



Level II Foundation Certificate in Bookkeeping

Who should choose to study this qualification?

The AAT Foundation Certificate in Bookkeeping provides an entry point for anyone wishing to start a career in accountancy or finance. It may also support career progression for those already in employment by formally recognising their skills in manual bookkeeping.

Manual bookkeeping underpins all accountancy and finance roles. Studying the AAT Foundation Certificate in Bookkeeping helps students to develop a strong foundation of bookkeeping knowledge and skills needed to work in accountancy and finance or to go on to study higher-level bookkeeping or accountancy. Students completing this qualification will be able to confidently carry out typical bookkeeping transactions and tasks.

This qualification is suitable for those already working in finance, those returning to work after a break or those wishing to change career. The qualification is open to those who are working and those who are not currently in employment. It also offers progression for students who have started studying accountancy and bookkeeping with AAT.

Prerequisites

There are no prerequisites for the AAT Foundation Certificate in Bookkeeping but we do recommend that students begin their studies with a good understanding of the English language.

Why choose this qualification?

Students who wish to build their practical skills quickly should choose the AAT Foundation Certificate in Bookkeeping. This qualification allows students to develop specialised skills or to gain recognition for the skills that they already have.

Studying this qualification will give students confidence in manual bookkeeping. This may support them in entering employment or in improving their career prospects. The qualification may help students to enter a financial administration role, help them to gain a promotion or give them the skills to support the financial processes within their own business.

This qualification would be an ideal next step for students who have already studied accountancy and bookkeeping with AAT.

What does the qualification cover?

The purpose of the AAT Foundation Certificate in Bookkeeping is to ensure that students have the solid bookkeeping skills necessary for most finance roles. Students will gain the knowledge and skills needed to carry out typical bookkeeping transactions and tasks in two mandatory units.

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

- Bookkeeping Transactions
- Bookkeeping Controls

A student completing this qualification will develop practical accountancy skills in the double-entry bookkeeping system and in using associated documents and processes. Students will be able to check transactions for accuracy, make entries in appropriate books and ledgers, and calculate sales invoices and credit notes. They will also cover more complex Foundation level bookkeeping procedures, including dealing with VAT, reconciliation and trial balances, and will develop their understanding of the relationship between the various accounting records.

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.

What could this qualification lead to?

The 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.

A student completing this qualification will develop the underpinning skills required in all accountancy and finance roles. They will use bookkeeping skills to confidently perform accounting transactions and understand how to process financial information in accordance with set procedures and schedules. The AAT Foundation

Certificate in Bookkeeping can lead to further study in bookkeeping or accountancy or to employment as:

- a clerical assistant
- a trainee bookkeeper
- an accounts clerk
- a finance assistant
- an accounts administrator

How can this qualification lead to other AAT qualifications?

At Foundation level, we offer a short qualification in using accounting software, the "*AAT Foundation Award in Accounting Software*".

Many students completing the AAT Foundation Certificate in Bookkeeping also take this certificate as this gives them a good understanding of both manual bookkeeping and computerised bookkeeping at this level. This can then lead on to the Level 3 Advanced Certificate in Bookkeeping.

Bookkeeping Transactions

Introduction

This unit introduces students to the double-entry bookkeeping system and the associated documents and processes. Students will reach the stage of extracting an initial trial balance, before any adjustments are made. This unit provides students with the skills necessary to operate a manual double-entry bookkeeping system and provides a strong foundation for progression to more advanced manual and computerised activities.

On completion of this unit, students will be able to check the accuracy of invoices, credit notes, remittance advices, statements of account and petty cash vouchers. They will know how to use these documents to make entries in sales and purchases daybooks, sales and purchases returns daybooks, and discounts allowed and received daybooks using account codes, as well as how to transfer those totals to the sales, purchases and general ledgers.

The UK government department responsible for collecting taxes (HMRC) offers more than one method of accounting treatment when prompt payment discount (PPD) is allowed and received. However, students at Foundation level are only required to use credit notes to adjust for PPD. Using this approach, credit notes are recorded in separate daybooks, a discounts allowed daybook and/or a discounts received daybook, removing the need for discount columns in the cash book. There is no requirement at this level for learners to understand how to account for PPD by any other method.

The cash book and petty cash book are also covered in this unit, including making entries into both and transferring totals to the ledgers. Students will make appropriate checks on the accuracy of supplier invoices and credit notes, reconcile supplier statements with the purchases ledger account and calculate payments due to suppliers. They will also calculate sales invoice and credit note amounts and check receipts from customers.

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.

Bookkeeping Transactions is a mandatory unit in this qualification.

Learning outcomes

1. Understand financial transactions within a bookkeeping system
2. Process customer transactions
3. Process supplier transactions
4. Process receipts and payments
5. Process transactions through the ledgers to 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.

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 financial transactions within a bookkeeping system

1.1 Indicate the purpose of business documents

Students need to know:

- the purpose of business documents: petty cash voucher, invoice, credit note (including for PPD), remittance advice, statement of account

1.2 Distinguish between prompt payment, trade and bulk discounts

Students need to know:

- the difference between discounts offered: prompt payment, trade and bulk
- how discounts are shown on invoices: prompt payment, trade and bulk
- how to use credit notes to adjust for PPD and how PPD is recorded once taken: discounts allowed or discounts received daybook, sales or purchases ledger account, general ledger discounts allowed or received account as income or expenditure, sales or purchases ledger control account, value added tax (VAT) account.

1.3 Demonstrate an understanding of a coding system

Students need to know:

- the different types of code: customer account, supplier account, product
- where to use codes: sales, sales returns and discounts allowed daybooks and purchases, purchase returns and discounts received daybooks, sales and purchases ledgers
- how to create codes: alphabetical, numerical, alphanumeric

1.4 Demonstrate an understanding of the process of recording financial transactions

Students need to know:

- the role of the books of prime entry: sales and sales returns daybooks, purchases and purchases returns daybooks, discounts allowed and discounts received daybooks
- the role of the cash book and petty cash book: as a book of prime entry only, as a book of prime entry and as part of the double-entry bookkeeping system
- the ledgers: sales, purchases and general
- the accounting equation: calculation of assets, liabilities and capital, dual effect of transactions
- the classification of items: assets and liabilities
- the classification of income and expenditure: capital income, capital expenditure, revenue income, revenue expenditure
- the purpose of the trial balance

2. Process customer transactions

2.1 Calculate invoice and credit note amounts

Students need to know:

- the documents to be used: quotations, discount policy, customer order, delivery note, price list

Students need to be able to:

- calculate invoice amounts: item price, net, VAT and total amounts, trade and bulk discounts
- calculate credit note amounts: item price, net, VAT and total amounts, trade, bulk and prompt payment discounts

2.2 Enter sales invoices and credit notes into books of prime entry

Students need to know:

- the books of prime entry: sales, sales returns and discounts allowed daybooks
- the columns within books of prime entry: customer name, customer account code, total, VAT, net, analysis (including product codes)

Students need to be able to:

- calculate VAT amounts from net and total figures
- calculate total and net amounts from the VAT figure
- make entries in books of prime entry
- total columns in books of prime entry

2.3 Check the accuracy of receipts from customers

Students need to know:

- the records and documents to use: sales ledger account, sales invoice, sales credit note, remittance advice, discount policy

Students need to be able to:

- identify discrepancies: under- or over-payment, incorrect discount taken, incorrect amounts
- calculate amounts due from customers, including PPD

3. Process supplier transactions

3.1 Check the accuracy of supplier invoices and credit notes

Students need to know:

- the documents to use: quotations including discounts, purchase orders, goods received notes, delivery notes, goods returned notes

Students need to be able to:

- identify discrepancies that may be found: non-delivery of goods, incorrect type or quantity of goods, incorrect calculations, incorrect discounts (trade, bulk and prompt payment), date and terms of payment

3.2 Enter supplier invoices and credit notes into books of prime entry

Students need to know:

- the books of prime entry: purchases, purchases returns and discounts received daybooks
- the columns within books of prime entry: supplier name, supplier account code, total, VAT, net, analysis (including product code)

Students need to be able to:

- calculate VAT amounts from net and total figures
- calculate total and net amounts from the VAT figure
- make entries in books of prime entry
- total columns in books of prime entry

3.3 Prepare payments to suppliers

Students need to know:

- the records and documents to use: purchases ledger account, invoices and credit notes (including discounts and VAT), statement of account
- the information to take into account: agreed payment terms

Students need to be able to:

- identify discrepancies between the supplier's statement of account and the purchases ledger account: timing differences, wrong amounts, missing transactions, duplicated transactions
- calculate payments due to suppliers, including PPD

4. Process receipts and payments

4.1 Enter receipts and payments into a two column analysed cash book

Students need to know:

- the format of the cash book: date, details, cash, bank, analysis columns (including VAT)
- the documents to use: direct debit/standing order schedule, remittance advice (including BACS), paying in slip, cheque stub, cash receipt, receipts and payments listing

Students need to be able to:

- calculate VAT amounts from net and total figures
- make entries in the cash book

4.2 Enter receipts and payments into an analysed petty cash book

Students need to know:

- the format of the petty cash book: date, details, amount, analysis columns (including VAT)
- the documents to use: cash receipt, petty cash voucher

Students need to be able to:

- calculate VAT amounts from net and total figures
- make entries in the petty cash book, including reimbursement, using the imprest and non-imprest systems

4.3 Total and balance the cash book and petty cash book

Students need to be able to:

- present totals and balances: column totals, balance carried down, balance brought down, debit balance, credit balance, date and details

5. Process transactions through the ledgers to the trial balance

5.1 Transfer data from the books of prime entry to the ledgers

Students need to know:

- the books of prime entry: sales and sales returns daybooks, purchases and purchases returns daybooks, discounts allowed and discounts received daybooks, cash book, petty cash book
- the ledgers: sales, purchases, general
- that the sales and purchases ledger control accounts are part of the double-entry system

Students need to be able to:

- transfer data from books of prime entry to the relevant accounts in the ledgers

5.2 Total and balance ledger accounts

Students need to be able to:

- total and balance ledger accounts: balance carried down, balance brought down, debit balance, credit balance

5.3 Extract an initial trial balance

Students need to know:

- to use the general ledger to extract balances
- the column to use in the trial balance: debit, credit

Students need to be able to:

- transfer balances to the initial trial balance
- total and balance the initial trial balance

Bookkeeping Controls

Introduction

This unit is about control accounts, journals and methods of payment. It takes students through reconciliation processes and the use of the journal to the stage of redrafting the trial balance, following initial adjustments.

This unit covers more complex Foundation level bookkeeping procedures, which will enable students to develop their understanding of the relationship between the various accounting records and consolidate their knowledge of double-entry bookkeeping. Students will gain the confidence they need to perform well in the workplace and the unit will prepare them for greater responsibility.

Students will develop the ability to prepare the value added tax (VAT) control account as well as the sales and purchases ledger control accounts, including reconciliation with the sales and purchases ledgers. They will use the journal to record a variety of transactions, including the correction of errors. Students will be able to redraft the initial trial balance, following adjustments, and be able to identify different methods of payment and their use. They will learn to update the cash book following receipt of a bank statement, and also how to prepare a bank reconciliation statement.

This unit builds on the knowledge and skills acquired from studying Bookkeeping Transactions. Studying Bookkeeping Controls and consolidating the double-entry bookkeeping skills gained in Bookkeeping Transactions will also provide an important foundation for the financial accounting units at Advanced level: Advanced Bookkeeping and Final Accounts Preparation.

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.

Bookkeeping Controls is a mandatory unit in this qualification.

Learning outcomes

- 1. Understand payment methods**
- 2. Understand controls in a bookkeeping system**
- 3. Use control accounts**
- 4. Use the journal**
- 5. Reconcile a bank statement with the cash book**

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 payment methods

1.1 Identify the appropriate use of different payment methods

Students need to know:

- different payment methods: cash, cheque, debit card, credit card, bank draft, standing order, direct debit, BACS (Bankers' Automated Clearing Services), direct credit, CHAPS (Clearing House Automated Payment System), Faster Payments.

1.2 Identify the effect of different payment methods on the bank balance

Students need to know:

- that different payment methods affect the bank balance in different ways: reduce funds on the date of payment, reduce funds at a later date, no effect

2. Understand controls in a bookkeeping system

2.1 Identify the purpose of control accounts

Students need to know:

- the purpose of the sales and purchases ledger control accounts (part of the double-entry bookkeeping system)
- the purpose of the VAT control account

2.2 Identify the purpose of reconciliation

Students need to know:

- reasons for reconciling the sales and purchases ledger control accounts with the sales and purchases ledgers
- reasons for reconciling the bank statement with the cash book

2.3 Identify the purpose of the journal

Students need to know:

- the purpose of the journal as a book of prime entry
- transactions that are recorded in the journal: opening entries for a new business, irrecoverable debts written off, payroll transactions
- errors that are corrected through the journal and the effect on the trial balance: disclosed and not disclosed
- names of errors not disclosed by trial balance: error of commission, error of omission, error of original entry, error of principle, reversal of entries, compensating errors

3. Use control accounts

3.1 Produce control accounts

Students need to be able to:

- prepare control accounts: sales ledger, purchases ledger, VAT
- total and balance control accounts: balance carried down, balance brought down

3.2 Reconcile control accounts

Students need to be able to:

- total the balances of the individual sales and purchases ledger accounts: sales ledger debit/credit balances, purchases ledger debit/credit balances
- identify discrepancies between the sales and purchases ledger control accounts and the individual ledgers
- identify reasons for discrepancies between the sales and purchases ledger control accounts and the individual ledgers

4. Use the journal

4.1 Produce journal entries to record accounting transactions

Students need to be able to:

- record opening entries for a new business
- identify and record entries to write off irrecoverable debts: record VAT where appropriate, calculate VAT from gross and net amounts
- identify and record entries for payroll transactions: wages control account, gross pay, income tax, employer's and employees' National Insurance contributions (NIC), employer's and employees' pension and voluntary deductions

4.2 Produce journal entries to correct errors not disclosed by the trial balance

Students need to be able to:

- correct errors using the journal: errors of commission, errors of omission, errors of original entry, errors of principle, reversal of entries, compensating errors

4.3 Produce journal entries to correct errors disclosed by the trial balance

Students need to be able to:

- open a suspense account
- correct errors and clear the suspense account using the journal

4.4 Use journal entries to make adjustments in the ledger accounts

Students need to be able to:

- post journal entries to the general ledger accounts
- total and balance the general ledger accounts: balance carried down, balance brought down

4.5 Redraft the trial balance following adjustments

Students need to be able to:

- recalculate the balance of a general ledger account following journal entries
- complete a trial balance from adjusted and unadjusted balances
- balance the adjusted trial balance: total debit and credit columns

5. Reconcile a bank statement with the cash book

5.1 Locate differences between items on the bank statement and entries in the cash book

Students need to be able to:

- recognise items on the bank statement but not in the cash book and recognise items in the cash book but not on the bank statement: opening balance differences, bank interest paid/received, bank charges, automated payments/receipts, unpresented cheques and outstanding lodgements

5.2 Use the bank statement to update the cash book

Students need to be able to:

- make appropriate entries from the bank statement into the cash book: bank interest paid/received, bank charges and automated payments/receipts
- total and balance the cash book: credit/debit balance carried down, credit/debit balance brought down

5.3 Produce a bank reconciliation statement

Students need to be able to:

- use appropriate items to complete a bank reconciliation statement: closing bank statement credit balance, unpresented cheques, outstanding lodgements
- check a bank statement has been correctly reconciled with a (debit) closing cash book balance

This information has been sourced and adapted from: <https://www.aat.org.uk/find-a-course/aat-bookkeeping-and-computerised-accounting-courses/foundation-certificate-in-bookkeeping>