Unit 10: Recording Financial Transactions

Unit code	**L/618/5053**
Unit level	**4**
Credit value	**15**

Introduction

Balancing the books is at the heart of all business management. Financial accountants are concerned with the recording, summarising and interpreting of financial information and accounts. They must keep accurate and up-to-date records for different types of businesses.

The overall aim of this unit is to introduce students to the essential principles of recording and organising business and financial transactions to which every organisation will need to adhere. Students will identify sources of accounting information and how it is then gathered and organised, using the dual entry bookkeeping system, in order to produce a trial balance.

On successful completion of this unit, students will be able to contribute effectively to the accounting and bookkeeping function of an organisation and understand how this is then the basis for producing financial statements. Students will be equipped with the knowledge and skills required to progress to a higher level of study.

Learning Outcomes

By the end of this unit a student will be able to:

LO1 Record business transactions using double entry bookkeeping, books of prime entry, journals and ledger accounts

LO2 Prepare a trial balance for a given organisation from data provided

LO3 Perform bank reconciliations to ensure organisation and bank records are correct

LO4 Perform control account reconciliations for accounts receivable and accounts payable.

Essential Content

LO1 Record business transactions using double entry bookkeeping, books of prime entry, journals and ledger accounts

Business transactions:

Importance of recording business transactions.

The job role and responsibilities of the bookkeeper, e.g. posting transactions and maintaining ledgers, filing source documents, bank reconciliations, preparation of trial balance.

Skills and competences, e.g. attention to detail, IT literacy, data-entry skills, accuracy, integrity.

Different types of business transactions, e.g. sales, purchases, receipts and payments.

The different types of documentation for business transactions, e.g. invoices, purchase orders, receipts, statements.

Cash vs credit transactions.

The importance of accurate and timely recording of business transactions.

Accounting systems and double entry bookkeeping:

Types of accounting system, including single entry, double entry, manual, computerised.

The need for provision of accurate accounting information across an organisation to support decision making.

Understanding and applying the accounting equation.

Applying the concept of double entry accounting and the duality concept.

Identify the division of the ledger and books of prime entry and record sales, purchase and cash transactions.

Manual vs electronic accounting and bookkeeping systems, e.g. Sage, Xero, QuickBooks, cloud based.

LO2 Prepare a trial balance for a given organisation from data provided

Trial balance:

The purpose of a trial balance.

The steps taken to prepare a trial balance.

The benefits and limitations of the trial balance.

Extracting ledger balances into a trial balance.

Recording adjustments, including inventory, accruals and prepayments.

Trial balance and highlighting accounting errors:

The different types of errors that can be highlighted through the extraction of a trial balance.

Trial balance and link to financial statements:

The link between the trial balance and construction of business final accounts.

LO3 Perform bank reconciliations to ensure organisation and bank records are correct

Bank reconciliation:

The purpose of bank reconciliations and the main reasons for differences between the cashbook and the bank statement.

The process of reconciliation:

The use of the ledger to support the preparation of the bank reconciliation statement, including ensuring that all entries relating to specified periods are correctly entered to support the preparation of financial statements.

The steps to be taken in preparing bank reconciliation statements from data and identifying the correct bank balance to be reported in the final accounts.

Identifying variances through a bank reconciliation.

LO4 Perform control account reconciliations for accounts receivable and accounts payable

Control accounts:

The purpose of control accounts for accounts receivable and accounts payable.

The link between control accounts and the double entry system.

Control account reconciliations for accounts receivable and accounts payable.

Different ways in which control accounts support effective financial management within the organisation.

Suspense accounts:

The purpose of suspense accounts and how they differ from control accounts.

Identification of errors leading to the creation of a suspense account.

Recording entries in a suspense account and making journal entries to clear a suspense account.

Learning Outcomes and Assessment Criteria

Pass	Merit	Distinction
LO1 Record business transactions using double entry bookkeeping, books of prime entry, journals and ledger accounts		
P1 Record double entry bookkeeping transactions in a timely and accurate way. **P2** Apply a range of business transactions using double entry bookkeeping, books of prime entry, journals and ledgers.	**M1** Analyse a range of business transactions using double entry, books of prime entry, journals and ledgers in order to provide accurate and timely accounting information.	**D1** Conduct systematic gathering, summarising and recording of business transactions for accurate reporting of organisational efficiency and performance.
LO2 Prepare a trial balance for an organisation from data provided		
P3 Using data provided, extract ledger balances into a trial balance for an organisation to accurately record transactions.	**M2** Interpret, identify and correct accounting errors through the production of a trial balance to ensure accurate accounting records.	**D2** Produce a trial balance that is timely, accurate and fully compliant for an organisation to meet its objectives.
LO3 Perform bank reconciliations to ensure organisation and bank records are correct		
P4 Prepare a bank reconciliation statement from given data for an organisation.	**M3** Appraise the bank reconciliation process identifying errors and omissions from a bank statement and cashbook.	**D3** Producing bank reconciliations that are timely, accurate and fully compliant for an organisation to meet its objectives.
LO4 Perform control account reconciliations for accounts receivable and accounts payable.		
P5 Explain the role and differences between control and suspense accounts. **P6** Perform control account reconciliations for accounts receivable and payable from given data.	**M4** Evaluate the different types of control accounts in the context of the double entry bookkeeping system.	**D4** Critically evaluate the role and purpose of control and suspense accounts in supporting effective financial management in the organisation.

Recommended Resources

Textbooks

ATRILL, P. and McLANEY, E. (2018) *Accounting and Finance for Non-Specialists.* 9th Ed. Harlow: Pearson.

BRYNE, A. (2016) *Practical Accounts & Bookkeeping in easy steps.* 2nd Ed. In Easy Steps.

DYSON, J. R. (2015) *Accounting for Non-Accounting Students.* 9th Ed. London: Prentice Hall.

McLANEY, E. and ATRILL, P. (2018) *Accounting: An introduction.* 9th Ed Harlow: Pearson.

Websites

www.accaglobal.com	Association of Chartered Certified Accountants
	(General reference)
www.accountingcoach.com	Accounting Coach
	Online free courses
	(General reference)
www.cimaglobal.com	Chartered Institute of Management Accountants
	Tutor Resource Hub

Links

This unit links to the following related units:

Unit 5: Accounting Principles

Unit 21: Financial Reporting

Unit 22: Management Accounting

Unit 23: Financial Management

Unit 29: Managing and Running a Small Business