory, accruals, prepayments, corrections of errors/omissions, depreciation, irrecoverable debts, allowances for doubtful debts.
-

5.3 Complete the extended trial balance

Students need to be able to:

- extend figures in the ledger balances and adjustments columns correctly into the statement of profit or loss and statement of financial position columns
 - make the extended columns balance
 - correctly label the balancing figure line as profit or loss.
-

Delivering this unit

This unit has the following links with other AAT Advanced level qualification units.

Unit name	Content links
Final Accounts Preparation	Advanced Bookkeeping gives students underlying knowledge that may support their study of Final Accounts Preparation.
Ethics for Accountants	Advanced Bookkeeping touches on ethical matters in the context of bookkeeping.
Indirect Tax	Advanced Bookkeeping requires knowledge of how VAT is treated.

Links to standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

- FA-4 Prepare accounts.

Test specification for Advanced Bookkeeping unit assessment

Please refer to the latest Qualification Technical Information (QTI) for specific legislation or rates that apply to the current assessments. Details can be accessed at aat.org.uk/about-aat/qualification-development

Assessment method	Marking Type	Duration of assessment
Computer based assessment	Computer marked	2 hours

Learning outcomes	Weighting
1. Apply the principles of advanced double-entry bookkeeping	24%
2. Implement procedures for the acquisition and disposal of non-current assets	20%
3. Prepare and record depreciation calculations	13%
4. Record period end adjustments	20%
5. Produce and extend the trial balance	23%
Total	100%

Final Accounts Preparation

Unit level	GLH value	Assessment
3	60	Unit assessment only

Introduction

This Advanced level unit is about preparing final accounts for sole traders and partnerships, and helping students to become aware of alternative business organisation structures.

This purpose of this unit is to provide the background knowledge and skills that a student needs to be capable of drafting accounts for sole traders and partnerships, and it provides the background knowledge of the regulations governing company accounts. A successful student will be able to complete tasks while being aware of potential ethical issues and know how to report information effectively. The student should become an accomplished member of the accounting team who is able to work with little supervision and who can see a financial picture of the organisation as a whole.

Students will be able to recognise the different types of organisations that need to prepare financial statements and will understand why such statements are important to users in the business environment. The financial accounting techniques and knowledge that they have already acquired will be developed to prepare accounting records when the records are incomplete, and students will become familiar with mark-up and margin.

Students will recognise special accounting requirements for partnerships. They will become aware of legislation and regulations governing financial statements, and will be able to recall and apply ethical knowledge to situations arising during the preparation of accounts. This unit also introduces students to the terminology and formats used by accountants in the financial statements of companies, working with the International Financial Reporting Standards (IFRS) terminology that is utilised across AAT.

Using all of this, the student will be able to prepare final accounts for sole traders and partnerships from an initial trial balance and present these to their line manager. They will then gain awareness of the more detailed requirements for the preparation of company financial statements.

This unit refers to value added tax or VAT. This is an indirect tax operating in the UK but this type of tax may also operate and be known by another name in other countries.

Final Accounts Preparation is a **mandatory** unit in this qualification.

Learning outcomes

1. Distinguish between the financial recording and reporting requirements of different types of organisation
 2. Explain the need for final accounts and the accounting and ethical principles underlying their preparation
 3. Prepare accounting records from incomplete information
 4. Produce accounts for sole traders
 5. Produce accounts for partnerships
 6. Recognise the key differences between preparing accounts for a limited company and a sole trader
-

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.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

1. Distinguish between the financial recording and reporting requirements of different types of organisation

1.1 Describe the types of organisation that need to prepare final accounts

Students need to know:

- brief descriptions of business organisations:
 - for profit: sole traders, partnerships, limited companies, limited liability partnerships (LLPs)
 - not for profit: charities
- the basic differences between the structure and financial characteristics of these organisations:
 - who owns the organisation/public benefit requirement
 - who manages the organisation
 - where responsibility lies for debts that the organisation cannot pay, and the amount of exposure
 - whether, and how, any tax is paid
- for commercial organisations, the different terms used to represent ownership in the statement of financial position (capital and equity) and amounts taken by the owners (drawings and dividends)
- for charity organisations, representation of net assets in the statement of financial position as funds of the charity.

Students need to be able to:

- recognise basic advantages and disadvantages of operating as a partnership rather than as a sole trader
- recognise basic advantages and disadvantages of incorporated status.

1.2 Recognise the regulations applying to different types of organisation

Students need to know:

- that different regulations apply to different organisations, including awareness of relevant:
 - partnership legislation
 - companies legislation and accounting standards
 - LLP legislation
 - charity legislation, charity regulators and statements of recommended practice
 - that presentation of final accounts for sole traders and partnerships is not governed by statute and accounting regulations to the same extent as those for limited companies; they have no definitive format
 - the importance of behaving professionally, being competent and acting with due care at work
 - the importance of deadlines in the preparation of final accounts.
-

2. Explain the need for final accounts and the accounting and ethical principles underlying their preparation

2.1 Describe the primary users of final accounts and their needs

Students need to know:

- the primary users of final accounts
 - the reasons why final accounts are needed by these users.
-

2.2 Describe the accounting principles underlying the preparation of final accounts

Students need to know:

- the existence of a framework within which accountants work
- the underlying assumptions governing financial statements: accrual basis, going concern basis
- the fundamental qualitative characteristics of useful financial information
- the supporting qualitative characteristics
- why financial statements should be free from material misstatement.

Students need to be able to:

- recognise circumstances when a business is no longer a going concern and be aware of the effect on the value of its assets.
-

2.3 Apply ethical principles when preparing final accounts

Students need to know:

- the importance of behaving professionally and being competent
 - the importance of objectivity, including an awareness of the potential for conflicts of interest and bias
 - why security and confidentiality of information must be maintained at all times.
-

3. Prepare accounting records from incomplete information

3.1 Recognise circumstances where there are incomplete records

Students need to know:

- possible reasons why information may be missing
 - possible reasons for inconsistencies within the records themselves
 - examples of the types of figures that may be missing
 - the importance of acting with integrity.
-

3.2 Prepare ledger accounts, using these to estimate missing figures

Students need to be able to:

- use the content of daybooks, including value added tax (VAT)
 - use information from the cash book
 - distinguish between relevant and non-relevant data
 - reconstruct ledger accounts: sales and purchases ledger control accounts, VAT control account and the bank account
 - calculate and correctly label the missing figure of such reconstructed accounts
 - calculate opening or closing balances from information given
 - adjust data for VAT, using information given.
-

3.3 Calculate figures using mark-up and margin

Students need to know:

- what margin and mark-up are, and the difference between them.

Students need to be able to:

- calculate mark-up and margin
 - use mark-up and margin to calculate missing figures
 - use cost of goods sold to determine a missing figure
 - adjust data for VAT from data provided.
-

3.4 Assess the reasonableness of given figures within a particular context

Students need to be able to:

- recognise whether a figure is reasonable in a given context
 - explain reasons behind the difference between an actual balance and a calculation
 - exercise professional scepticism.
-

4. Produce accounts for sole traders

4.1 Calculate opening and/or closing capital for a sole trader

Students need to be able to:

- account for drawings, capital injections and profits or losses
 - record these in ledger accounts
 - explain movements in capital balances.
-

4.2 Describe the components of a set of final accounts for a sole trader

Students need to know:

- the purpose of a statement of profit or loss
 - the purpose of a statement of financial position
 - how the statement of financial position is linked to the accounting equation
 - how the statement of profit or loss and the statement of financial position are related.
-

4.3 Prepare a statement of profit or loss for a sole trader in the given format

Students need to be able to:

- itemise income and expenditure in line with given organisational policies
 - transfer data from the trial balance to the appropriate line of the statement according to the level of detail given for the organisation.
-

4.4 Prepare a statement of financial position for a sole trader in the given format

Students need to be able to:

- apply the net assets presentation of the statement of financial position
 - transfer data from the trial balance to the appropriate line of the statement according to the level of detail given for the organisation.
-

5. Produce accounts for partnerships

The following points apply to assessment criteria 5.2, 5.4, 5.5, 5.6 and 5.7:

- the number of partners is limited to a maximum of three
 - there are no changes in the partnership during a period
 - either a profit or loss may be provided for allocation.
-

5.1 Describe the key components of a partnership agreement

Students need to know:

- what a partnership agreement typically may or may not contain
 - why a formal partnership agreement may not exist for all partnerships.
-

5.2 Describe the accounting procedures for a change in partners

Students need to know:

- a simple definition of goodwill in accounting terms
- why goodwill will change capital balances on admission or retirement of a partner
- that goodwill may be introduced and subsequently eliminated from the accounting records using the profit sharing ratio.

Students need to be able to:

- calculate the goodwill adjustments using the profit sharing ratio
 - enter such adjustments in ledger accounts and balance off these accounts as necessary.
-

5.3 Describe the key components of partnership accounts

Students need to know:

- the purpose of a statement of profit or loss
 - the purpose and content of the partnership appropriation account
 - how the statement of profit or loss is linked to the partnership appropriation account
 - the nature and content of partners' current accounts
 - the nature and content of partners' capital accounts
 - the purpose of a statement of financial position.
-

5.4 Prepare a statement of profit or loss for a partnership, in the given format

Students need to know:

- why the statement of profit or loss for a partnership is an adaptation of one for a sole trader.

Students need to be able to:

- itemise income and expenditure in line with given organisational policies
 - transfer data from the trial balance to the appropriate line of the statement according to the level of detail given for the organisation.
-

5.5 Prepare a partnership appropriation account, in compliance with the partnership agreement and in the given format

Students need to be able to:

- apply the terms of a partnership agreement
 - record interest on capital (but not how to calculate it)
 - record interest on drawings (but not how to calculate it)
 - record salaries or commission paid to partners
 - calculate, and appropriate and account for, the residual profit according to the profit sharing ratio
 - recognise the status of partners' salaries, commission and interest
 - present this account in the format given for the organisation.
-

5.6 Prepare the current accounts for each partner

Students need to be able to:

- enter ledger accounting entries
- account for drawings in the form of cash, goods or services
- link the current account with figures from the appropriation account.

5.7 Prepare a statement of financial position for a partnership, in compliance with the partnership agreement and in the given format

Students need to know:

- how the statement of financial position for a partnership differs from one of a sole trader.

Students need to be able to:

- apply the net assets presentation of the statement of financial position
 - transfer data from the trial balance to the appropriate line of the statement according to the level of detail given for the organisation
 - show partners' current and capital accounts on the statement of financial position.
-

6. Recognise the key differences between preparing accounts for a limited company and a sole trader

6.1 Describe the main sources of regulation governing company accounts

Students need to know:

- the particular importance of maintaining an up-to-date knowledge of relevant legislation and accounting standards that apply to companies
- which source provides the required formats for the statement of profit or loss and statement of financial performance for a company adopting IFRS
- which standards provide guidance for property, plant and equipment, and inventories, where IFRS is adopted (recalled as examples of regulation).

6.2 Describe the more detailed reporting arising from these regulations

Students need to know:

- the requirement to prepare financial statements at least annually and file them publicly
 - why selection and application of accounting policies is regulated, and the objectives that should be met when developing them
 - that limited company financial statements need to follow statutory formats, with prescribed headings and terminology
 - why cost of sales and other expenses must be classified according to rules
 - why taxation is charged in the statement of profit or loss of a company
 - why only the carrying value of non-current assets appears on the statement of financial position of a company
 - why notes must be provided as part of the financial statements of a company.
-

Delivering this unit

This unit has the following links with other AAT Advanced level qualification units.

Unit name	Content links
Advanced Bookkeeping	This unit builds on the knowledge and skills acquired from studying Final Accounts Preparation.
Ethics for Accountants	Ethics and ethical principles are embedded within this unit.
Management Accounting: Costing, Spreadsheets for Accounting and Indirect Tax	Three Advanced level units – Management Accounting: Costing, Spreadsheets for Accounting and Indirect Tax – have links to Final Accounts Preparation.

Links to standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

- FA-4 Prepare accounts
- FA-5 Draft financial statements.

Test specification for Final Accounts Preparation unit assessment

Please refer to the latest Qualification Technical Information (QTI) for specific legislation or rates that apply to the current assessments. Details can be accessed at aat.org.uk/about-aat/qualification-development

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

Learning outcomes	Weighting
1. Distinguish between the financial recording and reporting requirements of different types of organisation	10%
2. Explain the need for final accounts and the accounting and ethical principles underlying their preparation	7%
3. Prepare accounting records from incomplete information	27%
4. Produce accounts for sole traders	31%
5. Produce accounts for partnerships	20%
6. Recognise the key differences between preparing accounts for a limited company and a sole trader	5%
Total	100%

Indirect Tax

Unit level	GLH value	Assessment
3	60	Unit assessment only

Introduction

This Advanced level unit is about indirect tax: specifically, the tax that is referred to in the UK and throughout this unit as value added tax (VAT). The unit is designed to develop students' skills in preparing and submitting returns to the relevant tax authority in situations where the transactions that have to be included are relatively routine. However, some non-routine issues are also included in this unit.

This unit provides students with the knowledge and skills that they need to keep their employers and clients compliant with the laws and practices that apply to the indirect taxation of sales and purchases. The content is designed to ensure that students can perform these tasks relatively unsupervised, particularly in terms of routine and some non-routine VAT tasks. However, it is expected that the student will still require some management for more involved and intensive VAT transactions. It is important that the student understands and applies the VAT rules from an ethical point of view. All VAT work must be carried out with integrity, objectivity and a high degree of professional competence. There must be due care with regard to confidentiality about any personal data being processed and, from a business protection aspect, with the correct approach to professional behaviour.

Students will learn about VAT legislation and the importance of maintaining their technical knowledge through monitoring updates. Students must be taught how to complete VAT returns accurately and must understand the implications of failing to do so. Inaccuracy and omission, late submission of returns and late payment or non-payment of VAT need to be understood in terms of the sanctions and penalties that are available to the relevant tax authority.

In particular, students will learn how to calculate the VAT value correctly in different circumstances, verify the calculations of the submitted return and correctly use an accounting system to extract relevant data for the return.

The VAT registration and deregistration rules are important aspects of learning at this level, and this includes the need to monitor sales closely to avoid breaching regulations. The existence and basic terms of special VAT schemes are also important.

Students will learn about how to deal with errors made in previous VAT returns and how and when these errors are corrected. They will also learn about communicating VAT matters to relevant individuals and organisations, including the special rules that apply when goods and services are imported into and exported out of the UK and the European Union (EU).

Indirect Tax is a **mandatory** unit in this qualification.

Learning outcomes

1. Understand and apply VAT legislation requirements
 2. Accurately complete VAT returns and submit them in a timely manner
 3. Understand the implications for the business of errors, omissions and late filing and payment
 4. Report VAT-related information within the organisation in accordance with regulatory and organisational requirement
-

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.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

1. Understand and apply VAT legislation requirements

1.1 Identify and analyse relevant information on VAT

Students need to know:

- relevant sources of VAT information needed by a business
 - how to analyse available information and identify relevant items to extract
 - how to communicate relevant regulatory information to others within the business
 - the ethical and legal implications of failure to identify and apply information and regulations to the business.
-

1.2 Explain the necessary interaction with the relevant tax authority

Students need to know:

- the relevant tax authority for VAT
 - the tax authority's powers to require businesses to comply with regulations about registration, record keeping, submissions of VAT returns and payment of VAT due
 - that VAT is a tax on consumer spending, including knowing whether the tax falls on registered businesses or the end user
 - how and when it is appropriate to obtain guidance from the relevant tax authority about VAT matters, particularly in respect of issues where there is doubt over the correct treatment
 - the tax authority's rights in respect of inspection of records and control visits (students should understand what records can be inspected during a control visit, but no further detail of control visits is expected)
 - the tax authority's rules about: what constitute VAT records; how long VAT records should be retained; how VAT records should be retained.
-

1.3 Describe the VAT registration, scheme choice and deregistration requirements

Students need to know:

- about registering for VAT
 - the registration and deregistration thresholds for the normal VAT scheme, and how to apply them
 - the circumstances in which voluntary registration may be beneficial to the business
 - the deregistration threshold and circumstances in which deregistration may be appropriate
 - what is meant by the past turnover measure and the future turnover method, and how to comply with them in respect of registration
 - the special VAT schemes that can be used by some registered businesses: the annual and cash accounting schemes and the flat rate scheme for small businesses
 - the thresholds and qualification criteria for the special VAT schemes
 - why being in the normal VAT scheme or in one or more special VAT schemes affect the timing and frequency of filing returns and payment of VAT.
-

1.4 VAT invoices, required information and deadlines

Students need to know:

- what the correct contents and form of a VAT invoice are, including:
 - the simplified VAT invoice rule
 - the e-invoicing requirements
 - standard-rated, zero-rated and exempt supplies
- how to determine the tax point of an invoice, both basic and actual, when the invoice is raised after the supply and also when there are: advance payments, deposits, continuous supplies, and goods on sale or return
- the significance of the correct tax point for eligibility for special VAT schemes, applying the correct rate of VAT and determining the correct VAT for reporting
- the time limits for issuing VAT invoices, including understanding the 14-day and 30-day rules.

1.5 Maintain knowledge of legislation, regulation, guidance and codes of practice

Students need to know:

- where to find information regarding changes to VAT law and practice
- how to use information to determine relevant changes for the business that must be applied
- the deadline dates by which changes must be applied
- the importance of maintaining up-to-date and relevant VAT knowledge and the impact of this on the ability to act with professional competence.

2. Accurately complete VAT returns and submit them in a timely manner

2.1 Extract relevant data from the accounting records

Students need to know:

- how to identify relevant accounting records that cover the required period of each VAT return
 - how to identify and extract relevant income, expenditure and VAT figures from the following ledgers and accounts: sales and sales returns; purchases and purchases returns; cash and petty cash accounts; and the VAT account
 - how to determine that the figures extracted have come from an original and verified daybook or journal
 - how to determine that entries in the ledgers have been made with integrity and due regard to the regulation of VAT administration.
-

2.2 Calculate relevant input and output tax

Students need to know:

- the difference between inputs and outputs, and between input tax and output tax
- the specific calculations needed for standard, reduced-rate, zero-rated and exempt supplies
- how to calculate VAT for imports and acquisitions, exports and despatches
- the place of supply rules for both goods and services within and outside the EU
- how to treat different forms of inputs and outputs when preparing a VAT return, including how to identify valid VAT documents for the purposes of input tax recovery
- how imports, acquisitions, despatches and exports are treated on a VAT return, but not any knowledge of Intrastat returns, EC Sales List or VAT Mini One Stop Shop
- the different implications of exempt supplies and of zero-rated supplies for the VAT return, and the effect on recovery of input tax
- how partial exemption works, the de minimis limit and how this affects the recovery of input tax
- rounding rules on VAT calculations, including for retailers
- rules for VAT when prompt payment discounts (PPD) are offered to customers and how to calculate it
- how to calculate the VAT when given the net or the gross amount of the supply
- how to account for VAT on: expenditure on employee and business contact entertaining, including that of mixed groups; purchases and sales of cars and vans; deposits and advance payments for goods and services
- the VAT rules on fuel scale charges, how to apply them and their effect on VAT payable or reclaimable
- how to apply bad debt relief, when this is available and what time limits apply.

2.3 Calculate the VAT due to, or from, the relevant tax authority

Students need to be able to:

- correctly calculate the VAT payable to or reclaimable from the relevant tax authority for a VAT period in respect of: transactions in the current VAT period, including access to and use of sales and purchases invoices, credit notes issued and received, cash and petty cash transaction receipts, adjustments for bad debt relief, fuel scale charges, entertainment expenses, cars and vans, deposits and advance payments, and correction of errors and omissions made in previous returns
- disallow VAT that is not recoverable
- deal with pressure to allow irrecoverable VAT or other inappropriate amounts to appear on the VAT return, or to remain in the accounts.

2.4 Make adjustments and declarations for any errors or omissions identified in previous VAT periods

Students need to be able to:

- determine if a given previous period error or omission can be corrected by an amendment on the current VAT return
 - apply the thresholds and deadlines within which previous period errors or omissions must be declared, including the timescales during which corrections can be made
 - identify when a given previous period error or omission must be separately reported rather than corrected on the current VAT return
 - apply the required treatment
 - report a previous period error or omission that cannot be corrected on a current VAT return.
-

2.5 Complete and submit a VAT return and make any associated payment within statutory limits

Students need to know:

- the statutory time limits for submitting VAT returns and making payment for both normal and special VAT schemes
 - how these time limits differ depending on the payment method used
 - how to complete all relevant boxes of the online return in the manner laid down by the relevant tax authority
 - how to calculate the amount of VAT due to or reclaimable from the relevant tax authority as a check on the amounts calculated by the online VAT return
 - why the final total on the VAT return should agree with the total on the business' VAT account
 - how to identify the reasons why the given final total and the given VAT account differ
 - the process for recovery of VAT that is to be reclaimed from the relevant tax authority.
-

3. Understand the implications for the business of errors, omissions, and late filing and payment

3.1 Explain the implications for a business of failure to comply with registration requirements

Students need to know:

- the powers of the tax authority to penalise a business that has failed to register for VAT
 - the details of the penalty regime applicable to non-registration or late registration.
-

3.2 Explain the implications for a business of failure to comply with the requirement to submit VAT returns

Students need to know:

- the consequences of late submission and non-submission of VAT returns
 - how the surcharge regime applies to late submission or non-submission of VAT returns
 - the powers of assessment that the tax authority has in respect of failure to submit VAT returns.
-

3.3 Explain the implications for a business of failure to comply with the requirement to make payment of VAT

Students need to know:

- the consequences of late payment or non-payment of VAT due
 - the details of the penalty regime applicable to late or non-payment of VAT due.
-

3.4 Explain the implications for a business resulting from a failure to make error corrections in the proper manner or to report errors where required to do so

Students need to know:

- the consequences of failing to correct errors properly
 - the consequences of failing to report an error when required to do so
 - the operational, ethical and legal consequences of allowing VAT recovery that is by law disallowed.
-

4. Report VAT-related information within the organisation in accordance with regulatory and organisational requirement

4.1 Inform the appropriate person about VAT-related matters

Students need to be able to:

- identify the appropriate person to whom to report information, given different circumstances
 - provide appropriate information regarding: the discovery of current and previous period errors and omissions; determining whether to correct or disclose errors and omissions; the completion of the return; penalties, surcharges and assessments; the effects of a change in VAT rate or other regulatory changes; the effect on VAT of a change in business operations
 - communicate the appropriate time limits for submitting VAT returns to appropriate persons
 - identify when a query about VAT is beyond current experience or expertise and so should be referred to a line manager.
-

4.2 Communicate information about VAT due to or from the tax authority

Students need to be able to:

- specify relevant information regarding amounts due to or recovery of amounts from the UK's Revenue and Customs authority (HMRC)
 - communicate the effects of the special VAT schemes on payment or recovery of VAT.
-

Delivering this unit

This unit has the following links with other AAT Advanced level qualification units.

Unit name	Content links
Advanced Bookkeeping	This unit links with Advanced Bookkeeping.
Final Accounts Preparation	Indirect Tax has links to Final Accounts Preparation.

Links to standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

- T-3 Reporting VAT.

Test specification for Indirect Tax unit assessment

Please refer to the latest Qualification Technical Information (QTI) for specific legislation or rates that apply to the current assessments. Details can be accessed at aat.org.uk/about-aat/qualification-development

Assessment method	Marking type	Duration of assessment
Computer based assessment	Computer marked	1 hour 30 minutes

Learning outcomes	Weighting
1. Understand and apply VAT legislation requirements	30%
2. Accurately complete VAT returns and submit them in a timely manner	40%
3. Understand the implications for the business of errors, omissions and late filing and payment	20%
4. Report VAT-related information within the organisation in accordance with regulatory and organisational requirement	10%
Total	100%

9. Delivering AAT qualifications

9.1 Staff requirements

AAT requires that all staff who deliver AAT qualifications, including tutors, assessors and verifiers, are professionally competent to do so.

If a training provider wishes to claim recognition of prior learning (RPL) for a student, then staff must hold the relevant assessor and/or internal verifier qualifications.

For more information on assessing RPL, and the role and qualifications required for assessors and/or internal verifiers, please refer to the *AAT Code of practice for training providers* and *AAT Guidance for training providers* documents available through MyAAT on aat.org.uk/about-aat/aat-standards

9.2 Training provider and assessment venue approval

Training providers must be approved by AAT to offer these qualifications. To apply to become an AAT-approved training provider, email trainingproviders@aat.org.uk with the following information:

- full name of organisation
- full postal address, including postcode
- landline telephone number
- website address – this must be a live, fully functioning website
- other awarding bodies with which the organisation is accredited.

When AAT has received this information, an account manager will set up a meeting and discuss the criteria needed for approval. Training providers offering funded provision to 16–19-year-old students will be required to confirm that they are providing employer engagement for those students.

Only applications that meet AAT's high standards will be approved.

Existing training providers who wish to offer the qualification(s) should contact qualityassurance@aat.org.uk to obtain the additional approval application form.

To apply to become an AAT-approved assessment venue, email assessment.operations@aat.org.uk with the following information:

- the full address of the proposed venue
- any experience in administering computer based assessments.

AAT will evaluate whether a venue meets the minimum hardware and software requirements, is a suitable environment for delivering assessments and has the staff to run assessments successfully. One of the AAT assessment team may visit a centre before approval is granted.

AAT doesn't approve venues on a permanent basis and may review a venue's status at any time. If a venue's status changes, the venue administrator will be notified in writing.

9.3 Quality assurance

AAT monitors training providers to ensure their continued compliance with the AAT approval criteria, the *AAT Code of practice for training providers* and appropriate regulatory requirements. Within the United Kingdom, our qualifications are regulated by the Office of Qualifications and Examinations Regulation (Ofqual) in England and Northern Ireland and internationally; by the Scottish Qualifications Authority (SQA) in Scotland; and by Qualifications Wales in Wales.

All training providers have an allocated point of contact, and from time to time they will be visited by AAT to ensure that quality standards are being met. The frequency of visits will depend on a number of factors and visits will not necessarily occur on an annual basis. If a centre has been delivering assessments using RPL as an assessment method, AAT may also ask for particular information and/or documents to be made available so that a remote verification activity might be conducted rather than a physical visit.

Training providers will receive an annual report from AAT identifying any actions that are to be addressed.

AAT may apply an action plan with deadlines and/or a sanction where training providers do not meet the requirements set out in the *AAT Code of practice for training providers* which can be accessed via MyAAT at aat.org.uk/support/quality-assurance/resources

Sanctions will be applied at training provider level and will take the following form:

- | | |
|---------|---|
| Level 1 | Action plan imposed |
| Level 2 | Suspension of the right to claim certification |
| Level 3 | Suspension of the right to register students and claim certification. |

Where AAT considers that there is an irretrievable breakdown in the management and quality assurance of the delivery of specified qualifications, AAT will withdraw training provider approval.

10. Equality and diversity

AAT firmly believes in equality of opportunity for all who participate in its qualifications.

We aim to ensure that:

- our qualifications are free from barriers that restrict access and progression
- our qualifications are attainable by all who can demonstrate the required standard by whatever means
- **our qualifications and publications are free from discriminatory practices or stereotypes with regard to age, caring responsibilities, disability, gender, gender identity, marriage and civil partnerships, part-time working, pregnancy and maternity, race, religion or belief, sexual orientation.**
- assessment tasks and study opportunities are sufficiently varied and flexible to ensure that no particular group of students or would-be students are placed at any disadvantage
- all reasonable adjustments are made to cater for the individual requirements of students
- assessments are valid and reliable to ensure that all students receive impartial treatment.

We do this in the following ways.

1. Considering issues of diversity and equality as part of the development process.
2. Avoiding the creation of barriers that might disadvantage those students who share one or more protected characteristics.
3. Consultation with students (or their representatives).
4. Collection of data for monitoring and evaluation.
5. Provision of additional information at aat.org.uk/about-aat/aat-equal-opportunities-policy

10.1 Reasonable adjustments and special consideration

'Reasonable adjustment' is the term used for any special arrangement that is needed to enable students with disabilities or temporarily incapacitated students to do their best in an assessment. A common example would be extra time for a dyslexic student.

'Special consideration' is the term used to describe the process by which a student's script is reassessed after it has been taken, due to the student suffering an illness, traumatic accident or major and unpredictable life event at, or shortly before, the time of assessment.

In most cases, the training provider may make the decision to grant adjustments: for example, granting extra time up to and including one third of the available time as published for that assessment.

In the event of a more significant adjustment, training providers will need to contact AAT as outlined in the *Reasonable Adjustment Policy* available through MyAAT at aat.org.uk/assessment/adjustments-and-considerations

The required forms and more details are available in *Guidance on the Application of Reasonable Adjustments and Special Consideration in AAT Assessments*, available through MyAAT at aat.org.uk/assessment/adjustments-and-considerations

11. Support for training providers

11.1 Centre Support team

The Centre Support team is dedicated to helping training providers with the daily running of AAT qualifications. The team also offers one-to-one support for new training providers to help them get their AAT qualifications up and running.

Phone: +44 (0)203 3735 2443

Email: centre.support@aat.org.uk

11.2 Regional Account Manager (RAM)

Each training provider has their own Regional Account Manager (RAM) assigned to support them once they have been approved as an AAT training provider. RAMs help provide links to local employers, and visit regularly to keep training providers up to date on qualification developments, apprenticeships and possible commercial opportunities.

11.3 Weekly email update from AAT – *SummingUp*

Every Friday morning, *SummingUp* shares all the latest news from AAT, including:

- technical updates
- qualification developments
- upcoming events
- new e-learning materials
- the latest marketing materials.

11.4 Events for training providers

Tutors have the opportunity to attend a number of events throughout the year. There are three types of tutor events.

Annual conference

The annual training provider conference is a chance to get together, network and share ideas. The two-day conference includes:

- topical workshops
- a networking dinner on the first evening
- the opportunity to learn about new developments from AAT.

Network meetings

At these events, training providers can raise queries, share best practice and ideas with AAT and other training providers. These events:

- cover a wide range of topics
- keep tutors up to date on the latest issues
- provide relevant and cost-effective CPD.

Technical events (tutor-to-tutor sessions)

These events are free of charge to training providers and cover a range of our qualifications and assessment areas. Experienced and high-performing training providers share their experiences, tips and techniques with attendees to help others improve their achievement rates.

11.5 Tutor Talk forum

All AAT-approved training providers have access to Tutor Talk, where tutors can contribute to online conversations about a wide range of AAT issues. Tutors will receive:

- unlimited user logins for all AAT tutors
- email updates on posts they're interested in.

11.6 Online support resources

In order to help AAT tutors successfully deliver AAT qualifications, a range of support materials are offered for all of our qualifications, such as:

- interactive PDFs
- recorded webinars
- videos
- podcasts
- training materials
- quiz questions for all AAT units
- content queries.

All tutor support materials can be found on the AAT website.

Copyright © 2016 AAT

All rights reserved. Reproduction is permitted for personal and educational use only. No part of this content may be reproduced or transmitted for commercial use without the copyright holder's written consent.

The Association of Accounting Technicians

140 Aldersgate Street

London

EC1A 4HY

t: +44 (0)20 3735 2468

f: +44 (0)20 7397 3009

e: aat@aat.org.uk

aat.org.uk