

STUDY GUIDE - UPTO NOVEMBER 2011
CERTIFIED ACCOUNTING TECHNICIAN EXAMINATION

Paper 1 (INT)
Recording Financial Transactions

Introduction

This booklet contains the Study Guide for ACCA's Certified Accounting Technician Paper 1 (INT): Recording Financial Transactions.

The Study Guide is designed to help you plan your studies and to provide more detailed interpretation of the syllabus for ACCA's Certified Accounting Technician examinations. It contains both the Syllabus and the Study Sessions for the paper, which you can follow when preparing for the examination.

The Syllabus outlines the content of the paper and how that content is examined. The Study Sessions take the syllabus and expand it into teaching or study sessions of similar length. These sessions indicate what the examiner expects of candidates for each part of the syllabus, and therefore gives you guidance in the skills you are expected to demonstrate in the examinations. The time to complete each session will vary according to your individual capabilities and the time you have available to study. Tuition providers offering face-to-face tuition are recommended to design courses with a minimum of two hours tuition per study session. However, repeated coverage of the material is vital to ensure your understanding and recall of the subject. Be sure to practice past examination questions to consolidate your knowledge and read your *student accountant* magazine regularly.

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January 2011

ABOUT ACCA

ACCA is the largest and fastest-growing international accountancy body with 362,000 students and 131,500 members in 170 countries. We aim to offer first choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. ACCA works to achieve and promote the highest professional, ethical and governance standards and advance the public interest.

AIMS

To develop knowledge and understanding of the operational aspects of maintaining accounting records and procedures relating to invoicing, receipts and payments, recording income and expenditure, the preparation of ledger accounts, and the preparation of an initial trial balance.

OBJECTIVES

On completion of this paper, candidates should be able to:

- distinguish between types of business transactions and documentation, recognising basic principles of business law and data protection
- prepare basic ledger accounts under the double entry system
- record income and receipts from credit customers
- explain and account for irrecoverable debts
- record purchases, expenditure, and payments to suppliers
- account for banking transactions
- maintain general cash and petty cash records
- produce bank reconciliation statements
- record payroll transactions
- prepare and reconcile control accounts
- prepare an initial trial balance identifying and correcting errors using journal entries.

POSITION OF THE PAPER IN THE OVERALL SYLLABUS

No prior knowledge is required before commencing study for Paper 1. This paper provides the basic techniques required to enable candidates to prepare financial statements for various enterprises at a later stage. Candidates will, therefore, need a sound knowledge of the methods and techniques introduced in this paper to ensure they can employ them in later papers. The methods used in this paper are extended in Paper 3, *Maintaining Financial Records* and further developed in Paper 6, *Drafting Financial Statements*.

SYLLABUS CONTENT

1 Business transactions and documentation

(a) Types of business transactions
- (i) sales
- (ii) purchases
- (iii) receipts
- (iv) payments
- (v) petty cash
- (vi) payroll

(b) Types of business documentation
- (i) quotation
- (ii) sales and purchase orders
- (iii) delivery note
- (iv) invoice
- (v) credit note
- (vi) debit note
- (vii) statement
- (viii) remittance advice
- (ix) receipt
- (x) internal cheque requisition
- (xi) petty cash claim
- (xii) payslip

(c) Basic principles of regulation and business policies
- (i) contract law
- (ii) regulation of sale of goods
- (iii) document retention policies
- (iv) data protection

2 Double entry bookkeeping

(a) Double entry transactions
- (i) nature and function of primary records
- (ii) types of ledger accounts
- (iii) posting by means of double entry
- (iv) balancing-off ledger accounts

(b) Classification of expenditure
- (i) capital
- (ii) revenue

(c) The accounting equation

3 Banking and petty cash

(a) Sources of funds and documentation
- (i) types of receipts / payments: e.g. cash, cheque, standing orders, direct debits, credit card, debit card and BACs
- (ii) supporting information: e.g. invoice, credit note, remittance advice and statement

(iii) unusual features: e.g. wrongly completed cheques, credit and debit card limits exceeded, disagreement with / insufficient supporting documentation

(b) Banking monies received

(i) banking documentation: e.g. paying-in slips, credit and debit card documentation

(ii) methods of handling and storing money, including security aspects

(c) Recording payments and monies received

(i) manual cash book

(ii) manual general ledger and receivables ledger

(iii) computerised records

(d) Authorising and making payments

(i) documentation

(ii) authorisation

(e) Maintaining petty cash records

(i) documentation

(ii) authorisation

(iii) security of cash

(iv) queries: e.g. unauthorised claims for payment, insufficient supporting evidence, claims exceeding authorised limit

(v) manual petty cash book

(vi) imprest and non-imprest methods

(vii) reconciliation of petty cash book to cash in hand

4 Sales and sales records

(a) Sales and sales returns

(i) source documents

(ii) invoices and credit notes

(iii) general principles of a sales tax

(iv) types of discount

(v) methods of coding data

(vi) sales day book

(vii) sales returns day book

(viii) authorisation

(b) Recording sales

(i) manual general ledger

(ii) manual receivables ledger

(iii) computerised ledgers

(iv) statements

(v) aged receivables analysis

(vi) communication with customers (orally and in writing)

(vii) credit limits

(viii) irrecoverable debts

5 Purchases and purchase records

(a) Purchases and purchase returns

(i) ordering systems: Internet, verbal, written

(ii) source documents

(iii) suppliers' invoices and credit notes

(iv) types of discount

(v) methods of coding data

(vi) purchase day book

(vii) purchase returns day book

(b) Recording purchases

(i) manual general ledger

(ii) manual payables ledger

(iii) computerised ledgers

(iv) statements

(v) aged payables analysis

(vi) communication with suppliers: (orally and in writing), incorrect calculations, non-delivery of goods charged, duplication of invoices, incorrect discounts

6 Payroll

(a) Recording payroll transactions

(i) documentation

(ii) authorisation

(iii) payment methods: e.g. cash, cheques, automated payment

(iv) queries

(v) security and control

(vi) cash book

(vii) general ledger

7 Control accounts and the initial trial balance

(a) Bank reconciliations

(i) general bank services and operation of bank clearing system

(ii) function and form of banking documentation

(iii) bank reconciliation statement

(b) Control accounts

(i) different types of errors

(ii) correction of errors (including journals)

(iii) reconciliation of control account with ledger: receivables ledger, payables ledger

(c) The trial balance

(i) initial trial balance

(ii) identification of errors

(iii) suspense accounts

EXCLUDED TOPICS

The following topics are specifically excluded from Paper 1:

- detailed knowledge of sales tax
- allowances for receivables
- foreign currency transactions
- preparation of financial statements

KEY AREAS OF THE SYLLABUS

The key topic areas are as follows:

- sales
- purchases
- receipts
- payments
- petty cash
- bank reconciliations
- control accounts
- the trial balance.

APPROACH TO EXAMINING THE SYLLABUS

The examination is a two-hour paper. It can be taken as a written paper or as a computer based exam. Assessment will be based on multiple choice questions covering the breadth of the syllabus, testing that candidates have acquired the necessary knowledge of the areas identified above.

	No. of marks
50 multiple choice questions:	100

LEARNING MATERIALS

ACCA's Approved Learning Partner - content (ALP-c) is the programme through which ACCA approves learning materials from high quality content providers designed to support study towards ACCA's qualifications.

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ACCA's Content Provider Directory can be found here –http://www.accaglobal.com/learningproviders/alpc/content_provider_directory/search/.

Relevant articles will also be published in Student Accountant.

STUDY SESSIONS

1 **Types of business transactions and types of business documentation**

(a) Identify the main types of business transactions e.g. sales, purchases, payments, receipts, cash and bank, and payroll

(b) Define a simple contract

(c) Identify the main provisions of a sale of goods act or equivalent (fitness for purpose, merchantable quality, description)

(d) Understand the importance of coding transactions correctly

(e) Distinguish between cash and credit transactions

(f) Identify the key personnel involved in initiating, processing and completing transactions

(g) Understand the need for effective control over transactions

(h) Identify the timing of various transactions e.g. daily, monthly, annually

(i) Understand the need to document business transactions

(j) Explain the purpose and scope of data protection, storage and archiving policies

(k) Distinguish between different types of business documentation e.g. quotation, sales and purchase order, delivery note, invoice, statement, credit note, debit note, remittance advice, receipt, internal payment, petty cash claim and payslip

(l) Outline the contents and purpose of each piece of documentation

(m) Describe the documentation and the flow of documentation for different transactions including Internet transactions

(n) Identify the personnel involved in preparing and authorising documents

(o) Outline the main features of systematic recording and filing of documents and data in manual and computerised systems

2 **The duality of transactions and the double entry system**

(a) Understand the nature and function of books of prime entry

(b) Recognise the duality of transactions and understand and apply the accounting equation

(c) Explain the fundamental rules of double entry accounting and debits and credits

(d) Identify the main types of ledger account

(e) Identify and classify assets, liabilities, income and expenditure

(f) Distinguish between capital and revenue expenditure and identify examples of each

3 **Recording business transactions in the double entry bookkeeping system**

(a) Record a complete series of basic transactions within a double entry system

(b) Prepare journal entries and identify the uses of the journal

(c) Balance off ledger accounts, recording closing balances

(d) Understand the basic functions of a computerised accounting system

4 **Banking systems and transactions**

N.B for the purpose of answering questions, please note that a detailed understanding of banking legislation will not be required

(a) Describe the relationship between a bank and its customer

(b) Outline the working of a central bank clearing system

(c) Recognise the obligation owed by a bank to its clients

(d) Understand the content and format of a cheque

(e) Prepare a cheque prior to despatch

(f) Outline the purpose and format of paying-in documents

(g) Describe the procedures and documentation relating to the use of cash, cheques and credit and debit cards, receipts and payments

(h) Describe other services offered by banks e.g. inter-bank transfers, payable orders, automated credit systems, standing orders, direct debits, credit transfers

N.B foreign currency transactions are not examinable

5 **Cash handling, petty cash operations and cash security**

(a) Identify the documentation accompanying payments and receipts

(b) Recognise the importance of accurately recording all payments and receipts

(c) Identify the main ways to ensure that only authorised payments are made

(d) Record payments and receipts in the cash book, general ledger, payables and receivables ledger (manual or computerised)

(e) Understand procedures for banking cash receipts

(f) Recognise the types of transaction likely to be paid out of petty cash

(g) Account for petty cash using imprest and non-imprest methods

(h) Exercise control over petty cash and recognise how control can be maintained – e.g. security of cash, authorised personnel and reconciliations

(i) Record petty cash claims

(j) Describe the key procedures for ensuring safety, security and, where appropriate, confidentiality over the handling of cash and cheques

(k) Explain the correct procedure to cope with unusual situations: e.g. wrongly completed cheques, exceeded credit limits on debit or credit cards, or discrepancies between receipts and supporting documents, unauthorised claims for payment, insufficient supporting evidence, or claims exceeding authorised limits

6 **Sales and sales records**

(a) Identify and recognise source sales documents

(b) Complete sales invoices and process credit notes / debit notes

(c) Understand the general principles of a sales tax

(d) Calculate sales tax on transactions

(e) Calculate and record trade and settlement discounts

(f) Record transactions in a sales day book and a sales returns day book

(g) Code sales and customer records and data

(h) Recognise and describe authorisation procedures

(i) Record sales

(i) maintain a manual general and receivables ledger

(ii) describe a computerised receivables ledger

(iii) prepare, reconcile and understand the purpose of customer statements

(j) Communicate efficiently and effectively with customers

7 **Credit control and bad debts**

(a) Explain the benefits and costs of offering credit facilities to customers

(b) Understand the purpose of and prepare an aged receivables analysis

(c) Understand the purpose of credit limits

(d) Recognise the existence and impact of irrecoverable debts

(e) Record the accounting treatment of irrecoverable debts

8 **Purchases and purchase records**

(a) Identify and recognise source purchase and expenditure documents

(b) Complete purchase invoices and process credit notes

(c) Calculate and record trade and settlement discounts

(d) Record transactions in a purchase day book and a purchase returns day book

(e) Code purchases and supplier records and data

(f) Record purchases

(i) maintain a manual general and payables ledger

(ii) describe a computerised payables ledger

(iii) understand the purpose of and prepare an aged payables analysis

(iv) prepare, reconcile and understand the purpose of supplier statements

(g) Communicate efficiently and effectively with suppliers

9 **Bank reconciliation statements**

(a) Recognise the need to reconcile the cash book with the bank statement periodically

(b) Identify the main reasons for any discrepancies between the cash book and the bank statement, such as errors, unanticipated receipts and payments and timing differences
(c) Correct cash book errors and/or omissions
(d) Perform reconciliations between the cash book and the bank statement

10 **Payroll**
(a) Understand payroll systems
(b) Understand the duties of employers in relation to taxes, state benefit contributions and other deductions
(c) Record hours worked; e.g. time sheets, clock cards
(d) Calculate gross wages for employees paid by hour, by output (piecework) and salaried workers
(e) Define and calculate bonuses, overtime, and commission given the details of each scheme
(f) Describe the documentation required for recording various elements of wages and salaries
(g) Recognise the need for payroll to be authorised and identify appropriate authorisation, security and control procedures
(h) Make other deductions from wages - e.g. trade union subscriptions, payroll saving, pension contributions and payroll giving
(i) Identify various methods for making payments to employees
(j) Account for payroll costs and payroll deductions

11 **Principles of internal checks and control accounts**
(a) Understand the need for internal checks
(b) Complete postings to control accounts and understand the link to books of prime entry
(c) Understand the need for individual receivables and payables accounts and understand the link to books of prime entry
(d) Explain the purpose of control accounts
  (i) as a check on the accuracy of entries in the individual accounts
  (ii) to establish a total of receivables and payables at any time
  (iii) to identify errors in the completion of the day book and in posting the totals from books of prime entry
  (iv) as an internal check; the control account should be administered by someone other than the person who completes the day books
(e) Perform a basic control account reconciliation
(f) Identify errors which would be highlighted by performing a control account reconciliation

12 **Preparing an initial trial balance and recognising and correcting errors**
(a) Compile an initial trial balance
(b) Identify errors which would be highlighted by the extraction of a trial balance
(c) Identify and explain different types of errors:
  (i) errors of commission
  (ii) errors of principle
  (iii) errors of omission
  (iv) single entry
  (v) transposition errors
  (vi) casting errors
(d) Distinguish between compensating and non-compensating errors
(e) Prepare and explain the function of a suspense account
(f) Correct errors using journal entries