Recording Financial Transactions (FA1) December 2011

This syllabus and study guide is designed to help with teaching and learning and is intended to provide detailed information on what could be assessed in any examination session.

THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram with other papers

This diagram shows direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers. These links are shown as solid line arrows. The links between papers where there is only an indirect link and no required underpinning are shown as dotted line arrows. The relational diagram therefore indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall aim of the syllabus

This explains briefly the overall objective of the paper and indicates in the broadest sense the capabilities to be developed within the paper.

Main capabilities

This paper's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Relational diagram of main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

Syllabus rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

Study Guide

This is the main document that students and learning and content providers should use as the basis of their studies, instruction and materials respectively.
Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session.
The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations. These outcomes are described using verbs indicating what exams may require students to demonstrate, and the broad intellectual level at which these may need to be demonstrated (*see intellectual levels below).

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.

ACCA has one Platinum Approved Learning Partner content which is BPP Learning Media. In addition, there are a number of Gold Approved Learning Partners - content.

For information about ACCA's
Approved Learning Partners - content, please go ACCA's Content Provider Directory.

The Directory also lists materials by Subscribers, these materials have not been quality assured by ACCA but they may be useful reading. You will also find details here of Additional Reading which the Examiner has suggested may be useful supplementary reading for students.

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.

LEVEL OF ASSESSMENTS – INTELLECTUAL DEMAND

ACCA qualifications are designed to progressively broaden and deepen the knowledge and skills demonstrated by the student at a range of levels on their way through each qualification. These relate to intellectual levels as designated by the UK qualifications and credit framework (QCF) and other qualifications frameworks. As a benchmark, these levels progress from GCSE equivalent at the Introductory level of the Foundations in Accountancy (FIA) programme, to A level, or its equivalent, at the Intermediate level and to first year degree level at the Advanced level. The Advanced Diploma (the Skills module plus professional Ethics Module) within the ACCA Qualification is equivalent to undergraduate degree level and the Professional level is benchmarked at Masters level.

Throughout, the study guides assess both knowledge and skills. Therefore a clear distinction is drawn, within each subject area, between assessing knowledge and skills and in assessing their application within an accounting or business context. The assessment of knowledge is denoted by a superscript^{K} and the assessment of skills is denoted by the superscript$^{S.}$

VALUE OF ASSESSMENTS – GUIDED LEARNING HOURS

For the Introductory Certificate in Financial and Management Accounting the approximate number of standard learning hours that a candidate needs to commit to each examination is based on the credit value of the Qualifications and Credit Framework (QCF) UK, units which make up the syllabus. For FA1, Recording Financial Transactions, the total learning hours or credit value of the syllabus is 16 credits or 160 hours which includes direct tuition time, self study, revision and assessment time.

For QCF registered learners in England, Wales and Northern Ireland, passing the exam related to the above syllabus gives credit for the following QCF units:

- Principles of recording and processing financial transactions
- Banking procedures
- Preparing and recording financial documentation
- Maintaining and reconciling the cash book
- Maintain petty cash records
- Processing ledger transactions and extracting a trial balance
- Maintaining the journal
- Maintaining control accounts
- Computerised accounting software

GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.
The FIA examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.
All FIA examinations are assessed by two-hour paper based and computer based examinations.
The pass mark for all FIA examination papers is 50%.

GUIDE TO EXAMINATION ASSESSMENT

ACCA reserves the right to examine anything contained within any study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the financial accounting, audit and tax papers, except where indicated otherwise, ACCA will publish *examinable documents* once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions.

Examinations regulation ***issued*** or legislation ***passed*** on or before 30th September annually, will be assessed from June 1st of the following year to May 31st of the year after. Please refer to the

examinable documents for the paper (where relevant) for further information.

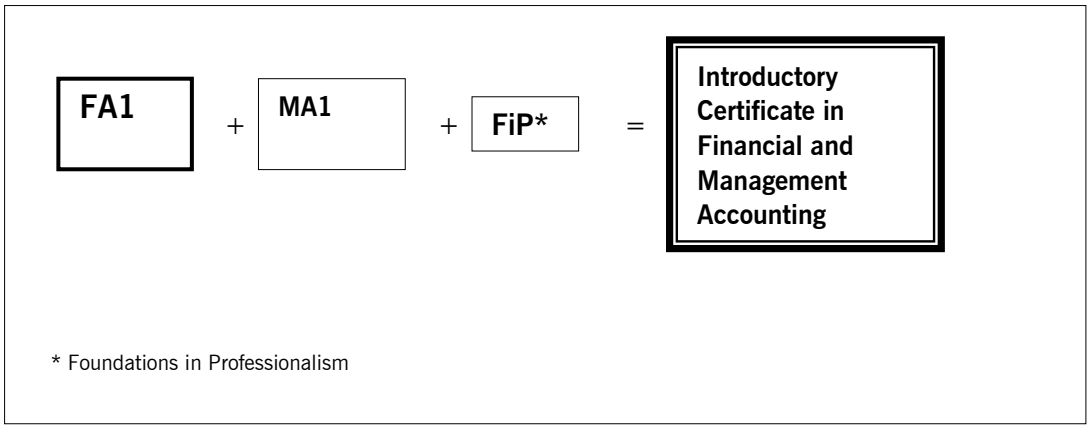
Regulation issued or legislation passed in accordance with the above dates may be examinable even if the ***effective*** date is in the future. The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to entity transactions and business practices.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

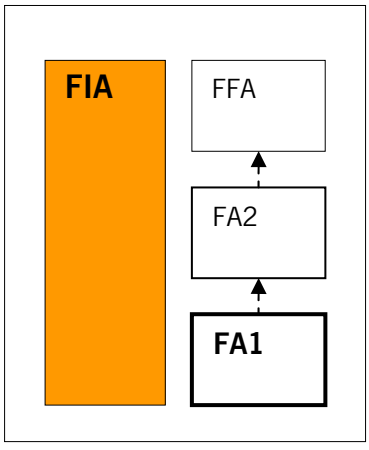
Qualification structure

The qualification structure requires candidates who wish to be awarded the Introductory Certificate in Financial and Management Accounting to pass both the FA1 and MA1 examinations and successfully complete the Foundations in Professionalism module.



Syllabus structure

The FIA suite of qualifications is designed so that a student can progress through three discrete levels; Introductory, Intermediate and Advanced, However, entry is possible at any point. Students are recommended to enter FIA at the level which is most appropriate to their needs and abilities and to take examinations in order, but this is not a requirement.



Syllabus

AIM

To introduce knowledge and understanding of the business and its environment and the influence this has on how organisations are structured and on the role of the accounting and other key business functions in contributing to the efficient, effective and ethical management and development of an organisation and its people and systems.

RATIONALE

The syllabus for Paper FA1, *Recording financial transactions*, introduces the candidate to the fundamentals of preparing and recording financial documentation from originating documents and processing ledger transactions up to the trial balance stage. It also covers relevant banking procedures associated with bookkeeping, maintaining and reconciling cash and petty cash records and preparing the journal and relevant control accounts and identifying and correcting errors.

MAIN CAPABILITIES

On successful completion of this paper, candidates should be able to explain and understand the following:

A. Types of business transactions and documentation

B. Duality of transactions and the double entry system

C. Banking system and transactions

D. Payroll

E. Ledger accounts

F. Cash and Bank

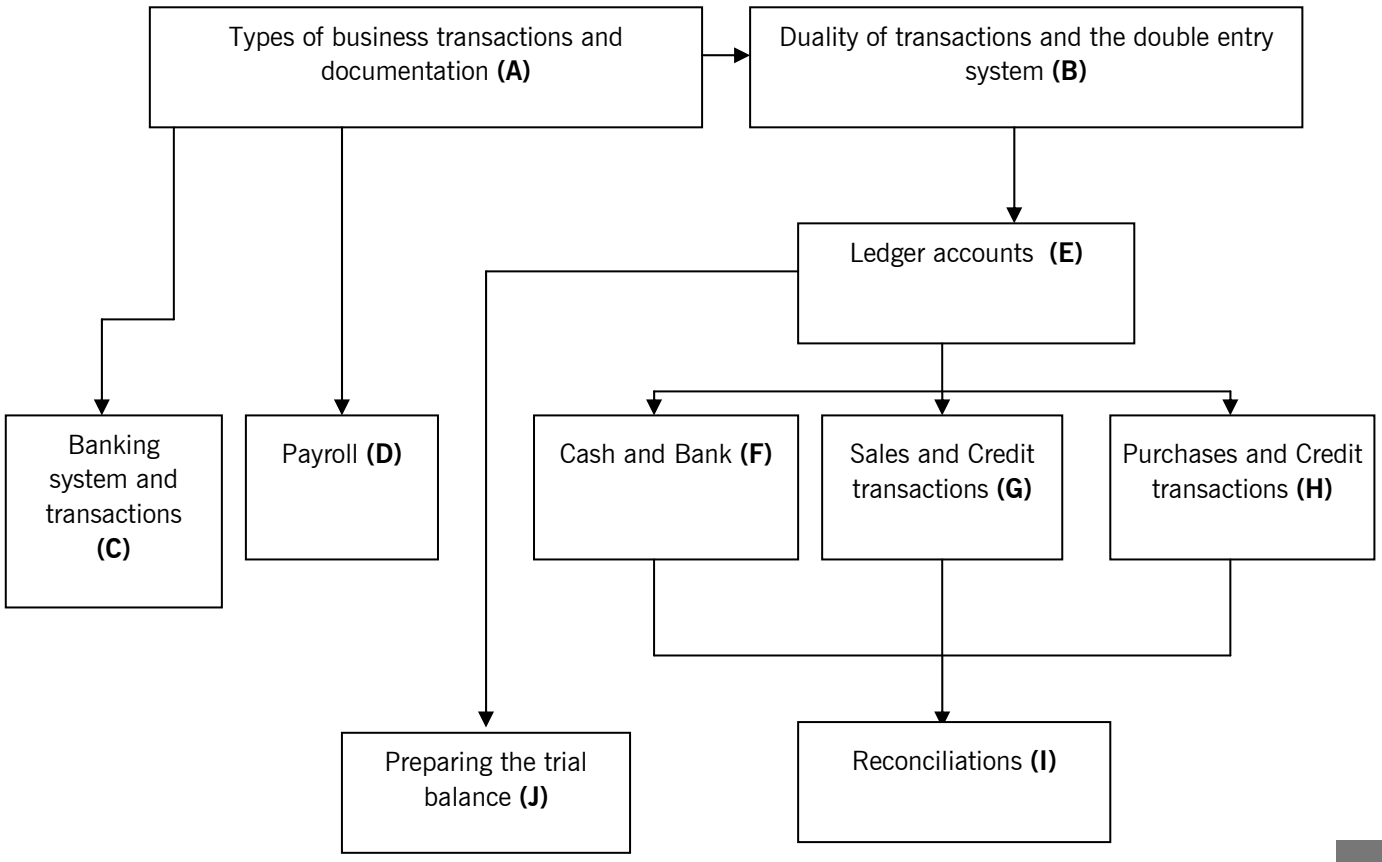
G. Sales and Credit transactions

H. Purchases and Credit transactions

I. Reconciliation

J. Preparing the trial balance

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



DETAILED SYLLABUS

A Types of business transactions and documentation

1. Types of business transaction
2. Types of business documentation
3. Process of recording business transactions within the accounting system

B Duality of transactions and the double entry system

1. Books of prime entry
2. Double entry system
3. The journal
4. Elements of financial statements

C. Banking system and transactions

1. The banking process
2. Documentation

D. Payroll

1. Processing payroll transactions into the accounting system

E. Ledger accounts

1. Prepare ledger accounts

F. Cash and Bank

1. Maintaining a cashbook
2. Maintaining petty cashbook

G. Sales and Credit transactions

1. Recording sales
2. Customer account balances and control accounts

H. Purchases and credit transactions

1. Recording purchases
2. Supplier balances and reconciliations

I. Reconciliation

1. Purpose of control accounts and reconciliation
2. Reconcile the cashbook
3. Reconcile the receivables control account
4. Reconcile the payables control account

J. Preparing the Trial Balance

1. Prepare the trial balance
2. Correcting errors

APPROACH TO EXAMINING THE SYLLABUS

The syllabus is assessed by a two hour paper-based or computer-based examination. Questions will assess all parts of the syllabus and will include both computational and non-computational elements. The examination will consist of 50 two mark questions.

Study Guide

A TYPES OF BUSINESS TRANSACTION AND DOCUMENTATION

1. Types of business transaction

a) Outline the purpose of a range of business documents to include but not limited to:[K]
   i) Invoice
   ii) Credit note
   iii) Remittance Advice

b) Understand the various types of discount including where applicable the effect that trade discounts have on sales tax.[K]

c) Identify and compare different forms of payment.[K]

d) Describe the processing and security procedures relating to the use of:[K]
   i) Cash
   ii) Cheques
   iii) Credit Cards
   iv) Debit cards for receipts and payments

2. Types of business documentation

a) Outline the content of a range of business documents to include but not limited to: [K]
   i) Invoice
   ii) Credit note
   iii) Remittance Advice

b) Prepare the financial documents to be sent to credit customers including: [S]
   i) Sales invoices
   ii) Credit notes
   iii) Statements of account

c) Prepare remittance advices to accompany payments to suppliers. [S]

d) Prepare a petty cash voucher including the sales tax element of an expense when presented with an inclusive amount. [s]

3. Process of recording business transactions within the accounting system

a) Describe the sources and characteristics of accounting data and accounting data records in meeting the business' requirements. [K]

b) Explain how users can locate, display and check accounting data records to meet user requirements and explain how to deal with data entry errors. [K]

c) Explain the tools and techniques used to process accounting transactions and period-end routines and consider how errors are identified and dealt with. [K]

d) Consider the risks to data security, data protection procedures and the storage of data.[K]

e) Understand the principles of coding in entering accounting transactions including: [K]
   i) Describing the need for a coding system for financial transactions within a double entry book-keeping system
   ii) Describe the use of a coding system within a filing system

f) Code sales invoices, supplier invoices and credit notes ready for entry into the books of prime entry.[S]

g) Describe and prepare the accounting documents and management reports produced by computerised accounting systems and the link between the accounting system and other systems in the business. [K]

B DUALITY OF TRANSACTIONS AND THE DOUBLE ENTRY SYSTEM

1. Books of prime entry

a) Outline the purpose and content of the books of prime entry including their format.[K]

b) Explain how transactions are entered in the books of prime entry.[K]

c) Outline how the books of prime entry integrate with the double entry book-keeping system [K]

d) Enter transactions including the sales tax effect where applicable into the books of prime entry.[S]

2. Double entry system

a) Define the accounting equation. [K]

b) Understand and apply the accounting equation.[K]

c) Explain how the accounting equation relates to the double entry book-keeping system.[K]

d) Process financial transactions from the books of prime entry into the double entry bookkeeping system.[S]

3. The journal

a) Understand the use of the journal including the reasons for, content and format of the journal.[K]

b) Prepare journal entities directly from transactions, books of prime entry as applicable or to correct errors.[S]

4. Elements of the financial statements

a) Define and distinguish between the elements of the financial statements.[K]

b) Identify the content of a statement of financial position and statement of comprehensive income.[K]

C BANK SYSTEM AND TRANSACTIONS

1. The banking process

a) Explain the differences between the services offered by banks and banking institutions.[K]

b) Describe how the banking clearing system works.[K]

c) Identify and compare different forms of payment.[K]

d) Describe the processing and security procedures relating to the use of cash, cheques, credit cards, debit cards for receipts and payments.[K]

2. Documentation

a) Explain why it is important for an organisation to have a formal document retention policy. [K]

b) Identify the different categories of documents that may be stored as part of a document retention policy.[K]

D PAYROLL

1. Process payroll transactions within the accounting system

a) Prepare and enter the journal entries in the general ledger to process payroll transactions.[S]

b) Identify the different payment methods in a payroll system, e.g. cash, cheques, automated payment. [K]

c) Explain why authorisation of payroll transactions and security of payroll information is important in an organisation.[K]

E LEDGER ACCOUNTS

1. Prepare ledger accounts

a) Enter transactions from the books of prime entry into the ledgers.[S]

b) Record journal entries in the ledger accounts. [S]

c) Balance and close off ledger accounts.[S]

F CASH AND BANK

1. Maintaining a cash book

a) Record applicable transactions within the cashbook, including any sales tax effect where applicable. [S]

b) Prepare the total, balance and cross cast cash book columns.[S]

c) Identify and deal with discrepancies.[S]

2. Maintaining a petty cash book

a) Enter and analyse petty cash transactions in the petty cash book including any sales tax effect where applicable.[S]

b) Balance off the petty cash book using imprest and non imprest systems. [S]

c) Reconcile the petty cash book with cash in hand.[S]

d) Prepare and account for petty cash reimbursement.[S]

G SALES AND CREDIT TRANSACTIONS

1. Recording Sales

a) Record sales transactions and account for the various types of discount including the sales tax effect where applicable.[S]

b) Prepare the financial documents to be sent to credit customers.[S]

2. Customer account balances and control accounts

a) Describe the usefulness of an aged receivable analysis. [K]

b) Produce statements of account to be sent to credit customers.[S]

c) Explain the need to deal with discrepancies quickly and professionally.[K]

d) Prepare the receivables control account or receivables ledgers by accounting for:[S]
   i) Sales
   ii) Sales returns
   iii) Payments from customers including checking the accuracy and validity of receipts against relevant supporting information
   iv) Settlement discounts
   v) Irrecoverable debt and allowances for irrecoverable debts including any effect of sales tax where applicable

H. PURCHASES AND CREDIT TRANSACTIONS

1. Recording Purchases

a) Record purchase transactions and account for the various types of discount including the sales tax effect where applicable. [S]

b) Enter supplier invoices and credit notes into the appropriate book of prime entry. [S]

2. Supplier balances and reconciliations

a) Prepare the payables control account or payables ledgers by accounting for: [S]
   i) Purchases
   ii) Purchase returns
   iii) Payments to suppliers including checking the accuracy and validity of the payment against relevant supporting information
   iv) Settlement discounts

I RECONCILIATION

1. Purpose of control accounts and reconciliation

a) Describe the purpose of control accounts as a checking devise to aid management and help identify book-keeping errors. [K]

b) Explain why it is important to reconcile control accounts regularly and deal with discrepancies quickly and professionally. [K]

2. Reconcile the cash book

a) Reconcile a bank statement with the cash book. [S]

3. Reconcile the receivables control account

a) Reconcile the balance on the receivables control account with the list of balances. [S]

4. Reconcile the payables control account

a) Reconcile the balance on the payables control account with the list of balances. [S]

J PREPARING THE TRIAL BALANCE

1. Prepare the trial balance

a) Prepare ledger balances, clearly showing the balances carried down and brought down as appropriate. [S]

b) Extract an initial trial balance. [S]

2. Correcting errors

a) Identify types of error in a book-keeping system that are disclosed by extracting a trial balance.[K]

b) Identify types of error in a book-keeping system that are not disclosed by extracting a trial balance. [K]

c) Use the journal to correct errors disclosed by the trial balance. [S]

d) use the journal to correct errors not disclosed by the trial balance. [S]

e) Identify when a suspense account is required and clear the suspense account using the journal. [S]

f) Redraft the trial balance following correction of all errors. [S]