

Unit 8: Accounting Systems

Unit code:	F/502/5421
QCF Level 3:	BTEC National
Credit value:	10
Guided learning hours:	60

● Aim and purpose

The aim of this unit is to enable learners to understand that recording year-end financial information accurately is vital to any business. This information can be recorded using manual or computerised packages, whichever is more suitable for business resources and needs.

● Unit introduction

One essential requirement in running and managing of an organisation is the need for clear, relevant and accurate information. In particular, an organisation needs accounting information that gives a complete picture of all financial transactions that have taken place and the current financial position of the organisation. Accounting information is vital to the owners and managers of business organisations, and there are often other stakeholders who have an interest in the financial performance and position of the business.

At an organisation's financial year-end, the accountant will prepare financial statements including a trading and profit and loss account and a balance sheet. The system that provides all the information for these final accounts is known as the accounting system.

The quality and accuracy of the information presented in the final accounts depends entirely on using an effective accounting system correctly. Beginning with the source documents that show financial transactions, accounting staff will need to classify and encode the information before inputting the details into the system. Manual accounting procedures, using double-entry bookkeeping, have been in operation for over 500 years. The system is still effective in providing managers with an analysis of income, profits, expenses, losses, assets and liabilities. However, organisations need information quickly and manual systems can be slow. Computerised accounting packages are based on double-entry principles and will give informative reports in a matter of seconds.

Organisations will adopt the most suitable accounting system for their resources and needs. System users will need training and, if the computerised option is chosen, hardware and software are essential requirements.

Whichever system is chosen, the year-end task of preparing the final accounts remains the same. Organisations rely on effective control of resources including cash. Most organisations depend on making a profit. The accounting system is an integral part of managing money so survival of an organisation depends on that system.

● Learning outcomes

On completion of this unit a learner should:

- 1 Know the use of financial documents in recording business transactions
- 2 Be able to record and monitor financial information in accounting systems
- 3 Be able to extract a trial balance from accounting records
- 4 Be able to prepare a trading and profit and loss account and balance sheet.

Unit content

1 Know the use of financial documents in recording business transactions

Documents: cash receipts; cheques; debit and credit cards; purchase orders; delivery notes; goods received notes; sales and purchase invoices (trade discount, cash discount and value added tax); credit notes; statements of account; remittance advice

Transactions: cash; bank; credit

2 Be able to record and monitor financial information in accounting systems

Manual accounting systems: day books; cash book; petty cash book; general ledger (sales, purchases, returns in, returns out accounts); sales ledger; purchase ledger; double-entry bookkeeping; balancing ledger accounts

Computerised accounting systems: specialist accounting packages; spreadsheets; software features; benefits (cost, speed, ease of use, appropriateness)

3 Be able to extract a trial balance from accounting records

Trial balance: definition; application (accuracy of double-entry bookkeeping, detecting bookkeeping errors, preparation for trading and profit and loss account and balance sheet); errors causing imbalance; format; total debit balances equal total credit balances; period end; year end; extended trial balance (preparation, additional columns, adjustments, calculation of net profit or loss, effects of adjustments on profit or loss, assets and liabilities)

Accounting records: general ledger accounts; cash and bank accounts

Impact of International Accounting Standards: changes to reporting requirements under the International Accounting Standards (IAS), eg statement of comprehensive income, statement of financial position.

4 Be able to prepare a trading and profit and loss account and balance sheet

Sources: trial balance; list of ledger balances

Trading and profit and loss account: sales; cost of goods sold; gross profit; other income and profits; overheads; net profit

Balance sheet: fixed assets; current assets (stock, debtors, bank, cash); long-term liabilities; current liabilities (trade creditors, bank overdraft, other creditors, debts to be paid within one year); working capital; net assets; capital; profit; drawings

International Equivalents: changes to reporting requirements under the International Accounting Standards (IAS), eg statement of comprehensive income, statement of financial position.

Assessment and grading criteria

In order to pass this unit, the evidence that the learner presents for assessment needs to demonstrate that they can meet all the learning outcomes for the unit. The assessment criteria for a pass grade describe the level of achievement required to pass this unit.

Assessment and grading criteria		
To achieve a pass grade the evidence must show that the learner is able to:	To achieve a merit grade the evidence must show that, in addition to the pass criteria, the learner is able to:	To achieve a distinction grade the evidence must show that, in addition to the pass and merit criteria, the learner is able to:
P1 identify the documents used to record business transactions [IE]	M1 compare the benefits of using manual and computerised accounting systems to record business transactions [TW]	
P2 use manual or computerised accounting systems to record business transactions [SM]		
P3 explain the benefits of using a computerised accounting system [IE]		D1 analyse the circumstances under which a business would adopt a computerised accounting system instead of a manual one
P4 extract a trial balance from a set of accounting records [CT]	M2 explain the purpose of a trial balance	
P5 prepare a trading and profit and loss account and a balance sheet from a trial balance or list of ledger balances. [SM]	M3 explain why the extended trial balance is used to make adjustments to accounts. [RL]	D2 evaluate the value of a set of final accounts to a business.

PLTS: This summary references where applicable, in the square brackets, the elements of the personal, learning and thinking skills applicable in the pass criteria. It identifies opportunities for learners to demonstrate effective application of the referenced elements of the skills.

Key	IE – independent enquirers	RL – reflective learners	SM – self-managers
	CT – creative thinkers	TW – team workers	EP – effective participators

Essential guidance for tutors

Delivery

Every financial transaction can be evidenced through some form of business document. A credit sale, for example, is recorded on a sales invoice issued by the seller to the buyer. Cash sales are recorded on a receipt or till roll. When expenses are paid the evidence is usually found on an invoice or a receipt. For all organisations, financial documents provide evidence of transactions and information about them. The financial value of each transaction can be recorded in the accounting system. Documents detail the nature and total value of transactions.

For learning outcome 1, learners will examine a range of financial documents, discussing their use, their effectiveness and the calculations performed on them. Learners will use real documents and will be able to find good examples on the internet. Greater familiarisation will be achieved if learners are able to recognise and select the appropriate documents for any given transaction. Learners should gain experience in preparing, and checking the accuracy, of business documents. Learners should appreciate the reasons for giving discounts and verify the accuracy of discount and value added tax calculations.

For an organisation, accounting is about the system that provides quantitative information about financial transactions. It is not just keeping records. The system should allow financial information to be presented to the organisation's stakeholders. Learners will consider the information that might be needed and examine the manual and computerised systems that can be used to generate this information. Familiarisation with the function and use of manually-produced ledgers and books of original entry is essential before computerised systems are discussed and tried. Double-entry bookkeeping underpins computerised accounting systems and has been an established method of manual accounting for over 500 years. Learners will need to have a good understanding of how the principles of double-entry bookkeeping are applied to financial transactions.

Learners will undertake some double-entry book-keeping to record transactions before calculating the balances of the accounts. They will not be expected to carry out full double-entry for assessment purposes. Learners will have the opportunity to observe and use computerised accounting packages such as Sage Line 50. They will be given experience of entering cash, bank and credit transactions, including the use of the sales ledger and purchase ledger. They will produce reports such as invoices, statements of account, aged debtors list, trial balance, profit and loss account and balance sheet. It is recommended that learners are supplied with data files containing a number of transactions that have been entered previously.

Learners will also gain experience of using computerised spreadsheets to record transactions. Preparing day books, or an analytical cash book, will provide a good understanding of the ease of recording data digitally. Computerised accounting is not necessary or even suitable for all organisations. Learners will discuss the factors involved in selecting the most appropriate accounting system for an organisation, considering the volume of transactions, the nature and size of the organisation, staffing, and the availability of computer equipment. Learners will also consider the relative merits and drawbacks of manual and computerised systems. A visiting speaker, who might be a member of staff from the accounts department of the school or college, will be able to the learners' understanding.

Whenever a system of double-entry bookkeeping is used, a trial balance can be extracted, as required, to show the balance of all ledger accounts. One important feature of a trial balance is that the total of all debit balances should be equal to the total of the credit balances. It provides evidence of accuracy in the double-entry and so organisations can use the trial balance to detect errors. More importantly for the accountant, the trial balance provides all the necessary figures to prepare the final accounts at the financial year end. In practice, not all organisations use double-entry bookkeeping and learners will need to appreciate preparing final accounts is more difficult where a full, double-entry system has not been followed.

Learners will be able to extract ledger balances, placing them on the correct side of a trial balance. Cash and bank balances may be located in a cash book rather than the general ledger. Personal accounts in the

sales and purchase ledgers may have balances that are needed in the trial balance. Learners must be aware that they need to look beyond the main ledger for the balances and understand how to extract a trial balance from ledgers and cash books having planned the process. They also need to be aware that a difference in the trial balance is an indication of bookkeeping errors and recognise different kinds of errors that affect the trial balance. Learners will be able to prepare an extended trial balance and then calculate the net profit or loss. They will also discuss and practise detecting and correcting of errors using the extended trial balance.

One of the chief accounting functions of an organisation is to present the results of financial transactions in a meaningful way, allowing the user to measure the success of the business. This is known as financial accounting and the results are presented in a trading and profit and loss account and a balance sheet. The trading account shows the organisation's gross profit, and the profit and loss account shows the organisation's net profit or net loss for the trading period. The balance sheet lists the organisation's assets and liabilities in an appropriate sequence so that stakeholders can see the financial position. This unit requires learners to be able to prepare final accounts from a trial balance or a list of ledger balances. However, year-end adjustments such as depreciation, bad debts, accruals and prepayments are not covered in this unit as they are covered in *Unit 6: Financial Accounting*. Learners will construct final accounts manually and using a computerised spreadsheet. Where a spreadsheet is used, learners may have the ledger balances already listed on a spreadsheet and will use formulae to calculate totals and sub-totals.

Learners should understand the new requirements under IAS and be aware that although at the time of accreditation of this specification only public companies have to comply with IAS, that this may become a requirement in the future for all companies and firms.

Outline learning plan

The outline learning plan has been included in this unit as guidance and can be used in conjunction with the programme of suggested assignments.

The outline learning plan demonstrates one way in planning the delivery and assessment of this unit.

Topic and suggested assignments/activities and/assessment
Introduction and outline scheme of work/programme of assignments
Formal theory input for Financial documents and their uses
Practical class exercises for application of theory
Visits and speakers from business
Assignment 1: Financial Documents and their Uses
Formal theory input for Manual accounting systems
Research
Practical class exercises for application of theory
Assignment 2: Manual Accounting Systems
Formal theory input on Computerised accounting systems
Practical class exercises for application of theory
Research
Assignment 3: Computerised Accounting Systems
Formal theory input on Final accounts
Research and group work
Visits/speakers from business
Assignment 4: Final Accounts
Supervised assignment work
Non-supervised study time and completion of assignments

Assessment

Evidence for assessment may be generated directly from the teaching programme. Two or three assignments may be used to cover the grading criteria and a mix of practical tasks, discussion and group talks or presentations will make the assessment more interesting.

For P1, learners will be given a series of business transactions and will name the most appropriate document(s) that an organisation would use in each case. Assessment may take the form of written answers, or computerised assessment may be used in the form of a quiz or multi-choice answers which might be stored on and accessed through a learning platform (virtual learning environment). There may be more than one document for some transactions, such as a cheque, a statement and a remittance advice as evidence of a customer's settlement. (P1 and P2 can be linked.)

P2 will be assessed by presenting learners with a series of financial transactions, and possibly the related documents. Learners will use the book of prime entry and the ledger accounts to record each transaction. The transactions may be the same as those for P1 if the same assignment is used. Evidence might be handwritten or entered into any computerised assessment, or verbal questioning may be used. (P1 and P2 can be linked.)

For P3, learners will research computerised accounting, using the internet and any other relevant sources. Adding this to their experience of using or observing computerised accounting software, they will produce a report on how a computerised accounting system is used to record financial transactions. This can be extended to achieve M1 by learners comparing manual and computerised accounting systems. Alternatively, this criterion could be linked with M1 and D1 and the assessment evidence gained through a group talk or presentation. (P3, M1 and D1 can be linked.)

For P4, learners will be given a case study that includes some general ledger, sales ledger and purchase ledger accounts and a cash book. They will show where they will obtain the information and how account balances will be calculated and displayed in the accounts before they are extracted into a trial balance. Having a separate cash book ensures that learners can show awareness of the requirement to obtain information from more than one source. Learners will demonstrate the importance of placing balances on the correct side of a trial balance. The task may be extended by linking it with P5 and learners to preparing final accounts from a trial balance. (P4, P5, M2 and D2 can be linked.)

For P5, learners should be given a case study including a trial balance or a list of ledger balances. From this information they will prepare a trading and profit and loss account and a balance sheet using the correct format. Learners will be expected to include revenue income and revenue expenditure in the trading and profit and loss account, and the balance sheet should be presented in a logical sequence, usually in order of permanence. P5 may be linked with P4 and the same case study used. This will allow learners to prepare the final accounts from the trial balance they prepared from ledger balances.

M1 should be carried out as a small group task using a case study. Groups will be presented with a case study, which they will discuss before preparing and presenting a talk on comparing the benefits of accounting systems, using appropriate images or support materials. In this talk, learners will relate the points to the organisation in their case study.

M2 extends describing how a trial balance is extracted. One of the main purposes of preparing the trial balance is to detect errors in the bookkeeping. In practice, organisations will locate and correct errors before final accounts are prepared. Learners will explain clearly the importance of this aspect of accounting, considering different kinds of error that might have caused an imbalance. The need for accurate accounting information must be emphasised; inaccuracy can have serious implications for the accountant.

M3 allows learners to develop their explanations on preparing the trial balance to locate and detect errors, by considering how the extended trial balance can be used to show the original account balances and subsequent adjustments. The adjustment columns are used to show those adjustments before the figures are entered into the profit and loss columns or the balance sheet columns. Checking arithmetical accuracy before preparing the final accounts, ensures the balancing of the actual balance sheet. Learners will provide further evidence of their understanding by giving examples of errors that affect the trial balance and showing how they would be solved. Corrections will be reviewed with the tutor.

D1 may be assessed through a group talk or presentation by linking it with M1. This would involve learners extending their talk to include the circumstances under which the organisation in their case study would adopt a computerised accounting system. Factors will include the size of the business, the complexity, volume and value of its transactions, staff available to carry out the accounting and the availability of appropriate computer equipment. The key points of this analysis will also be presented in written form, such as a report.

For D2, learners must judge the value of the information provided by the final accounts to the owner(s) and other interested parties. Learners do not need to calculate performance indicators and ratios but should be able to identify the benefits of obtaining a set of final accounts

Programme of suggested assignments

The table below shows a programme of suggested assignments that cover the pass, merit and distinction criteria in the assessment and grading grid. This is for guidance and it is recommended that centres either write their own assignments or adapt any Edexcel assignments to meet local needs and resources.

Criteria covered	Assignment title	Scenario	Assessment method
P1	Financial Documents and their Uses.	Examining and checking a range of business documents for a given business.	Controlled assignment in class or group work.
P2	Manual Accounting Systems.	Identifying accounts and recording transactions for a given business.	Controlled assignment in class or group work.
P3, M1, D1	Computerised Accounting Systems.	Report on use of computerised accounting and its advantages in a given business.	Group presentation.
P4, P5, M2, M3, D2	Final Accounts.	Case study on final accounts, to include preparation of accounts.	Controlled assignment in class or group work for part and group presentation for part.

Links to National Occupational Standards, other BTEC units, other BTEC qualifications and other relevant units and qualifications

This unit forms part of the BTEC Business sector suite. This unit has particular links with the following unit titles in the Business suite:

Level 2	Level 3
Financial Forecasting for Business	Business Resources
Bookkeeping for Business	Business Accounting
	Financial Accounting
	Management Accounting
	Computer Applications for Financial Management.

This unit should only be delivered after *Business Accounting*.

The unit could be delivered at the same time as the Unit, Computer Applications for Financial Management, as that includes the use of a computerised accounting package and a computerised spreadsheet to produce and analyse accounting information.

This unit also links to the following draft National Occupational Standards for Accounting, particularly Units FA3, FA4, FA5

Essential resources

Learners can find information using company annual reports, journals, magazines, company websites and newspapers.

Access to a range of information resources to complete investigative assignments and case studies will be essential, including relevant CD ROMs and the internet, as will be access to computers for research and preparing accounts (using a spreadsheet package). This will enhance the delivery of this unit. Also, being able to see computerised accounting packages in operation in business would be beneficial. Learners will also need access to relevant paper-based research material including published financial reports and books.

Employer engagement and vocational contexts

Visits to companies and from employees are useful to the delivery of this unit. The use of vocational contexts is essential in the delivery and assessment. Sources of support to enable centres to initiate and establish links to industry, and to networks arranging visits to industry are given below:

Work Experience/Workplace learning frameworks – Centre for Education and Industry (University of Warwick): www.warwick.ac.uk/wie/cei

Learning and Skills Network: www.vocationallearning.org.uk

Indicative reading for learners

Textbooks

Brammer J, Cox D, Fardon M and Penning A – *Active Accounting* (Osborne Books, 2002) ISBN 1872962378

Cox D and Fardon M – *Accounting* (Osborne Books, 1998) ISBN 1872962289

Cox D and Fardon M – *Foundation Accounting Tutorial* (Osborne Books, 2003) ISBN 1872962815

Fardon M – *Computer Accounting* (Osborne Books, 2002) ISBN 1872962270

Fardon M – *Computer Accounting for SAGE* (Osborne Books, 2007) ISBN 1905777116

Journals

Accountancy (CCH)

Accountancy Age (VNU Business Publications)

Accounting Technician (Centurion Publishing Group)

PQ Magazine (PQ Publishing)

Websites

www.accountancyage.com	Accountancy news and information
www.accountingtechnician.co.uk	Association of Accounting Technicians Online
www.accountingweb.co.uk	Accounting news, information and case studies
www.bized.co.uk	A business education resource site
www.bizhelp24.com/index.php	Help and support for businesses
www.businesslink.gov.uk	Business guidance for businesses, including accounting
www.canterbury.gov.uk	An example of a specific local business support website
www.statistics.gov.uk	UK Government statistics, including Retail Prices Index
news.bbc.co.uk/1/hi/business/default.stm	The business pages of the BBC website
www.thetimes100.co.uk	The Times 100 case studies
www.tutor2u.net	Educational website for business and economics
www.wikipedia.org	Community editable encyclopaedia

Broadcasts

The following programmes often feature business items:

The Money Programme, BBC2 (weekly)

Working Lunch, BBC2 (daily)

Delivery of personal, learning and thinking skills

The table below identifies the opportunities for personal, learning and thinking skills (PLTS) that have been included within the pass assessment criteria of this unit.

Skill	When learners are ...
Independent enquirers	investigating business finances accounts and systems
Creative thinkers	generating ideas about financial data
Self-managers	organising time and resources and prioritising actions when carrying out investigations in to finance.

Although PLTS are identified within this unit as an inherent part of the assessment criteria, there are further opportunities to develop a range of PLTS through various approaches to teaching and learning.

Skill	When learners are ...
Independent enquirers	planning and carrying out research into the different types of businesses
Creative thinkers	looking at suitable accounting systems examining reasons for/solutions to business change adapting their skills as circumstances change
Reflective learners	setting goals, with success criteria, for researching business finances and frameworks inviting feedback on their own work and dealing positively with praise, setbacks and criticism evaluating their experiences and learning to inform future progress
Team workers	working in a group to discuss ideas and research taking responsibility for their own role managing activities to reach agreements and achieve results
Self-managers	seeking out challenges or new responsibilities and showing flexibility when priorities change dealing with competing pressures, including personal and work-related demands responding positively to change, seeking advice and support when needed.
Effective participators	planning and carrying out research into budgets and monitoring

● Functional Skills – Level 2

Skill	When learners are ...
ICT – Use ICT systems	
Select, interact with and use ICT systems independently for a complex task to meet a variety of needs	researching business organisations, finances and systems preparing/adjusting accounts
Use ICT to effectively plan work and evaluate the effectiveness of the ICT system they have used	tabulating information
ICT – Find and select information	
Select and use a variety of sources of information independently for a complex task	finding illustrative materials for presentations and tabulations about business creating diagrams, presentations and tabulations
Access, search for, select and use ICT-based information and evaluate its fitness for purpose	exploring, extracting and assessing the relevance of information from websites about business looking for financial documents on the internet
ICT – Develop, present and communicate information	
Enter, develop and format information independently to suit its meaning and purpose including: <ul style="list-style-type: none"> • text and tables • images • numbers • records 	bringing together a variety of materials gathered through research preparing information to present to others
Bring together information to suit content and purpose	
Present information in ways that are fit for purpose and audience	
Evaluate the selection and use of ICT tools and facilities used to present information	
Select and use ICT to communicate and exchange information safely, responsibly and effectively including storage of messages and contact lists	communicating with other members of a group

Skill	When learners are ...
Mathematics	
Understand routine and non-routine problems in a wide range of familiar and unfamiliar contexts and situations	using numerical data in relation to business finances
Identify the situation or problem and the mathematical methods needed to tackle it	
Select and apply a range of skills to find solutions	
Use appropriate checking procedures and evaluate their effectiveness at each stage	
Interpret and communicate solutions to practical problems in familiar and unfamiliar routine contexts and situations	
Draw conclusions and provide mathematical justifications	
English	
Speaking and listening – make a range of contributions to discussions and make effective presentations in a wide range of contexts	<p>carrying out group work investigating business</p> <p>attending team meetings</p> <p>making presentations about business</p>
Reading – compare, select, read and understand texts and use them to gather information, ideas, arguments and opinions	reading financial information to obtain data to compare between and examine business trends
Writing – write documents, including extended writing pieces, communicating information, ideas and opinions, effectively and persuasively.	<p>writing materials to provide information about business change</p> <p>producing accounts, graphs and tables, together with reports.</p>