

aat

Diploma in
ACCOUNTING

AT SCQF LEVEL 7

Updates to this specification

Since first publication of the Level 7 Diploma in Accounting, the following areas of the qualification specification have been updated.

Version	Date first published	What has been updated
Version 4.4	17 February 2025	Section 11: Units (changes to Botswana Tax Processes for Businesses for 2024 for assessments from 12 May 2025)
Version 4.3	27 January 2025	Section 11: Units (finalised Tax Processes for Businesses for FA24, removed Tax Processes for Businesses for FA23) Section 5: RPL statement updated
Version 4.2	28 October 2024	Section 11: Units (changes to Tax Processes for Businesses for FA24 – 1.1.4 and 1.1.5 correct order)
Version 4.1	16 September 2024	Section 11: Units (changes to Tax Processes for Businesses for FA24 for assessments from 27 January 2025)
Version 4.0	8 March 2024	Section 5: (RPL statement updated) Section 11: Units (FAPS 3.3.8, MATS 5.3.1)
Version 3.5	29 January 2024	Section 11: Units (Removal of FA21 content)
Version 3.4	02 November 2023	Section 11: Units (Tax Processes for Businesses for FA23 – removal of “sign up to MTD” in unit introduction added “gross” to taxable pay 4.1.6, 4.1.12 and 4.1.13)
Version 3.3	03 October 2023	Section 11: Units (Tax Processes for Businesses for FA23 – 1.4.1 added “operation of” and 3.1.5 and 3.1.6 removed the word “period”)
Version 3.2	15 September 2023	Section 11: Units (changes to Tax Processes for Businesses for FA23 for assessments from 29 January 2024)
Version 3.1	30 June 2023	Section 11: Units (clarification that Northern Ireland rules are not assessed in Tax Processes for Businesses)
Version 3.0	09 January 2023	Section 11: Units (clarification of skills topic area in Tax Processes for Businesses LO4.1)
Version 2.1	10 June 2022	Final version published

Version 2.0	28 January 2022	Qualification go-live date Section 5.5 / 6.1: Inclusion of dedicated webpage to the RPL and exemptions policy
Version 1.0	1 October 2021	First publication

This qualification is approved and regulated by SQA Accreditation.

This qualification applies only to students registered with AAT from **1 September 2022**.

Contents

Updates to this specification.....	2
Contents.....	4
1. About AAT.....	5
2. Ethics: we set and raise standards.....	6
3. Student registration: support every step of the way	7
4. Choosing to study the AAT Diploma In Accounting at SCQF Level 7.....	8
5. About the AAT Diploma in Accounting at SCQF.....	11
Level 7.....	11
6. Exemptions.....	14
7. Employer involvement.....	15
8. Support for this qualification.....	16
9. The assessment in detail	17
10. Grading.....	24
11. Units	29
Business Awareness.....	31
Financial Accounting: Preparing Financial Statements	46
Management Accounting Techniques	61
Tax Processes for Businesses (FA2024).....	73
Botswana Tax Processes for Businesses (2023)	84
Botswana Tax Processes for Businesses (2024)	93
12. Delivering AAT qualifications.....	104
13. Equality and diversity.....	106
14. Support for training providers.....	108

1. About AAT

AAT works across the globe with around 130,000 members in more than 90 countries. Our members are represented at every level of the finance and accounting world, including students studying for a career in finance, people already working in accountancy and self-employed business owners.

AAT members are ambitious, focused accounting professionals. Many of our members occupy senior, well-rewarded positions with thousands of employers – from blue-chip corporate giants to public sector institutions.

AAT qualifications are universally respected and internationally recognised. Organisations hire AAT qualified members for their knowledge, skills, diligence and enthusiasm because AAT represents the highest standards of professionalism.

In short, an AAT qualification is a route to some of the most in-demand skills in the world and provides our students and members with a professional status to be proud of.



[Find out more about AAT](#)

2. Ethics: we set and raise standards

AAT is about more than qualifications. AAT is well recognised and respected as a professional membership body throughout a wide range of businesses and requires its members to take a professional and ethical approach throughout their accountancy and finance careers.

It is because of our exceptionally high standards and the professionalism of our members that AAT members are so highly regarded. This is a benefit to us as a professional body and to our members.

We publish the **AAT Code of Professional Ethics**, which sets out a code of fundamental ethical principles and supporting guidance, and is based on the IFAC Code of Ethics for Professional Accountants. The decisions that an accounting technician makes in the course of their professional life can have real ethical implications, and this is where the Code can help. It:

- sets out the required standards of professional behaviour with guidance to help our members achieve them
- helps our members to protect the public interest
- helps our members to maintain AAT's good reputation and public confidence.

To reflect the realities of the workplace, we have embedded ethical dilemmas and decision making throughout the content of AAT's qualifications and assessments. This will help to set our students on the right path as they embark on careers as accountancy or finance professionals.

3. Student registration: support every step of the way

Registering with AAT is essential if students wish to study an AAT qualification. Once students have registered and purchased access to their desired qualification, they will be able to:

- sit AAT assessments
- access AAT support resources to supplement the qualification learning and aid career progression.

AAT registration is a one-off fee, giving students access to the purchased qualification for the lifespan of the qualification. Additional fees will apply for sitting AAT assessments.

We support and develop our students through more than 500 AAT Approved training providers across the world. We also have an extensive branch network where students can access support and training and meet other AAT students and professional members in their local area.

Prospective students wishing to register for the Level 7 Diploma in Accounting are able to register online at aat.org.uk/registration/register-with-aat

Students are advised to register with an AAT Approved training provider before registering with AAT. On registration, an email confirming their registration and AAT registration number will be sent.

**Find out more about the benefits of
registering with AAT**

4. Choosing to study the AAT Diploma In Accounting at SCQF Level 7

4.1 Who should choose to study this qualification?

The Level 7 Diploma in Accounting offers technical training in accounting and is ideal for anyone wishing to pursue a career in accountancy or finance.

The purpose of the Level 7 Diploma in Accounting is to provide students with the specialist knowledge and skills required to progress to employment in an accounting or finance role, or to further study in accountancy and finance.

This qualification is a progression route for students who have achieved the Level 6 Certificate in Accounting. It's also suitable for those who have already started their journey studying a related subject and are looking to develop their skills in accounting, or for those who have already started working in finance and who have a need and desire to attain formal recognition of their skills.

The Level 7 Diploma in Accounting is suitable for adult students, career changers and 16–19 year old students in full-time education seeking to develop their knowledge and skills in this occupational area.

4.2 Why choose this qualification?

The Level 7 Diploma in Accounting is a potential route into employment with a globally recognised qualification accrediting the skills and knowledge required by employers. On completion, students can successfully undertake a role in finance. It can also be a stepping-stone to further education, with students progressing onto the Level 8 Diploma in Professional Accounting. It may be suited to students studying part-time alongside employment or to those already working in finance. This qualification will also suit those looking to gain the skills required to move into a career in finance as it provides a clear pathway towards a successful career in accounting and finance.

In developing this qualification, AAT has carried out extensive consultation with and received input from a wide variety of stakeholders, including industry experts, employers and training providers. AAT qualifications benefit from being globally recognised and they are valued by leading employers, from small high street firms to large accountancy businesses. They offer students flexible study options, with over 500 AAT Approved training providers around the world.

4.3 What does the qualification cover?

The Level 7 Diploma in Accounting covers a range of essential and complex accounting tasks, including maintaining cost accounting records and the preparation of reports and returns. **Key themes** have also been introduced throughout the suite of accounting qualifications including technology, ethics, sustainability and communication.

This qualification comprises four mandatory units (400 guided learning hours in total):

- Business Awareness
- Financial Accounting: Preparing Financial Statements
- Management Accounting Techniques
- Tax Processes for Businesses.

The purpose of this qualification is to ensure that students are well prepared to progress into a career in business, finance or professional accountancy, or into further education. Students will learn and develop skills needed for financial processes, including accounting principles and concepts, advanced bookkeeping and preparing financial statements. They will also understand the business environment, technology used in finance and accounting, business issues regarding payroll and value added tax (VAT) (which may be known by another name in other countries), issues in business, management accounting techniques, ethical principles and sustainability considerations for accountants.

Students will develop an understanding of business and its structure and purpose, as well as appreciating the wider business environment. Students will develop skills supporting complex financial processes, such as final accounts, reports and returns, use of technology to provide management accounting information, and completion of VAT returns.

Students will be expected to take responsibility for initiating and completing tasks and procedures, as well as exercising autonomy and judgement within limited parameters, such as awareness of different perspectives or approaches within an area of study or work. Students will need to use a variety of data and information about a business to visualise and communicate key information needed for business decision making.

The four units are assessed individually through computer-based end-of-unit assessments.

4.4 What will this qualification lead to?

The accountancy skills developed through this qualification will enable a student to seek employment with confidence and/or to progress to the next level of learning. It will lead to a choice of great careers, as well as providing progress onto the Level 8 Diploma in Professional Accounting and a route to higher education.

This qualification is part of a suite of AAT qualifications available to students that offer both horizontal and vertical progression channels. Completion of this qualification can provide progression onto the Associate Bookkeeping membership, where students will gain professional recognition with the designatory letters AATQB. Students may also progress onto Professional level and become a full member of AAT upon achieving the associated membership criteria. The Level 7 Diploma in Accounting also provides the skills required to support the establishment and operation of a healthy business.

Skills developed through this qualification could lead to employment as:

- an Accounts Assistant
- an Accounts Payable and Expenses Supervisor
- an Assistant Accountant
- an Audit Trainee
- a Credit Controller
- a Finance Assistant
- a Finance Officer
- a Payroll Supervisor
- a Senior Bookkeeper
- a Tax Assistant.

4.5 Is this part of an apprenticeship?

The Level 7 Diploma in Accounting is fully mapped to the Modern Apprenticeship.

AAT understands that not everyone can access an apprenticeship. In these cases, there are compelling reasons to choose to take this high-quality qualification, which is valued because of its track record of delivering successful employment outcomes outside of the apprenticeship. AAT has many examples of unemployed and career-change students of all ages who have gained employment directly as a result of achieving this qualification.

5. About the AAT Diploma in Accounting at SCQF Level 7

Qualification name	AAT Level 7 Diploma in Accounting
Qualification number	R684 04
Level	7
Guided learning hours (GLH)	400
SCQF Credits	62

5.1 Guided learning hours (GLH) value

The total GLH value for the AAT Diploma In Accounting at SCQF Level 7 is 400 hours.

The GLH value for a qualification is an estimate of the amount of time a student spends learning under the supervision of a teacher or tutor. This might include lectures, tutorials or supervised study carried out either face-to-face or remotely. Time spent by tutors, teachers or external experts assessing student performance is also included. It doesn't include time that students spend on unsupervised preparation or study.

The GLH value is set and recommended as appropriate by AAT, but some students may need more or less support to achieve the qualification. The GLH value is not a compulsory measure for all students. Training providers have the flexibility to offer the qualification in the hours required by their own students, within the constraints of any funded provision requirements.

5.2 Total qualification time (TQT) value

The TQT value for the Level 7 Diploma in Accounting is 620 hours.

The TQT value is also a measure of how long it takes to complete a qualification, but it includes both GLH and unsupervised learning.

Any independent study time or any additional work by the student that is directed by, but not under the supervision of, a tutor is included in the TQT value. This might include working through e-learning at home or time spent on independent research.

5.3 Are there any entry requirements for this qualification?

AAT does not set any entry requirements for this qualification.

However, for the best chance of success, we recommend that students begin their studies with a good standard of English and maths. Accountants work at the very heart of a business and are expected to be able to communicate information clearly and appropriately to a given audience. Ideally, students should have completed the Level 6 Certificate in Accounting and/or the Level 6 Certificate in Bookkeeping. Prior attainment of other business or finance studies would also be beneficial.

AAT recommends that students use **AAT Skillcheck** to ensure that they're ready to start on a particular qualification.

5.4 Will current students be able to transfer their results onto this qualification to complete their studies?

Students who have already started an AAT qualification should try to complete their studies on their current programme where possible.

If this is not possible, transitional arrangements may be available. In some cases, students may be able to transfer results for current units to similar units in an updated qualification, although this will be strictly time-limited.

It's important to check for the latest information to see if transitional arrangements apply. More information is available in the *AQ2016 to Q2022 Transitional arrangements* (PDF) at [aat.org.uk/training/qualifications/2022/resources](https://www.aat.org.uk/training/qualifications/2022/resources)

5.5 Recognition of prior learning (RPL)

If a student can demonstrate that they already have the knowledge and skills to meet the requirements for a unit assessment, they may be eligible for RPL. This must be arranged through a registered AAT training provider and mapping of the student's skills and knowledge must be uploaded to AAT's assessment platform.

RPL is planned to be made available from mid-2025. Please refer to the RPL Policy for full details on restrictions and the process. There are restrictions on the number of units that may be claimed by RPL to ensure that at least 50% of the qualification will always be externally assessed. Where RPL is successfully claimed for a unit assessment, the student will be given a pass mark for that assessment and this mark will be used in determining the final qualification grade. In order to achieve a higher mark, the student must sit a standard assessment instead.

More details on RPL can be found in the *AQ2016 to Q2022 Transitional Arrangements* (PDF) document at aat.org.uk/training/qualifications/2022/resources and the dedicated RPL and exemptions webpage at aat.org.uk/qualifications-and-courses/exemptions-recognition-prior-learning

6. Exemptions

6.1 Exemptions from AAT assessments

Exemptions may be offered to students who can provide evidence of gaining a previous, relevant qualification. If eligible, students may be exempt from sitting some AAT assessments. This includes students who have completed a recognised accounting or finance-related degree with one of AAT's partner universities.

There are restrictions on how many exemptions are allowed within each qualification. Fees will be charged for exemptions. Exemptions will carry a maximum pass into the overall grade of the qualification.

More details on exemptions can be found in the *AQ2016 to Q2022 Transitional Arrangements* (PDF) document at [aat.org.uk/training/qualifications/2022/resources](https://www.aat.org.uk/training/qualifications/2022/resources) and the dedicated exemptions and RPL webpage at [aat.org.uk/qualifications-and-courses/exemptions-recognition-prior-learning](https://www.aat.org.uk/qualifications-and-courses/exemptions-recognition-prior-learning)

6.2 Exemptions from the first year of university

AAT qualifications are a great alternative to university, but some students may wish to go on and study for a degree.

A number of institutions, including universities, offer exemptions for AAT qualified members. Students should contact the individual institutions to confirm their exemption policies. UCAS Tariff points may be available for AAT qualifications, although UCAS points will not automatically offer entry to some HE courses. Further information on UCAS may be found on the [UCAS website](https://www.ucas.com).

6.3 Exemptions from chartered accountancy bodies

For students who wish to become chartered accountants, the study of AAT qualifications may also offer exemptions from the exams required by a range of chartered accountancy bodies. Full details on exemptions from chartered accountancy bodies can be accessed through MyAAT at [aat.org.uk/aat-qualifications-and-courses/get-chartered](https://www.aat.org.uk/aat-qualifications-and-courses/get-chartered)

7. Employer involvement

AAT qualifications are recognised and valued by employers as vocational and technical qualifications that prepare students for the world of work and for working specifically in accountancy and finance roles.

7.1 Employer involvement in development and assessment

AAT has worked closely with employers in the development of this qualification to ensure that the qualification demands the skills that an employer would expect of a student at this level.

Employers also contribute to the development of the live materials used to assess students on completion of their study. Employer involvement in assessment of this qualification includes reviewing and editing the assessments and scenarios used to ensure that they reflect realistic working practices and the wider environment.

8. Support for this qualification

8.1 AAT qualification support

Throughout the life of this qualification, AAT will make available a range of free materials and resources to support tutors and students in delivery and assessment.

Materials produced for this qualification will include:

- practice assessments for each unit
- one Sample Assessment and Mark Scheme (SMAS - Business Awareness)
- Qualification Technical Information (QTI)
- annual Chief Examiner reports.

Additional materials may also include:

- e-learning
- Green Light tests
- webinars
- tutor-to-tutor sessions at network meetings.

All AAT study support resources can be accessed via the [AAT Lifelong Learning Portal](#).

8.2 Published materials

A number of commercial publishers produce support materials for AAT qualifications. While AAT ensures that commercial publishers have the information, they need to produce materials in good time to support the qualifications, AAT does not formally endorse any specific publisher and it does not review publishers' materials for accuracy.

Tutors are reminded to always refer to the unit content within this specification for what to teach and what will be assessed and to refer to a range of support materials where possible. While published materials can offer excellent support and variety in teaching and learning, they should not be used without reference to this specification.

9. The assessment in detail

9.1 How will students be assessed?

Students must successfully achieve the four mandatory unit assessments to achieve this qualification. The proportion of this qualification assessed by externally marked assessment is 100%.

All assessments in this qualification:

- are set and marked by AAT (with the exception of RPL, which is marked by the training provider)
- are computer based
- are time-limited
- are scheduled by training providers or assessment venues
- take place at approved training providers and assessment venues under controlled conditions.

9.2 Availability of assessments

Unit assessments are available to be scheduled on demand throughout the year, except during periods set and communicated by AAT.

9.3 Controlled conditions

AAT has published detailed regulations for training providers and assessment venues regarding how to conduct computer based assessments.

Training providers and assessment venues must ensure that they comply with the minimum and supporting requirements for the hardware and software used in the delivery of AAT assessments and must ensure that all assessments are delivered securely.

Each training provider and assessment venue must have at least one computer based assessment (CBA) administrator and at least one invigilator. Training providers and assessment venues must ensure that all assessments are invigilated and conducted in accordance with AAT policies and procedures. To avoid any possible conflict of interest, the CBA administrator(s) and invigilator(s) for an assessment must not be an active AAT student or related to any student taking that assessment, and must not be or have been a tutor involved in preparing students for any of the units that are being assessed.

AAT requirements and regulations for how to conduct assessments within this qualification will be detailed in an updated version of the [**Instructions for conducting AAT computer based assessments \(CBAs\)**](#) guidance document. This will be hosted on a dedicated [**assessment support webpage for Qualifications 2022**](#).

9.4 Sitting the assessment

The assessments in this qualification are computer based, with time restrictions. Details on assessment duration for each unit has been included in Section 11: Units.

Students will be presented with a range of question types and formats in the assessment. These may include multiple-choice questions, numeric gap-fill questions, or question tools that replicate workplace activities such as completing an extended trial balance. In the Business Awareness unit, some tasks will require extended written responses. While tasks generally do not have to be completed in a specific order, students are encouraged to proceed through them in the order in which they are presented.

Students should familiarise themselves with the CBA environment, assessment platform software and some of the question styles that they might encounter in the exam by using the practice assessment materials provided by AAT. Registered students may access the [Lifelong Learning Portal](#) and practice assessment materials through [MyAAT](#).

9.5 Marking

Assessments in this qualification are marked by AAT, with the exception of RPL, and may be either:

- wholly computer marked
- partially computer marked and partially human marked.

Computer marking is completed within the assessment software in accordance with an objective marking scheme devised during assessment development. Human marking is conducted by a team of markers, with appropriate subject matter knowledge, who are appointed by AAT. Markers use mark schemes devised during assessment development.

Assessments undergo regular quality assurance, which includes:

- standardisation of markers
- sampling for marking consistency
- review of borderline scripts.

9.6 Results

Results for computer marked assessments are made available via MyAAT within 24 hours of submitting the assessment. For assessments that contain human marked tasks, results can take up to six weeks to become available via MyAAT.

Students will be advised on what percentage of the marks available they achieved in their assessments.

AAT's feedback service provides a simple summary of students' performance in each assessment. The feedback statement confirms their overall result and a breakdown of performance by task. Students will also be able to see marks available and marks achieved against each task position.

Feedback statements are automatically generated and are designed to help students identify their strengths and any topic areas requiring further study. The student is presented with a short descriptor for each task to describe their performance in that task against the topics assessed. There are four feedback descriptors. Each descriptor provides an indication of how the student has performed in that task and includes generic advice on how to proceed with their studies or continuing professional development (CPD).

9.7 Re-sits

Students should only be entered for an assessment when they are well prepared and they are expected to pass the assessment. Where a student is unsuccessful in an assessment attempt, they should discuss their results with their tutor and revise appropriately before retaking the assessment.

This qualification is not subject to re-sit restrictions.

9.8 Enquiries and appeals

If the student thinks that their assessment outcome does not reflect their performance, they can submit an enquiry. Full details of the process can be found on AAT's dedicated [enquiries and appeals webpage](#). AAT's results enquiry service includes a check of all procedures leading to the issue of the outcome, checking that all parts of the assessment were marked, that the marks were totalled correctly and that the marks were recorded correctly. Students may also request to have the original marking reviewed, to check that the agreed mark scheme was applied correctly.

The appeals process can be followed if a student is not satisfied with the outcome of their enquiry or Malpractice Review Panel (MRP) decision. The appeals process checks all aspects of the original enquiry review or MRP hearing and checks that all AAT procedures have been correctly followed.

Enquiries and appeals can be made by a student or by their training provider or employer on their behalf; enquiries and appeals for a group of students can also be made by a training provider.

There is an administrative fee for enquiries and appeals. All paid fees will be refunded if the outcome of the enquiry or appeal is in favour of the student.

10. Grading

To achieve the qualification and to be awarded a grade, a student must pass all mandatory unit assessments.

Students will be awarded a grade based on performance across the qualification. Unit assessments are not individually graded. These assessments are given a mark that is used in calculating the overall grade.

10.1 How the overall grade is determined

Students will be awarded an overall qualification grade (Distinction, Merit, and Pass).

Students who do not achieve the qualification will not receive a qualification certificate and will be shown as unclassified. This is indicated below for illustrative purposes only.

The raw marks of each assessment will be converted into a percentage mark and rounded up or down to the nearest whole number. For example, 75.5% would be rounded up to 76%, whereas 82.1% would be rounded down to 82%. This percentage mark is then weighted according to the weighting of the unit assessment within the qualification. The resulting weighted assessment percentages are combined to arrive at a percentage mark for the whole qualification.

Grade definition	Percentage threshold
Distinction	90–100%
Merit	80–89%
Pass	70–79%
Unclassified	0–69% Or failure to pass one or more assessment/s

Example of Pass

Assessment	Contribution of assessment to qualification grade	Percentage achieved	Weighted percentage contribution to grade
Business Awareness	15%	70%	10.5%
Financial Accounting: Preparing Financial Statements	40%	75%	30.0%
Management Accounting Techniques	30%	71%	21.3%
Tax Processes for Businesses	15%	78%	11.7%
Total			74%*

*has been rounded to nearest whole number

Example of Merit

Assessment	Contribution of assessment to qualification grade	Percentage achieved	Weighted percentage contribution to grade
Business Awareness	15%	90%	13.5%
Financial Accounting: Preparing Financial Statements	40%	82%	32.8%
Management Accounting Techniques	30%	78%	23.4%
Tax Processes for Businesses	15%	85%	12.8%
Total			83%*

*has been rounded to nearest whole number

Example of Distinction

Assessment	Contribution of assessment to qualification grade	Percentage achieved	Weighted percentage contribution to grade
Business Awareness	15%	95%	14.3%
Financial Accounting: Preparing Financial Statements	40%	93%	37.2%
Management Accounting Techniques	30%	87%	26.1%
Tax Processes for Businesses	15%	82%	12.3%
Total			90%*

*has been rounded to nearest whole number

10.2 Can students improve their grades?

Any student wishing to improve their grade can do so by re-sitting their assessment(s).

Only a student's highest result will count towards their grade. If a student re-sits but, in doing so, achieves an assessment result that would lower their overall grade, their previous higher result will remain valid and will be used to determine their overall grade for the qualification.

It's important to recognise that students achieving a Pass are already demonstrating a high level of competence, as AAT maintains a pass mark of 70% across all assessments.

10.3 Grading descriptors

Pass	Merit	Distinction
Demonstrates understanding of theories and concepts in accounting, including professional ethics and sustainability.	Demonstrates good understanding of a range of theories and concepts in accounting, including professional ethics and sustainability.	Demonstrates sound understanding of a wide range of theories and concepts in accounting, including professional ethics and sustainability.
Demonstrates understanding of the business environment and of internal and external business environments.	Demonstrates good understanding of the business environment and of the implications on performance and decisions of internal and external business environments.	Demonstrates sound understanding of the impact of the internal and external business environments on business operations, decisions and performance.
Demonstrates understanding of technologies and how they are used by the finance function and the need to protect data.	Demonstrates good understanding of a range of developing technologies, the impact on the role of the finance function, the associated risks and the importance of data security.	Demonstrates sound understanding of a wide range of developing technologies, the impact on the role of the finance function, the associated risks and the importance of data security.
Recognises, selects and uses management and financial accounting techniques to prepare accounts for sole traders and partnerships.	Recognises and selects a range of management and financial accounting techniques and uses these with a good level of accuracy to prepare accounts for sole traders and partnerships.	Recognises and selects a wide range of management and financial accounting techniques and uses them with a high level of accuracy to prepare accounts for sole traders and partnerships.
Performs calculations for VAT, financial and management accounting purposes and records these in accounting formats, including spreadsheets.	Performs a range of calculations for VAT, financial and management accounting purposes and records these with a good degree of accuracy in a range of accounting formats, including spreadsheets.	Performs a wide range of calculations for VAT, financial and management accounting purposes and records these with a high degree of accuracy in a range of accounting formats, including spreadsheets.

Gathers data and information to arrive at conclusions, in order to support management decision making.

Gathers and analyses data and information to arrive at conclusions, which support management decision making.

Gathers and analyses data and information to arrive at reasoned conclusions, which fully support management decision making.

Communicates information clearly in written and/or numerical form in financial and business formats.

Content is relevant, structured, uses appropriate business language and considers the needs of the audience.

Communicates information clearly in written and/or numerical form in a range of appropriate financial and business formats.

Content is relevant, logically structured, uses effective business language and meets the needs of the audience.

Communicates information clearly in written and/or numerical form in a wide range of appropriate financial and business formats.

Content is relevant, logically structured, clear and concise, uses effective business language and fully meets the needs of the audience.

11. Units

All units in this qualification comply with the requirements set out in the Conditions of Recognition published by the regulator in Scotland and follow a standard format. The unit specification gives guidance on the requirements of the unit for students, tutors, assessors and those responsible for monitoring national standards. Each unit contains a range of sections, as outlined below.

Unit title

This qualification, and its component units, is regulated. The unit title shown is the regulated title of the unit.

Unit level

All units and qualifications are assigned a level using the level descriptors that apply to regulated qualifications in Scotland. There are 12 levels of achievement, from Level 1 to Level 12. All units in this qualification are Level 7

GLH value

The GLH value is defined as all the times when a tutor, trainer or facilitator is present to give specific guidance. This definition includes lectures, tutorials and supervised study. It also includes time spent by staff assessing student achievements. It does not include time spent by staff marking assignments or homework where the student is not present.

Assessment methodology

All units will be independently assessed.

Unit reference number

This number is set by SQA, the independent qualification regulator for Scotland, and is unique to the unit.

Introduction

The unit introduction gives the reader an appreciation of the unit in the context of the vocational setting of the qualification, as well as highlighting the focus of the unit. It gives the reader a snapshot of the unit and the key knowledge, skills and understanding gained while studying the unit.

Learning outcomes

The learning outcomes of a unit set out what a student is expected to know or be able to do as a result of their learning.

Scope of content

The scope of content identifies the breadth of knowledge, skills and understanding needed to achieve each of the learning outcomes. The content provides the range of subject material for the programme of learning and specifies the skills, knowledge and understanding required for achievement of the unit.

Content structure

- Each learning outcome is stated in full.
- Topic areas specify the standard that a student is expected to meet in order to demonstrate that the learning outcome has been achieved. These may be shown as 'Learners need to understand' for an understanding topic area or 'Learners need to be able to' for a skills topic area. Some learning outcomes may include both understanding and skills elements.
- Each topic area is then expanded into key concepts related to that learning outcome.
- Each concept is then further expanded into indicative content where applicable.

Relationship between content and assessment

Students must have the opportunity to cover all the unit content. It is not a requirement of the unit specification that all the content is assessed. However, the indicative content will need to be covered in a programme of learning for students to be able to meet the standard determined in the scope of content.

Delivering this unit

This section includes guidance on how the unit content can be delivered. Tutors are encouraged to develop their own approach depending on the needs of their students, but may wish to incorporate some of the ideas included. Tutors may wish to go beyond the scope of the content in order to aid understanding and provide context, but must always ensure first that all required content is covered according to the depth and breadth indicated in the scope of content.

Test specification for unit assessment

The test specification for the unit assessment gives details about the assessment method, marking type and duration of the assessment. The contribution that each learning outcome makes to the overall mark for the unit assessment is also provided.

Business Awareness

Unit level	GLH value	Unit reference number	Assessment
7	70	UP46 04 10 SCQF Credits	Unit assessment

Introduction

This unit provides students with an understanding of the business, its environment and the influence that this has on an organisation's structure, the role of its accounting function and its performance. Students will examine the purposes and types of businesses that exist, and the rights and responsibilities of key stakeholders. Students will learn what the micro- and macro-economic environments are and the impact and influence that changes in these environments can have on performance and decisions. This will include an understanding of the basic business law relating to the preparation of financial statements for different types of entities. Students will learn about the concepts of risk, types of risk and risk management for a business.

Students will understand the importance of professional ethics and ethical management, and how the finance function interacts with other key business functions to enhance operational efficiency. Students will learn the core aspects of the ethical code for accountants and will apply these principles to analyse and judge ethical situations which could arise in the workplace. They will also understand how acting ethically stems from core personal and organisational values, as well as understanding the legal and regulatory framework for anti-money laundering.

The role of the accountant is changing. This change is particularly driven by emerging technologies, so students will learn about types of technological changes that affect the accounting profession and the impact of these on performance, data analysis and accounting processes. An important skill for accountants is being able to analyse, understand and interpret information gathered and communicated in different formats. Students will understand the use of and impact of big data, the key features of blockchain, artificial intelligence (AI) and cloud accounting. Students will gain the skills required to visualise and interpret data to support understanding and decision making for businesses.

Learning outcomes

1. Understand business types, structures and governance, and the legal framework in which they operate
 2. Understand the impact of the external and internal environment on businesses, their performance and decisions
 3. Understand how businesses and accountants comply with principles of professional ethics
 4. Understand the impact of new technologies in accounting and the risks associated with data security
 5. Communicate information to stakeholders
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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.

Learners may not be assessed on all content, or on the full depth or breadth of a piece of content. Content assessed may change over time to ensure validity of assessment.

1. Understand business types, structures and governance, and the legal framework in which they operate	
1.1	The types of businesses Learners need to understand: 1.1.1 the standard organisation types and their key characteristics: <ul style="list-style-type: none">- sole traders- partnerships (unlimited liability)- limited liability partnerships and limited partnerships- private limited companies- public limited companies- not-for-profit organisations including public sector 1.1.2 the impact of business type on the organisation's governance: <ul style="list-style-type: none">- degree of separation of ownership- control/management 1.1.3 types of funding used by businesses: <ul style="list-style-type: none">- new capital introduced- profits retained- lending- working capital 1.1.4 common features of business organisations: <ul style="list-style-type: none">- a structure determined by groups of interrelated individuals- achievement of common objectives, i.e. goal congruence- co-operative relationships- defined responsibility, authority, relationship- individuals working together as teams- division of work 1.1.5 the differences between manufacturing and service businesses: <ul style="list-style-type: none">- availability of internal information- the processes and activities- reporting requirements.
1.2	The legal framework for companies and partnerships Learners need to understand: 1.2.1 the key elements of companies legislation: <ul style="list-style-type: none">- the rights and roles of shareholders- the role and duties of directors- regulates company formation and reporting

	<p>1.2.2 the key elements of unlimited liability partnerships:</p> <ul style="list-style-type: none"> - what a partnership agreement typically contains - that formal partnership agreements may not exist for all partnerships - the definition of goodwill and its relevance to the partnership - the impact of a change in partner on the partnership.
1.3	<p>Business stakeholders' interactions and needs</p> <p>Learners need to understand:</p> <p>1.3.1 different business stakeholders:</p> <ul style="list-style-type: none"> - customers - suppliers - finance providers - owners - government - employees - regulatory/professional bodies - the general public <p>1.3.2 stakeholders' objectives and requirements from the business</p> <p>1.3.3 stakeholders' contributions to and impact on the business</p> <p>1.3.4 the relative significance of stakeholders to the business (including attitudes to risk).</p>
1.4	<p>Organisational structure and governance</p> <p>Learners need to understand:</p> <p>1.4.1 organisational structure:</p> <ul style="list-style-type: none"> - different organisational structures: functional, divisional, matrix - the impact that the span of control has on the organisation structure, i.e. tall or flat <p>1.4.2 the importance of governance in different organisation types:</p> <ul style="list-style-type: none"> - what is meant by the term 'governance' in a business context - the impact of organisational structure and size on governance - the difference between centralised and decentralised control <p>1.4.3 the role of operational, managerial and corporate/strategic levels within an organisation</p> <p>1.4.4 the role of the finance function in contributing towards the operation of the other business functions and the organisation's plans and decision making:</p> <ul style="list-style-type: none"> - operations/production - sales and marketing - human resources - information technology - distribution and logistics <p>1.4.5 the concept of risk and risk management:</p> <ul style="list-style-type: none"> - difference between risk and uncertainty - types of risk: <ul style="list-style-type: none"> ▪ business risk ▪ financial risk ▪ strategic risk

	<ul style="list-style-type: none"> ▪ operational risk (cyber risk and reputational risk) - risk management: <ul style="list-style-type: none"> ▪ transfer ▪ accept ▪ reduce ▪ avoid.
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2. Understand the impact of the external and internal environment on businesses, their performance and decisions

2.1	The use of PESTLE model for analysing the external environment	
	<p>Learners need to understand:</p> <p>2.1.1 the use of PESTLE to analyse the impact of the business’s macro environment</p> <p>2.1.2 political factors affecting a business:</p> <ul style="list-style-type: none"> - government policy - taxation - imports and exports - public spending <p>2.1.3 economic factors affecting a business:</p> <ul style="list-style-type: none"> - interest rates - exchange rates - changes in disposable income - business cycles - demand-pull and cost-push inflation <p>2.1.4 social factors affecting a business:</p> <ul style="list-style-type: none"> - demographic changes - trends - unemployment <p>2.1.5 technological factors affecting a business:</p> <ul style="list-style-type: none"> - changes in technology - impact on structure <p>2.1.6 legal factors affecting a business:</p> <ul style="list-style-type: none"> - trade regulations - changes in law and regulations <p>2.1.7 environmental factors affecting a business:</p> <ul style="list-style-type: none"> - environmental changes - sustainability. 	<p>Learners need to be able to:</p> <p>2.1.8 identify PESTLE factors affecting a business</p> <p>2.1.9 recognise the impact of PESTLE factors on the business.</p>
2.2	The micro-economic environment	
	<p>Learners need to understand:</p> <p>2.2.1 the concept of supply and demand</p>	

	<p>2.2.2 how prices are determined by the price mechanism (supply = demand, i.e. shifts along the supply/demand curves) and market forces (shifts of the supply/demand curves) and the impact of the type of goods (normal, necessity, substitute and complementary)</p> <p>2.2.3 the impact of price changes on volumes, revenues, costs and profitability</p> <p>2.2.4 how the levels of competition in the micro-economic environment are influenced:</p> <ul style="list-style-type: none"> - product features - number of sellers and buyers - barriers to entry, i.e. licences and regulatory controls, cost to set up, expertise - location - availability of information.
2.3	<p>The importance of sustainability</p> <p>Learners need to understand:</p> <p>2.3.1 the meaning of sustainability</p> <p>2.3.2 the three aspects of sustainable performance:</p> <ul style="list-style-type: none"> - social - ecological/environmental - economic/financial <p>2.3.3 the importance of:</p> <ul style="list-style-type: none"> - taking a long-term view and allowing the needs of present generations to be met without compromising the ability of future generations to meet their own needs - considering the needs of the organisation's wider stakeholders - long-term responsible management and use of resources - operating sustainably in relation to products and services, customers, employees, the workplace, the supply chain and business functions and processes - the accountant's public interest duty to protect society as a whole and the organisation's sustainability.

3. Understand how businesses and accountants comply with principles of professional ethics

3.1 The relevance of the ethical code for professional accountants

Learners need to understand:

3.1.1 the principle of integrity:

- the effect of accountants being associated with misleading information
- the key ethical values of honesty, transparency and fairness when liaising with clients, suppliers and colleagues
- how integrity is threatened by self-interest and familiarity threats

3.1.2 the principle of objectivity:

- what is meant by a conflict of interest, including self-interest threats arising from financial interests, and compensation and incentives linked to financial reporting and decision making
- the importance of appearing to be objective as well as actually being objective
- the importance of professional scepticism when exercising professional judgement in relation to financial accounting and the link between compromised objectivity and possible accusations of bribery or fraud

3.1.3 the principle of professional behaviour:

- how compliance with relevant laws and regulations in relation to financial accounting is a minimum requirement but an act that is permitted by the law or regulations is not necessarily ethical
- the link between bringing disrepute on the profession and disciplinary action brought by a professional accountancy body

3.1.4 the principle of professional competence and acting with due care:

- how professional qualifications and continuing professional

Learners need to be able to:

3.1.11 recognise threats to integrity in financial accounting: intimidation/self-interest threats to present misleading information to users of financial statements

3.1.12 recognise threats to objectivity: intimidation, self-review, advocacy, self-interest, familiarity threats resulting in bias

3.1.13 recognise professional competence and due care threats: keeping knowledge up to date, pressure in working role, self-interest, self-review, familiarity threats

3.1.14 recognise areas in which up to date technical knowledge can be critical and the consequences of not maintaining CPD

3.1.15 recognise when confidential information: can or must be disclosed, when it must not be disclosed, and when situations pose a threat to confidentiality

3.1.16 recognise situations when professional scepticism should be applied and the action to be taken

3.1.17 recognise which safeguards may be appropriate.

	<p>development (CPD) support professional competence</p> <p>3.1.5 the principle of confidentiality:</p> <ul style="list-style-type: none"> - how financial accounting information confidentiality may be affected by compliance with data protection laws <p>3.1.6 professional scepticism:</p> <ul style="list-style-type: none"> - the meaning of professional scepticism: assessing information critically, with a questioning mind, and being alert to possible misstatements due to error or fraud - the importance of professional scepticism when exercising professional judgement in relation to transactions recording and financial reporting <p>3.1.7 the difference between a principles-based approach and a rules-based approach</p> <p>3.1.8 how documented organisational policies on relevant issues can be used as safeguards to prevent threats and ethical conflict from arising</p> <p>3.1.9 the types of safeguard that may be applied</p> <p>3.1.10 what an accountant should do when a threat cannot be eliminated or reduced to an acceptable level.</p>	
3.2	<p>Ethical conflicts and reporting unethical behaviour</p> <p>Learners need to understand:</p> <p>3.2.1 how ethical conflicts arise</p> <p>3.2.2 how to determine whether behaviour is ethical or unethical</p> <p>3.2.3 key organisational values and compliance with regulations:</p> <ul style="list-style-type: none"> - being transparent with customers and suppliers - reporting financial and regulatory information clearly and on time - whether to accept and give gifts and hospitality - paying suppliers a fair price and on time - providing fair treatment, decent wages and good working conditions to employees - use of social media <p>3.2.4 the stages in the process for ethical conflict resolution when a situation presents a conflict in application of the fundamental principles</p> <p>3.2.5 what happens when a course of action is unethical:</p>	

	<ul style="list-style-type: none"> - when disciplinary action by the relevant professional accountancy body may be brought against the accountant for misconduct, and the possible penalties that can arise - when internal disciplinary procedures may be brought against the accountant by the employer for unethical or illegal behaviour <p>3.2.6 the link between lack of professional competence and due care and claims for breach of contract and professional negligence</p> <p>3.2.7 the requirement for professional indemnity insurance</p> <p>3.2.8 when and how to report unethical behaviour to responsible persons at work, including:</p> <ul style="list-style-type: none"> - when it is appropriate to report that a breach of the ethical code has taken place - report in line with formal internal whistle-blowing or 'speak-out' procedures that may be available for reporting unethical behaviour - seek advice confidentially from relevant managers or helplines as appropriate - circumstances when there may be public interest disclosure protection available under statute for blowing the whistle externally in the public interest in relation to certain illegal or unethical acts by the employer - seeking third-party advice before blowing the whistle externally.
3.3	<p>Money laundering</p> <p>Learners need to understand:</p> <p>3.3.1 money laundering law and regulations:</p> <ul style="list-style-type: none"> - the process of money laundering (layering, placement, integration) - the consequences for an accountant of failing to act appropriately in response to money laundering, including the potential for the offences of 'tipping off' and 'failure to disclose' - the consequences for any person of 'prejudicing an investigation' - the nature of the protection given to accountants by protected disclosures and authorised disclosures under money laundering law and regulations - all accountants will be regulated by their professional body or by HMRC <p>3.3.2 the importance of reporting suspected money laundering in accordance with regulations:</p> <ul style="list-style-type: none"> - select the information that should be reported by an accountant making a required disclosure in either an internal report or a suspicious activity report regarding suspicions about money laundering - timescales for disclosure of suspected money laundering.

4. Understand the impact of new technologies in accounting and the risks associated with data security

4.1 Technology

Learners need to understand:

4.1.1 the impact of emerging and developing technologies on accounting systems:

- automation of processes
- AI and machine learning
- blockchain
- electronic filing of documents
- electronic signing of documents
- data analytics

4.1.2 how technological developments have increased outsourcing and offshoring, which has impacted business development:

- cost structure
- markets
- locations

4.1.3 the effect of automation and AI in accounting systems on the role of the accountant and the finance function

4.1.4 the key features of cloud accounting:

- access to data and information from anywhere
- remote data storage so no backup by the business is required
- automation capabilities
- availability of apps/plug-ins/add-ins
- interactions with stakeholders
- real-time data

4.1.5 benefits and limitations of cloud accounting for an organisation.

4.2 Data protection, information-security and cybersecurity

Learners need to understand:

4.2.1 the principles of data protection:

- lawfulness, fairness and transparency
- purpose limitation
- data minimisation
- accuracy
- storage limitation
- integrity and confidentiality (security)
- accountability

4.2.2 the impact of data protection breaches on the individual and business

4.2.3 the importance of maintaining information security:

- accounting systems access levels
- security controls, i.e. firewalls
- integrity controls (input, processing and output controls)

4.2.4 the importance of cybersecurity to address cyber risks

4.2.5 the risks to data and operations posed by cyberattacks.

5. Communicate information to stakeholders			
5.1	Information requirements in a business organisation		
	<p>Learners need to understand:</p> <p>5.1.1 the attributes of good quality information</p> <p>5.1.2 the type, purpose and characteristics of information at operational, managerial and corporate/strategic levels within an organisation</p> <p>5.1.3 the characteristics of big data:</p> <ul style="list-style-type: none"> - value - variety - velocity - veracity - volume <p>5.1.4 the benefits and limitations of the use of big data</p> <p>5.1.5 the sources of internal and external big data</p> <p>5.1.6 the need to apply professional scepticism in relation to big data</p> <p>5.1.7 the use of data analytics from external sources.</p>		
5.2	Visualising information		
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>Learners need to understand:</p> <p>5.2.1 the importance of being able to visualise information in different formats:</p> <ul style="list-style-type: none"> - images - charts - diagrams - tables - matrices - graphs <p>5.2.2 patterns or significant anomalies within data</p> <p>5.2.3 the importance of choosing the most appropriate forms of visualised data for communication purposes</p> <p>5.2.4 that accounting software packages use dashboards to communicate to non-technical stakeholders.</p> </td> <td style="width: 50%; vertical-align: top;"> <p>Learners need to be able to:</p> <p>5.2.5 interpret visual information to indicate relationships and trends.</p> </td> </tr> </table>	<p>Learners need to understand:</p> <p>5.2.1 the importance of being able to visualise information in different formats:</p> <ul style="list-style-type: none"> - images - charts - diagrams - tables - matrices - graphs <p>5.2.2 patterns or significant anomalies within data</p> <p>5.2.3 the importance of choosing the most appropriate forms of visualised data for communication purposes</p> <p>5.2.4 that accounting software packages use dashboards to communicate to non-technical stakeholders.</p>	<p>Learners need to be able to:</p> <p>5.2.5 interpret visual information to indicate relationships and trends.</p>
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5.3	Communicating information		
	<p>Learners need to understand:</p> <p>5.3.1 the principles used to determine the appropriate method of communication to use both internally and externally by the business</p> <p>5.3.2 the characteristics of professional communication:</p> <ul style="list-style-type: none"> - meeting different stakeholder requirements 		

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| | <ul style="list-style-type: none">- use of appropriate communication medium for desired outcome- importance of communicating valid information- importance of confidentiality. |
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Delivering this unit

When delivering this unit, tutors could refer to a range of organisations of differing types and sizes. This will enhance students' understanding of how the finance function supports the other functions and inputs into the short-, medium- and long-term decision making at all levels in an organisation. The structure of the business will have an impact on how it is controlled and how the processes and reporting in a business will interact. Through use of different examples, students will gain an awareness of the differences between tall and flat organisations and the impact that this has on the span of control.

Students need to know the different business types and the differences in regulatory and legal requirements of these business types. Service industries have increased, and students should appreciate the characteristics and challenges of these business and how the processes and activities differ from manufacturing business. They should also understand the regulatory requirements for the different business types, including partnerships. Students should be able to identify who the stakeholders are and the interest they have on the business as well as what they want from the business. Through case studies, or real business examples, students can identify stakeholders, their needs and their expectations and consider their power over and influence on the business.

Throughout the delivery of topic areas associated with external and internal business environments, students could apply PESTLE analysis to known organisations, either as part of a project or as group work. Students could explore how the analysis can be used by businesses to gain an understanding of threats and opportunities that exist in the macro-economic environment, as well as understanding what political, economic, social, technological and environmental factors are and how changes may impact on performance and decisions. When learning about the micro-economic environment, students should understand the relationship between supply and demand and the effect of changes in price, including what is meant by price elasticity of demand and how the level of competition in the environment is influenced.

Ethics is fundamental to everyone working in accounting and finance, and it is key to have a thorough understanding of the principles and how to apply them to practical situations. Throughout the delivery of associated topic areas, tutors can help to prepare students by providing practical examples and opportunities to apply to ethical situations, so that students can identify the issues and the courses of action to be taken. They should appreciate the importance of personal and organisational values, culture, policies and code of ethics in acting ethically. They will need a sound understanding of the legal and regulatory frameworks that provide safeguards to the ethical principles, and when and how they should report unethical behaviours.

There have been changes in the industry as new technologies have been developed, which have changed the nature of accounting and the role of the accountant. It is therefore important for students to understand what technologies are used, the processes or activities for which they are used and the impact they have on the work undertaken by the accountant/finance function. Students should understand key features of blockchain, machine learning and AI, and the impact that these have on the processing of transactions, the available data, and the speed and complexity of reporting. Cloud accounting and electronic filing is increasing used by the industry, and students should know what these are as well as their key features, how they work in real time (such as bank feeds), the benefits they offer and the opportunities for add-ons/apps/plugin to undertake specific processes, activities or reports. As well as digitalisation, it is important to appreciate the risks posed to data, and students should have a

basic understanding of the risks of cyberattack and how data can be protected. Showing examples of these or providing the opportunity to use cloud software would aid students' understanding.

Students need to understand how to provide information in different formats and are encouraged to practise interpreting and communicating financial information by visualising data, such as by using graphs, images and diagrams. Students should be prepared to communicate information as well as understand the most appropriate method for specific audiences. Students need to know what big data is, where it can come from and the benefits that it can provide to organisations. Students should also be aware of the number of risks that are associated with big data and the need to use big data with caution in some cases.

Links with other units

This unit links with:

- Level 6 The Business Environment
- Level 7 Financial Accounting: Preparing Financial Statements
- Level 7 Management Accounting Techniques
- Level 7 Tax Processes for Businesses
- Level 8 Applied Management Accounting.

Test specification for Business Awareness unit assessment

Please refer to the latest Qualification Technical Information (QTI) for specific legislation that will apply to assessments. Details can be accessed at aat.org.uk/training/qualifications/2022/resources

Assessment method	Marking type	Duration of assessment
Computer based assessment	Partially computer/ partially human marked	2 hours 30 minutes

Learning outcomes	Weighting
1. Understand business types, structures and governance, and the legal framework in which they operate	25%
2. Understand the impact of the external and internal environment on businesses, their performance and decisions	20%
3. Understand how businesses and accountants comply with principles of professional ethics	20%
4. Understand the impact of new technologies in accounting and the risks associated with data security	15%
5. Communicate information to stakeholders	20%
Total	100%

Financial Accounting: Preparing Financial Statements

Unit level	GLH value	Unit reference number	Assessment
7	150	UP47 04 25 SCQF Credits	Unit assessment

Introduction

This unit provides students with the skills required to produce statements of profit or loss and statements of financial position for sole traders and partnerships using a trial balance. In employment, students may be required to prepare a portion of, or all, the final accounts and this unit will give them the theoretical knowledge needed to complete that task. It will also allow them to understand how final accounts have been produced, either manually or automatically through use of accounting software.

Students will gain the double-entry bookkeeping skills required to record financial transactions into an organisation's accounts using a manual bookkeeping system. They will take this forward to carry out adjustments, ensuring that the accounts conform to the accruals basis of accounting. Students will understand depreciation, where the loss of value of a non-current asset during a period is reflected in the profit figure for that period. They will also learn to account for allowances for doubtful receivables where account is taken of the likelihood that not all credit customers will pay in full. These adjustments are regularly carried out by employers to ensure accounts give a more accurate view of both the profitability and the financial stability of the organisation.

By developing an awareness of how the final accounts are used, and by whom, students will appreciate how to produce useful accounting records, sometimes from incomplete information. They will learn about the format of both the statement of profit or loss and the statement of financial position. Students will also learn how to use their double-entry bookkeeping skills to analyse and correct errors that have been made in the ledgers. Students will also be required to check the accuracy of the balances on key accounts within the accounting system by carrying out reconciliations with independent documents, such as bank statements. Accounting ratios to assess the profitability of sole traders will also be introduced, allowing students to interpret financial statements more effectively.

The application of ethical principles is threaded throughout this unit. All work must be carried out with integrity, objectivity and a high degree of professional competence.

Learning outcomes

1. Understand the accounting principles underlying final accounts preparation
 2. Understand the principles of advanced double-entry bookkeeping
 3. Implement procedures for the acquisition and disposal of non-current assets
 4. Prepare and record depreciation calculations
 5. Record period end adjustments
 6. Produce and extend the trial balance
 7. Produce financial statements for sole traders and partnerships
 8. Interpret financial statements using profitability ratios
 9. Prepare accounting records from incomplete information
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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.

Learners may not be assessed on all content, or on the full depth or breadth of a piece of content. Content assessed may change over time to ensure validity of assessment.

1. Understand the accounting principles underlying final accounts preparation	
1.1	The primary users of final accounts
	Learners need to know: 1.1.1 the primary users of final accounts: <ul style="list-style-type: none">- existing and potential investors- lenders- other creditors 1.1.2 how final accounts are used by the primary users.
1.2	The framework of accounting underlying the preparation of final accounts
	Learners need to understand: 1.2.1 the accounting principles: <ul style="list-style-type: none">- accruals- going concern- business entity- materiality- consistency- prudence- money measurement.
1.3	Qualities of useful financial information
	Learners need to know: 1.3.1 the fundamental qualitative characteristics: <ul style="list-style-type: none">- relevance representation- faithful representation 1.3.2 the enhancing qualitative characteristics: <ul style="list-style-type: none">- comparability- verifiability- timeliness- understandability 1.3.3 the importance of ensuring financial statements are free from material misstatement 1.3.4 the importance of the accountant's fundamental ethical principles and professional scepticism when preparing financial statements for users.

2. Understand the principles of advanced double-entry bookkeeping	
2.1	<p>Use of the accounting equation</p> <p>Learners need to understand:</p> <p>2.1.1 the importance of the accounting equation for keeping accounting records</p> <p>2.1.2 the effect of accounting transactions on elements of the accounting equation:</p> <ul style="list-style-type: none"> - capital - assets - liabilities.
	<p>Learners need to be able to:</p> <p>2.1.3 calculate the different elements of the accounting equation:</p> <ul style="list-style-type: none"> - capital - assets - liabilities.
2.2	<p>Classification of ledger accounts</p> <p>Learners need to know:</p> <p>2.2.1 the classification of general ledger accounts into:</p> <ul style="list-style-type: none"> - assets: non-current (tangible, intangible) and current - liabilities: non-current and current - equity (capital) - income - expenses
2.3	<p>Purpose and use of books of prime entry and ledger accounting</p> <p>Learners need to understand:</p> <p>2.3.1 the daybooks (books of prime entry): sales, sales returns, purchases, purchases returns, discounts allowed, discounts received, cash book and journal (including narratives)</p> <p>2.3.2 the information recorded in each type of daybook</p> <p>2.3.3 how daybooks are used to update ledger account records, including dealing with value added tax (VAT)</p> <p>2.3.4 the different ledgers and how they interact: the general ledger and the memorandum (subsidiary) ledgers (receivables ledger and payables ledger)</p> <p>2.3.5 control accounts:</p> <ul style="list-style-type: none"> - receivables ledger - payables ledger - wages and salaries - VAT
	<p>Learners need to be able to:</p> <p>2.3.7 prepare ledger accounts using double-entry principles.</p>

	2.3.6 that accounting software automates the transfer of data into the control accounts.	
2.4	Carry out financial period end routines	
	<p>Learners need to understand:</p> <p>2.4.1 that at the end of the period accounts are balanced off differently depending on their classification in terms of income, expense, asset, liability or capital</p> <p>2.4.2 that accounting software automates the period end routine.</p>	<p>Learners need be able to:</p> <p>2.4.3 verify general ledger balances by using relevant sources of information and performing reconciliations where appropriate: physical checks, inventory records, supplier and bank statements, receivables and payables ledgers (memorandum ledger accounts), non-current asset register</p> <p>2.4.4 transfer balances or carry down balances on ledger accounts as appropriate</p> <p>2.4.5 determine whether transactions are genuine and valid for inclusion in the organisation's records.</p>

3. Implement procedures for the acquisition and disposal of non-current assets		
3.1	Importance of prior authority for capital expenditure	
	<p>Learners need to understand:</p> <p>3.1.1 why authorisation is necessary</p> <p>3.1.2 the appropriate person in an organisation to give authority.</p>	
3.2	The importance of classifying expenditure into capital or revenue expenditure	
	<p>Learners need to understand:</p> <p>3.2.1 that International Financial Reporting Standards (IFRS) exist that are relevant to non-current assets (NCA): IAS 16</p> <p>3.2.2 the definitions of cost, useful life, residual value, depreciable amount, carrying amount</p> <p>3.2.3 which items can be included in the cost of NCA under the current IFRS (capital expenditure)</p> <p>3.2.4 that revenue expenditure should be excluded from the value of NCA</p> <p>3.2.5 the importance of only capitalising expenditure in excess of the level specified in the organisation's policy</p> <p>3.2.6 the effect of capitalisation on the statement of profit or loss</p>	<p>Learners need to be able to:</p> <p>3.2.7 categorise items into revenue and capital expenditure for the purposes of accounting for non-current assets.</p>

	(SPL) and statement of financial position (SFP).	
3.3	Record acquisitions and disposals of non-current assets	
	<p>Learners need to understand:</p> <p>3.3.1 the purpose and content of the non-current asset register, including assisting physical verification and reconciling with general ledger entries and balances</p> <p>3.3.2 the meaning of any balance on the disposals account</p> <p>3.3.3 that part-exchange is a different form of funding to cash or credit</p> <p>3.3.4 that non-current asset registers can be part of accounting software or held independently on spreadsheets</p> <p>3.3.5 how gains and losses on disposal are treated at the period end.</p>	<p>Learners need to be able to:</p> <p>3.3.6 update the non-current asset register for acquisitions and disposals</p> <p>3.3.7 record acquisitions and disposals in the general ledger (including part-exchanges)</p> <p>3.3.8 treat VAT according to the registration status of the acquiring organisation.</p> <p>Excluded: VAT treatment of part exchanges</p>

4. Prepare and record depreciation calculations		
4.1	Calculate depreciation	
	<p>Learners need to understand:</p> <p>4.1.1 that accounting for depreciation is an application of the accruals principle of accounting</p> <p>4.1.2 that the depreciable amount of the NCA should be allocated over the relevant period of its useful life</p> <p>4.1.3 that depreciation can be calculated automatically by accounting software or independently through spreadsheets then journalled-in.</p>	<p>Learners need to be able to:</p> <p>4.1.4 calculate the depreciation charge for an asset, using the straight-line method of depreciation, according to organisational policy, in terms of:</p> <ul style="list-style-type: none"> - using either a given percentage or the useful life calculation method - dealing with cases when a residual value is expected or where no residual value is expected - depreciating for a full year or pro-rata for part of a year <p>4.1.5 calculate the depreciation charge for an asset, using the diminishing balance method of depreciation for a full year with a given percentage.</p>
4.2	Record depreciation	
	<p>Learners need to be able to:</p> <p>4.2.1 record depreciation in the:</p> <ul style="list-style-type: none"> - non-current asset register - general ledger, including producing relevant journal entries <p>4.2.2 reconcile the NCA register to the appropriate general ledger balances.</p>	

5. Record period end adjustments

5.1 Record accruals and prepayments of income and expenditure

Learners need to understand:

- 5.1.1 that adjustments for accruals and prepayments are an application of the accruals principle of accounting
- 5.1.2 why there can be a difference between the amount paid or received during the period and the amount recognised in the statement of profit or loss for that period
- 5.1.3 how adjustments for accruals and prepayments for the current period and the reversal of adjustments for the previous period affect ledger accounts
- 5.1.4 that accrued and prepaid income and expense balances are recognised as either assets or liabilities
- 5.1.5 that accounting software automates recurring entries including for accruals and prepayments.

Learners need to be able to:

- 5.1.6 calculate the amount of a prepayment or accrual adjustment to be made
- 5.1.7 account for accruals and prepayments by making entries in the general ledger, including using the journal
- 5.1.8 account for the reversal of accruals and prepayments from a previous period by making entries in the general ledger, including using the journal.

5.2 Record irrecoverable debts and allowances for doubtful receivables

Learners need to understand:

- 5.2.1 that allowances for doubtful receivables are an application of the accruals principle of accounting
- 5.2.2 the differences between irrecoverable debts, allowances for specific doubtful receivables and general allowances for doubtful receivables.

Learners need to be able to:

- 5.2.3 account for the writing-off of an irrecoverable debt and for the recovery of an irrecoverable debt previously written off in the ledgers
- 5.2.4 calculate new allowances for doubtful receivables and adjustments to existing allowances for doubtful receivables in accordance with organisational policy
- 5.2.5 use the journal to record irrecoverable debts and adjustments to allowances for doubtful receivables.

5.3	Record inventory	
	<p>Learners need to understand:</p> <p>5.3.1 that accounting for inventory is an application of the accruals basis of accounting.</p> <p>5.3.2 the effect that changes in valuation of inventory have on profit/loss for a period</p> <p>5.3.3 that IFRS exist that are relevant to inventory valuation: IAS 2</p> <p>5.3.4 that inventory must be valued at the lower of cost and net realisable value (NRV) on an individual item basis</p> <p>5.3.5 which types of expenditure can be included in the valuation of inventory</p> <p>5.3.6 that accounting software automates the process of recording, tracking and valuing inventory.</p>	<p>Learners need to be able to:</p> <p>5.3.7 determine the closing inventory figure in accordance with current accounting standards</p> <p>5.3.8 make entries in the journal to record the value of closing inventory.</p>
5.4	Considerations for recording period end adjustments	
	<p>Learners need to understand:</p> <p>5.4.1 that when making period end adjustments:</p> <ul style="list-style-type: none"> - there is scope to significantly affect the reported results of the organisation - accounting software requires the user to enter dates accurately <p>5.4.2 the need to apply professional scepticism, integrity and objectivity to prevent misleading and inaccurate information</p> <p>5.4.3 the effects of including misleading or inaccurate period end adjustments (non-compliance with regulations, misinformed decision making by users of the final accounts)</p> <p>5.4.4 how to respond appropriately to period end pressures:</p> <ul style="list-style-type: none"> - time pressure - pressure to report favourable results - pressure from authority. 	

6. Produce and extend the trial balance			
6.1	Prepare an initial trial balance		
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>Learners need to understand:</p> <p>6.1.1 that certain accounts can carry either a debit or a credit balance: VAT, disposals, bank, irrecoverable debts expense</p> <p>6.1.2 the importance of producing the trial balance to check for errors</p> <p>6.1.3 the limitations of the trial balance as a check for errors</p> <p>6.1.4 that accounting software completes the transfer of data into the trial balance.</p> </td> <td style="width: 50%; vertical-align: top;"> <p>Learners need to be able to:</p> <p>6.1.5 transfer balances from ledger accounts, a list of balances or written data into the correct debit or credit columns of the initial trial balance</p> <p>6.1.6 correct errors that are not shown by the initial trial balance</p> <p>6.1.7 correct errors that are shown by the initial trial balance by the use and clearing of the suspense account.</p> </td> </tr> </table>	<p>Learners need to understand:</p> <p>6.1.1 that certain accounts can carry either a debit or a credit balance: VAT, disposals, bank, irrecoverable debts expense</p> <p>6.1.2 the importance of producing the trial balance to check for errors</p> <p>6.1.3 the limitations of the trial balance as a check for errors</p> <p>6.1.4 that accounting software completes the transfer of data into the trial balance.</p>	<p>Learners need to be able to:</p> <p>6.1.5 transfer balances from ledger accounts, a list of balances or written data into the correct debit or credit columns of the initial trial balance</p> <p>6.1.6 correct errors that are not shown by the initial trial balance</p> <p>6.1.7 correct errors that are shown by the initial trial balance by the use and clearing of the suspense account.</p>
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6.2	Prepare an adjusted trial balance		
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6.3	Complete the extended trial balance (ETB)		
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>Learners need to understand:</p> <p>6.3.1 the importance of the fully extended trial balance for the preparation of financial statements</p> <p>6.3.2 the difference between entries in the ETB for sole traders and partnerships.</p> </td> <td style="width: 50%; vertical-align: top;"> <p>Learners need to be able to:</p> <p>6.3.3 complete the SPL and SFP columns of the ETB, for sole traders, by extending figures:</p> <ul style="list-style-type: none"> - from the ledger balances and adjustments columns of the adjusted trial balance - to the relevant SPL and SFP columns <p>6.3.4 balance off the ETB, for sole traders, by calculating the profit/loss figure and entering it into the relevant SPL and SFP columns.</p> <p>Excluded: completion of the ETB for partnerships.</p> </td> </tr> </table>	<p>Learners need to understand:</p> <p>6.3.1 the importance of the fully extended trial balance for the preparation of financial statements</p> <p>6.3.2 the difference between entries in the ETB for sole traders and partnerships.</p>	<p>Learners need to be able to:</p> <p>6.3.3 complete the SPL and SFP columns of the ETB, for sole traders, by extending figures:</p> <ul style="list-style-type: none"> - from the ledger balances and adjustments columns of the adjusted trial balance - to the relevant SPL and SFP columns <p>6.3.4 balance off the ETB, for sole traders, by calculating the profit/loss figure and entering it into the relevant SPL and SFP columns.</p> <p>Excluded: completion of the ETB for partnerships.</p>
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7. Produce financial statements for sole traders and partnerships		
7.1	Prepare financial statements for sole traders	
	<p>Learners need to understand:</p> <p>7.1.1 the purpose of SPLs</p> <p>7.1.2 the purpose of SFPs</p> <p>7.1.3 how the financial statements are linked to the accounting equation</p> <p>7.1.4 how the SPL and SFP are related</p> <p>7.1.5 terminology:</p> <ul style="list-style-type: none"> - sales revenue = sales – sales returns - net purchases = purchases – purchases returns + carriage inwards - cost of sales = opening inventory + net purchases – closing inventory. 	<p>Learners need to be able to:</p> <p>7.1.6 prepare SPLs</p> <p>7.1.7 prepare SFPs using the net assets presentation.</p>
7.2	Opening and closing capital for sole traders	
	<p>Learners need to understand:</p> <p>7.2.1 the reasons for movements in the capital balance during a period.</p>	<p>Learners need to be able to:</p> <p>7.2.2 account for drawings of cash, goods and services, capital injections and profits or losses during a period in order to complete the capital account.</p>
7.3	Produce the SPL for partnerships	
	<p>Learners need to understand:</p> <p>7.3.1 why the difference between the SPL for a partnership and for a sole trader is the appropriation account</p> <p>7.3.2 the purpose and content of the partnership appropriation account</p> <p>7.3.3 how the SPL is linked to the partnership appropriation account.</p>	<p>Learners need to be able to:</p> <p>7.3.4 prepare an appropriation account:</p> <ul style="list-style-type: none"> - interest on capital (calculation not required) - interest on drawings (calculation not required) - salaries or commission paid to partners <p>7.3.5 calculate each partner's share of any residual profit/loss according to the profit-sharing ratio</p> <p>7.3.6 prepare a partnership's SPL.</p>
7.4	Produce the SFP for partnerships	
	<p>Learners need to understand:</p> <p>7.4.1 why the difference between the SFP for a partnership and for a sole trader is the partners' capital and current accounts</p> <p>7.4.2 the difference between the partners' current accounts and the appropriation account</p> <p>7.4.3 the difference between the partners' current accounts and the partners' capital account.</p>	<p>Learners need to be able to:</p> <p>7.4.4 account for drawings in the form of cash, goods or services</p> <p>7.4.5 prepare partners' current accounts:</p> <ul style="list-style-type: none"> - interest on capital (calculation not required) - interest on drawings (calculation not required) - salaries or commission paid to partners

		- drawings
	7.4.6	prepare a partnership's SFP using the net assets presentation.

8. Interpret financial statements using profitability ratios

8.1 Calculate profitability ratios

Learners need to understand:

- 8.1.1 the relationship between the SPL and SFP regarding net profit
- 8.1.2 the link between gross profit margin and mark-up
- 8.1.3 the meaning of profitability ratios.

Learners need to be able to:

- 8.1.4 calculate the following profitability ratios to assist with interpretation of the financial statements:
 - ROCE (return on capital employed): formula used = profit for the year / capital employed × 100 (where capital employed = capital + non-current liabilities)
 - gross profit margin: formula used = gross profit / sales revenue × 100
 - net profit margin: formula used = profit for the year / sales revenue × 100
 - expense/sales revenue percentage (specified expense including cost of sales as a % of sales revenue): formula used = specified expense / sales revenue × 100).

8.2 The interpretation of profitability ratios

Learners need to understand:

- 8.2.1 why calculating ratios can aid planning, decision making and control for businesses
- 8.2.2 factors that may cause changes in a business's ratios and differences between businesses' ratios
- 8.2.3 whether a ratio is better or worse than a comparative ratio; comparisons can be made with:
 - a different organisation
 - a different time period
 - an industry standard
- 8.2.4 the importance of professional scepticism to the interpretation of financial information.

9. Prepare accounting records from incomplete information

9.1 Identify missing figures

Learners need to be able to:

- 9.1.1 calculate missing figures relating to income, expenses, assets, liabilities and capital by:
 - selecting relevant data
 - using daybooks
 - using the cash book

	<ul style="list-style-type: none"> - reconstructing ledger accounts: receivables and payables ledger control accounts, VAT control account and the bank account - calculating and labelling the missing figures of reconstructed accounts - calculating opening and closing balances - adjusting for VAT. 	
9.2	Mark-up and margin	
	Learners need to understand: 9.2.1 the difference between margin and mark-up.	Learners need to be able to: 9.2.2 calculate margin and mark-up to determine missing figures 9.2.3 use cost of sales calculations to determine missing figures.
9.3	Reasonableness of figures when information is incomplete	
	Learners need to understand: 9.3.1 whether a given figure is reasonable 9.3.2 why an actual balance and a calculated balance can be different 9.3.3 the importance of checking information produced by accounting software for accuracy 9.3.4 when and how to apply professional scepticism.	

Delivering this unit

When delivering the accounting principles underlying final accounts preparation, different scenarios about what might happen if there were no accounting rules could be explored. Tutors could use online videos detailing accounting scandals to highlight the repercussions if the rules are not followed. Students could be encouraged to read articles detailing current events involving accounting, either from news sources or journals. Students could also evaluate financial information in terms of the qualitative characteristics of useful information.

In relation to the principles of advanced double-entry bookkeeping, the accounting equation is at the heart of bookkeeping. Students could be encouraged to list items they would purchase when setting up a new venture, including buildings, fixtures and fittings. The effect of each these on the accounting equation could be tracked, leading to a discussion about double-entry. In order to understand the links between different aspects of bookkeeping, training providers could acquire or produce invoices and credit notes and use these to populate daybooks and the ledger accounts. This would lead to a simple trial balance. Tutors could demonstrate how invoices and credit notes are entered into accounting software and how these update the trial balance, in contrast to the manual system which uses daybooks. Bank reconciliations can be taught using students' personal experience of looking at their bank statement. A discussion as to why the bank statement shows a credit balance when there is money in the account is a good way of enforcing the difference between assets and liabilities.

Implementing procedures for the acquisition and disposal of non-current assets could be taught through the use of case studies, based on actual cases where non-current assets have been acquired or disposed of.

When preparing and recording depreciation calculations, students could be tasked with researching prices of an assets, such as cars that are the same model but different ages. The effect of methods of depreciation on profit and asset values could then be demonstrated. By preparing accounts over the lifetime of an asset, both writing it off in the year of purchases and then depreciating it, students could discover the effect of depreciation in giving a true and fair view of the state of the organisation.

Accruals and prepayments could be illustrated with simulated invoices by reference to real examples within the training provider or employer. To support delivery of recording period end adjustments, a local employer could be invited to talk about inventory and how it is tracked and valued. They could be asked to set questions based on real-life examples of how their inventory is managed. This could be supplemented by practical examples of situations where the NRV of the inventory falls to below the cost, for example if inventory is damaged or, in the case of perishable goods, gets towards its sell-by date.

When preparing an initial trial balance, error correction could be demonstrated practically by making the errors and looking at the effect on the trial balance using spreadsheets. Errors could then be corrected and the effect of correcting the error could be investigated in the same way. A demonstration of the types of errors that could be made on accounting software as opposed to a manual system could also take place as part of this learning outcome.

Students could research some real partnerships online, such as large accounting companies, and look at the final accounts, particularly the SFP. Representatives from local partnerships, such as accountancy firms, could also talk through the format of their accounts.

Students could research the ethics statements which organisations include in their final accounts or publish elsewhere.

When interpreting financial statements, students could study simplified accounts and be asked to judge which one to invest in in terms of profitability, prior to calculating the ratios. Following the study of profitability ratios, this exercise could be repeated and students asked to judge again. A comparison could be made with their previous decision. Using well-known organisations, a comparison could also be made of these ratios over time, with students invited to suggest reasons for the changes in the ratio. Students could be asked to discuss what other factors should be used when comparing organisations.

Links with other units

This unit links with:

- Level 6 Introduction to Bookkeeping
- Level 6 Principles of Bookkeeping Controls
- Level 7 Business Awareness
- Level 7 Tax Processes for Businesses
- Level 8 Drafting and Interpreting Financial Statements.

Test specification for Financial Accounting: Preparing Financial Statements unit assessment

Please refer to the latest Qualification Technical Information (QTI) for specific legislation that will apply to assessments. Details can be accessed at aat.org.uk/training/qualifications/2022/resources

Assessment method	Marking type	Duration of assessment
Computer based assessment	Computer marked	2 hours 30 minutes

Learning outcomes	Weighting
1. Understand the accounting principles underlying final accounts preparation	5%
2. Understand the principles of advanced double-entry bookkeeping	10%
3. Implement procedures for the acquisition and disposal of non-current assets	10%
4. Prepare and record depreciation calculations	10%
5. Record period end adjustments	10%
6. Produce and extend the trial balance	15%
7. Produce financial statements for sole traders and partnerships	20%
8. Interpret financial statements using profitability ratios	10%
9. Prepare accounting records from incomplete information	10%
Total	100%

Management Accounting Techniques

Unit level	GLH value	Unit reference number	Assessment
7	120	UP49 04 19 SCQF Credits	Unit assessment

Introduction

This unit provides students with the knowledge and skills needed to understand the role of management accounting in an organisation, and how organisations use such information to aid decision making.

Students will learn the principles that underpin management accounting methodology and techniques, how costs are handled in organisations, and why organisations treat costs in different ways. Students will be able to recognise different approaches to management accounting and provide informed and reasoned judgements to guide management. They will also learn how to apply these principles and appreciate why effective management accounting is crucial to any organisation.

Students will learn the techniques required for dealing with direct costs and revenues, and with the treatment of short-term overhead costs. They will also learn the techniques required for decision making, using estimates of costs, revenues and cashflow. Students will learn to carry out procedures as they would in a real-world organisation's finance function including: undertaking budgetary overhead apportionments and producing recovery rates, carrying out basic variance and cost-volume-profit (CVP) analysis, calculating changes in forecast unit costs and profits, calculating working capital measures, producing simple budgets, monitoring cash flow and reporting accounting information.

Students will be required to use spreadsheets when making calculations, manipulating and analysing data, reporting, and forecasting. Skills such as the use of formulas, functions, data analysis tools, sorting and filtering will be vital within accountancy to enable students to perform complex calculations quickly and accurately. After analysis, the data needs to be comprehensively checked and then presented using a range of methods, for example as a structured spreadsheet with pivot tables and charts.

The application of ethical principles is threaded throughout this unit. All work must be carried out with integrity, objectivity and a high degree of professional competence.

Learning outcomes

1. Understand the purpose and use of management accounting within organisations
 2. Use techniques required for dealing with costs
 3. Attribute costs according to organisational requirements
 4. Investigate deviations from budgets
 5. Use spreadsheet techniques to provide management accounting information
 6. Use management accounting techniques to support short-term decision making
 7. Understand principles of cash management
-

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.

Learners may not be assessed on all content, or on the full depth or breadth of a piece of content. Content assessed may change over time to ensure validity of assessment.

1. Understand the purpose and use of management accounting within organisations			
1.1	Internal reporting calculations		
	<table border="1"> <tr> <td> <p>Learners need to know:</p> <p>1.1.1 the purpose of costing, budgeting and internal reporting</p> <p>1.1.2 the importance of providing accurate information to management for the purposes of planning, control and decision-making.</p> </td> <td> <p>Learners need to be able to:</p> <p>1.1.3 calculate revenue, costs, contribution and reported profits for an organisation</p> <p>1.1.4 calculate segmented revenue, costs, contribution and reported profits by product.</p> </td> </tr> </table>	<p>Learners need to know:</p> <p>1.1.1 the purpose of costing, budgeting and internal reporting</p> <p>1.1.2 the importance of providing accurate information to management for the purposes of planning, control and decision-making.</p>	<p>Learners need to be able to:</p> <p>1.1.3 calculate revenue, costs, contribution and reported profits for an organisation</p> <p>1.1.4 calculate segmented revenue, costs, contribution and reported profits by product.</p>
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1.2	Differences between marginal and absorption costing		
	<table border="1"> <tr> <td> <p>Learners need to understand:</p> <p>1.2.1 the difference between product and period costs:</p> <ul style="list-style-type: none"> - some period costs are carried forward in the value of closing inventory under absorption costing - in marginal costing only variable costs are included in inventory and period costs are written off in full <p>1.2.2 the differences between costing techniques:</p> <ul style="list-style-type: none"> - marginal costing - absorption costing <p>1.2.3 the impact on reported performance of marginal versus full absorption costing in both the short run and the long run</p> <p>1.2.4 when each technique is appropriate.</p> </td> <td> <p>Learners need to be able to:</p> <p>1.2.5 calculate:</p> <ul style="list-style-type: none"> - prime cost - marginal cost - full absorption cost. </td> </tr> </table>	<p>Learners need to understand:</p> <p>1.2.1 the difference between product and period costs:</p> <ul style="list-style-type: none"> - some period costs are carried forward in the value of closing inventory under absorption costing - in marginal costing only variable costs are included in inventory and period costs are written off in full <p>1.2.2 the differences between costing techniques:</p> <ul style="list-style-type: none"> - marginal costing - absorption costing <p>1.2.3 the impact on reported performance of marginal versus full absorption costing in both the short run and the long run</p> <p>1.2.4 when each technique is appropriate.</p>	<p>Learners need to be able to:</p> <p>1.2.5 calculate:</p> <ul style="list-style-type: none"> - prime cost - marginal cost - full absorption cost.
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2 Use techniques required for dealing with costs			
2.1 Record and calculate materials, labour and overhead costs	<p>Learners need to be able to:</p> <p>2.1.1 use appropriate data and information from both manual records and software packages to:</p> <ul style="list-style-type: none"> - prepare and interpret inventory records for materials, work-in-progress and finished goods - calculate materials and labour costs - account for overheads - calculate cost per equivalent unit of finished production. 		
2.2 Prepare cost accounting journals	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;"> <p>Learners need to understand:</p> <p>2.2.1 principles of cost accounting journal entries for:</p> <ul style="list-style-type: none"> - direct materials or indirect materials - direct or indirect labour - overheads costs. </td> <td style="width: 50%;"> <p>Learners need to be able to:</p> <p>2.2.2 prepare cost accounting journals for:</p> <ul style="list-style-type: none"> - materials - labour - overheads. </td> </tr> </table>	<p>Learners need to understand:</p> <p>2.2.1 principles of cost accounting journal entries for:</p> <ul style="list-style-type: none"> - direct materials or indirect materials - direct or indirect labour - overheads costs. 	<p>Learners need to be able to:</p> <p>2.2.2 prepare cost accounting journals for:</p> <ul style="list-style-type: none"> - materials - labour - overheads.
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2.3 Apply inventory control methods	<p>Learners need to be able to:</p> <p>2.3.1 calculate inventory control and valuation measures:</p> <ul style="list-style-type: none"> - inventory buffers, lead times, minimum/maximum order quantities <ul style="list-style-type: none"> o buffer inventory = re-order level - (average usage x average lead time) o re-order level = (average usage x average lead time) + buffer inventory <p>Note: students will be provided with either buffer inventory or re-order level values when completing calculations.</p> <ul style="list-style-type: none"> o maximum inventory level = buffer inventory + maximum re-order quantity o maximum re-order quantity = maximum inventory level – buffer inventory <p>Note: students will be provided with either maximum inventory level or maximum re-order quantity values when completing calculations.</p> <ul style="list-style-type: none"> o minimum re-order quantity = average usage x average lead time - economic order quantity (EOQ) <ul style="list-style-type: none"> o $= \sqrt{(2 \times \text{annual usage} \times \text{ordering cost}) \div \text{inventory holding cost}}$ - compliance with inventory control policies - the effect on reported profits of choice of method <p>2.3.2 account for inventories using first-in-first-out (FIFO) and average cost (AVCO) methods</p> <p>2.3.3 analyse closing inventory balances.</p>		
2.4 Cost behaviours	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;"> <p>Learners need to understand:</p> <p>2.4.1 the implications of different cost behaviours for cost analysis, decision making and reporting:</p> <ul style="list-style-type: none"> - fixed - variable - semi-variable </td> <td style="width: 50%;"> <p>Learners need to be able to:</p> <p>2.4.2 use the high-low method to separate fixed and variable cost elements of semi-variable costs.</p> </td> </tr> </table>	<p>Learners need to understand:</p> <p>2.4.1 the implications of different cost behaviours for cost analysis, decision making and reporting:</p> <ul style="list-style-type: none"> - fixed - variable - semi-variable 	<p>Learners need to be able to:</p> <p>2.4.2 use the high-low method to separate fixed and variable cost elements of semi-variable costs.</p>
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	- stepped.	
2.5	Differences between costing systems	
	Learners need to understand: 2.5.1 the appropriate choice of costing system for different business sectors and individual organisations 2.5.2 the effect of waste on costing inputs and outputs.	Learners need to be able to: 2.5.3 record cost information, using different costing systems: - job costing - batch costing - unit costing - service costing.

3 Attribute costs according to organisational requirements		
3.1	Calculate and attribute overhead costs using traditional methods	
	Learners need to know: 3.1.1 different methods of indirect cost recovery: - apportionment - allocation.	Learners need to be able to: 3.1.2 attribute overhead costs to production and service cost centres: - apportionment versus allocation - direct method - step-down method.
3.2	Calculate overhead recovery rates using traditional methods	
	Learners need to be able to: 3.2.1 calculate overhead recovery rates in accordance with suitable bases of absorption: - for a manufacturer: machine hours or direct labour hours - for a service business: suitable basis for the specific business.	
3.3	Calculate overhead recovery rates using activity-based costing	
	Learners need to know: 3.3.1 the concept of activity-based costing: - appropriate cost drivers - use of cost pools.	Learners need to be able to: 3.3.2 calculate overhead recovery rates using appropriate cost drivers.
3.4	Under- or over-recovery of overheads	
	Learners need to understand: 3.4.1 how to account for under- or over-recovered overhead costs in accordance with established procedures: - making under- or over-absorption calculations - interpreting the significance of under- or over-recoveries of overhead costs on unit costs and total profit.	

4 Investigate deviations from budgets			
4.1	Principles of standard prices/costs and budgeting		
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>Learners need to understand:</p> <p>4.1.1 a product's standard price and standard cost</p> <p>4.1.2 how standard prices and costs can be used to develop budgets</p> <p>4.1.3 different types of budget:</p> <ul style="list-style-type: none"> - fixed - flexed - rolling <p>4.1.4 how operating statements are used to compare budgeted volume and standard revenue/cost versus actual performance.</p> </td> <td style="width: 50%; vertical-align: top;"> <p>Learners need to be able to:</p> <p>4.1.5 prepare budgets for multi-product organisations:</p> <ul style="list-style-type: none"> - revenue - materials - labour - variable overheads - fixed overheads - non-manufacturing overheads <p>4.1.6 flex fixed budgets for actual volume.</p> </td> </tr> </table>	<p>Learners need to understand:</p> <p>4.1.1 a product's standard price and standard cost</p> <p>4.1.2 how standard prices and costs can be used to develop budgets</p> <p>4.1.3 different types of budget:</p> <ul style="list-style-type: none"> - fixed - flexed - rolling <p>4.1.4 how operating statements are used to compare budgeted volume and standard revenue/cost versus actual performance.</p>	<p>Learners need to be able to:</p> <p>4.1.5 prepare budgets for multi-product organisations:</p> <ul style="list-style-type: none"> - revenue - materials - labour - variable overheads - fixed overheads - non-manufacturing overheads <p>4.1.6 flex fixed budgets for actual volume.</p>
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4.2	Calculate variances		
	<p>Learners need to be able to:</p> <p>4.2.1 recognise variances as being either favourable or adverse</p> <p>4.2.2 calculate variances using flexed budgets</p> <p>4.2.3 compare flexed budget versus actual costs and revenues to calculate:</p> <ul style="list-style-type: none"> - sales price variance (total) - raw material variance (total) - labour variance (total) - variable overhead variance (total) - fixed production variance (total). 		
4.3	Analyse and investigate variances		
	<p>Learners need to be able to:</p> <p>4.3.1 determine the cause and effects of revenue and cost variances</p> <p>4.3.2 recognise significant variances for investigation</p> <p>4.3.3 report on remedial action to address adverse variances.</p>		

5. Use spreadsheet techniques to provide management accounting information	
5.1	Organise, record and format data
	<p>Learners need to be able to:</p> <p>5.1.1 organise data:</p> <ul style="list-style-type: none"> - design spreadsheets to support: <ul style="list-style-type: none"> ▪ flexing budgets ▪ the calculation and analysis of variances ▪ production of operating statements ▪ overhead absorption and allocation ▪ short-term decision making ▪ cash budgeting

	<p>5.1.2 ensure data is valid and reliable:</p> <ul style="list-style-type: none"> - select data from different sources - enter data manually into appropriate cells and worksheets - link data from different sources within the same worksheet/across different worksheets: <ul style="list-style-type: none"> ▪ copying and pasting special values ▪ linking - remove duplications in data <p>5.1.3 format data:</p> <ul style="list-style-type: none"> - formatting cells: <ul style="list-style-type: none"> ▪ advanced formatting i.e. data manipulation, data security, data statistics ▪ decimals, whole numbers, thousand separator, % ▪ currency, accountancy, general, number ▪ show adverse/negative figures with () or – - produce/format/adjust charts and graphs: <ul style="list-style-type: none"> ▪ chart production: 3D, exploded, bar, column, pie, line ▪ changing chart type - chart labelling: <ul style="list-style-type: none"> ▪ axis scale ▪ titles ▪ legend ▪ data tables.
<p>5.2</p>	<p>Use tools to manipulate, analyse and verify data</p> <p>Learners need to be able to:</p> <p>5.2.1 use a range of formulas and functions to perform calculations:</p> <ul style="list-style-type: none"> - mathematical and logical functions using absolute and relative cell referencing: <ul style="list-style-type: none"> ▪ sum ▪ average ▪ minimum ▪ maximum ▪ round ▪ roundup ▪ rounddown ▪ sumif ▪ count ▪ counta ▪ countif ▪ IF (simple and nested) ▪ VLOOKUP ▪ HLOOKUP ▪ days - statistical techniques: <ul style="list-style-type: none"> ▪ goal seek

	<ul style="list-style-type: none"> ▪ forecast <p>5.2.2 use tools to support analysis of data:</p> <ul style="list-style-type: none"> - data sort/data filter using single and/or multiple criteria - conditional formatting (using function) - lookup tables: <ul style="list-style-type: none"> ▪ pivot tables ▪ pivot charts - subtotals: <ul style="list-style-type: none"> ▪ average ▪ sum ▪ maximum ▪ minimum - comments box: <ul style="list-style-type: none"> ▪ show ▪ hide <p>5.2.3 edit and update data:</p> <ul style="list-style-type: none"> - include new data (worksheet/chart) - consider if any new data is included in any existing analysis/existing charts <p>5.2.4 verify accuracy of data by using formula auditing tools:</p> <ul style="list-style-type: none"> - trace precedents - trace dependents - show formulas.
5.3	<p>Use tools to prepare, protect and present accounting information</p> <p>Learners need to be able to:</p> <p>5.3.1 protect integrity of data:</p> <ul style="list-style-type: none"> - use data validation to restrict data entry and editing - protect individual and ranges of cells <p>5.3.2 enhance the visual presentation of data:</p> <ul style="list-style-type: none"> - insert/edit headers and footers - hide/unhide rows/columns - format columns and rows to enhance understanding of data: font type, font colour, size, bold, italics, alignment - freezing rows and columns - adjust margins, orientation and print area - use a range of charts to summarise and present information - chart alteration: moving and resizing, changing chart type, in stacked, 3D, exploded formats - changing data series: chart colour/format, add/change cell fill colour - format charts: altering and formatting scales, axes, labels, data series, data tables.

6. Use management accounting techniques to support short-term decision making			
6.1	Estimate and use short-term future revenue and costs		
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6.2	Examine the effects of changing activity levels		
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7. Understand principles of cash management			
7.1	Principles of cash budgeting		
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	7.1.5 the importance of liquidity and use of resources ratios	
	7.1.6 the working capital cycle.	
7.2	Improving cash flow	
	Learners need to understand:	
	7.2.1 the importance of liquidity for businesses' survival	
	7.2.2 the actions that can be taken if insufficient liquidity:	
	<ul style="list-style-type: none"> - raise additional finance from owners in the form of capital - raise additional finance externally in the form of debt 	
	7.2.3 other methods of improving cash flow:	
	<ul style="list-style-type: none"> - chase receivables - delay supplier payments - offer prompt payment discounts (PPD) - dispose of non-current assets - reduce inventory 	
	7.2.4 how accounting software and the use of automation and visualisation can aid cash flow planning.	

Delivering this unit

Tutors can facilitate students' understanding of why particular costing methods are used by ensuring examples are relevant and current to the group of students involved. It would also be useful to highlight that students will encounter in their daily lives some elements of costing, whether simple or complex, used to determine the selling price of all products and services. For example, unit costing could be illustrated with products such as mobile phones or an article of clothing; job costing could be shown by referring to a quote from a tradesperson; inventory control could be illustrated by using products available in supermarkets; break-even could be showing using the example of a café or restaurant.

By referring to and using examples from organisations of differing sizes, which could be real or simulated, tutors will be able to illustrate the importance of overhead recovery and the choice of costing methods. More complex methods may be required for larger organisations, and external speakers could be invited to explain to students why they use particular methods within their organisation.

With regards to teaching budgets, tutors should revisit the fixed budget from Level 2 Principles of Costing. The principles learnt can be added to by introducing budgets for organisations with multiple products and flexed budgeting. Students should be encouraged to participate in discussions about the reasons for and consequences of variances, rather than learning standard answers.

A starting point for teaching the principles of cash management is for students to review their own finances and bank statements and build a simple cash budget for their own income and expenses. The use of reports and examples from organisations can be used to explain the resources ratios, which will provide the underpinning knowledge for progressing to Level 4.

The use of spreadsheets should be embedded throughout this unit. Tutors should place emphasis on budgets, operating statements, overhead absorption and allocation and short-term decision making, when teaching spreadsheet techniques, whilst ensuring that students fully understand the management accounting techniques applied.

Links with other units

This unit links with:

- Level 6 Principles of Costing
- Level 7 Business Awareness
- Level 7 Financial Accounting: Preparing Financial Statements
- Level 8 Applied Management Accounting.

Test specification for Management Accounting Techniques unit assessment

Please refer to the latest Qualification Technical Information (QTI) for specific legislation that will apply to assessments. Details can be accessed at aat.org.uk/training/qualifications/2022/resources

Assessment method	Marking type	Duration of assessment
Computer based assessment	Partially computer/ partially human marked	2 hours 30 minutes

Learning outcomes	Weighting
1. Understand the purpose and use of management accounting within organisations	10%
2. Use techniques required for dealing with costs	15%
3. Attribute costs according to organisational requirements	20%
4. Investigate deviations from budgets	15%
5. Use spreadsheet techniques to provide management accounting information	15%
6. Use management accounting techniques to support short-term decision making	15%
7. Understand principles of cash management	10%
Total	100%

Tax Processes for Businesses (FA2024)

Unit level	GLH value	Unit reference number	Assessment
3	60	Y/618/3581	Unit assessment

Introduction

This unit explores tax processes that influence the daily operations of businesses and is designed to develop students' skills in understanding, preparing, and submitting Value Added Tax (VAT) returns to HM Revenue and Customs (HMRC). The unit provides students with the knowledge and skills that are needed to keep businesses, employers and clients compliant with laws and practices that apply to VAT and payroll. Students will learn about legislation and the importance of maintaining their technical knowledge through monitoring updates.

For VAT, students will understand the registration and deregistration rules and the rules relating to specialist VAT schemes. Students will be able to recognise different types of supplies and calculate VAT correctly, understanding the importance of the rules relating to the recovery of input tax and the sanctions and penalties for inaccuracies, omissions and failure to make submissions and payments within the correct timescales. Students will be able to verify the accuracy of calculations, invoices and tax points, and will learn about the correction of errors. When learning about the content of the VAT return, students will understand how to apply special rules when goods and services are imported and exported out of the UK and the European Union (EU), and how to extract the appropriate data to complete VAT returns.

In relation to payroll, students will understand the processes for businesses involved in calculating pay and deductions and the content of documents and reports produced on software, along with the timescales for submission and payment.

The application of ethical principles is threaded throughout this unit. All work must be carried out with integrity, objectivity and a high degree of professional competence. There must be due care with regards to confidentiality about any personal data being processed and, from a business protection aspect, with the correct approach to professional behaviour. Students will understand how to communicate VAT and payroll matters to relevant individuals and organisations. The rules relating to Northern Ireland are not assessed in this unit.

This unit is based on the Finance Act 2024 subject to assessment from 27 January 2025.

Learning outcomes

1. Understand legislation requirements relating to VAT
 2. Calculate VAT
 3. Review and verify VAT returns
 4. Understand principles of payroll
 5. Report information within the organisation
-

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.

Learners may not be assessed on all content, or on the full depth or breadth of a piece of content. Content assessed may change over time to ensure validity of assessment.

1. Understand legislation requirements relating to VAT	
1.1	UK tax law principles relating to VAT
	Learners need to understand: 1.1.1 that HMRC is the relevant tax authority for VAT in the UK 1.1.2 that VAT is a tax on consumer spending, charged on taxable supplies by taxable persons, including whether the tax charged falls on registered businesses or the end user 1.1.3 the definitions of: <ul style="list-style-type: none">- taxable supplies- standard-rated supplies- reduced-rated supplies- zero-rated supplies- exempt supplies- supplies outside the scope of VAT 1.1.4 HMRC's rules about: <ul style="list-style-type: none">- what records should be kept- how long VAT records should be retained- how VAT record should be retained- penalties for failure to keep VAT records 1.1.5 HMRC's rights in respect of inspection of records and visits to registered businesses
1.2	VAT registration and deregistration requirements
	Learners need to understand: 1.2.1 the registration and deregistration thresholds for the normal VAT scheme and how to apply them 1.2.2 what is meant by the historic turnover method (historic test) and the future turnover method, (future test) and how to comply with them in respect of registration. 1.2.3 the circumstances: <ul style="list-style-type: none">- in which voluntary registration may be beneficial to a business- for voluntary and compulsory deregistration.

1.3	<p>Filing and payment of VAT returns</p> <p>Learners need to understand:</p> <p>1.3.1 the timing and frequency of:</p> <ul style="list-style-type: none"> - filing VAT returns under the normal scheme - payment/re-payment of VAT under the normal scheme <p>1.3.2 the circumstances in which monthly accounting may be beneficial to a business</p> <p>1.3.3 how statutory time limits for making payment differ depending on the payment method used</p> <p>1.3.4 that compatible software must be used and authorised for submitting VAT returns under Making Tax Digital (MTD).</p>
1.4	<p>Special schemes</p> <p>Learners need to understand:</p> <p>1.4.1 the thresholds, qualification criteria and operation of the special VAT schemes:</p> <ul style="list-style-type: none"> - annual accounting scheme - cash accounting scheme - flat rate scheme <p>1.4.2 the timing and frequency of:</p> <ul style="list-style-type: none"> - filing VAT returns - payment/re-payment of VAT <p>1.4.3 the circumstances for voluntary and compulsory withdrawal from special schemes.</p>
1.5	<p>Implications for non-compliance with VAT regulations</p> <p>Learners need to understand:</p> <p>1.5.1 the powers of HMRC to penalise a business that has failed to register for VAT</p> <p>1.5.2 the details of the penalty regime applicable to non-registration or late registration</p> <p>1.5.3 how the penalty regime applies to late submission or non-submission of VAT returns (excluding changes in filing frequency)</p> <p>1.5.4 the powers of assessment that HMRC has in respect of failure to submit VAT returns</p> <p>1.5.5 the details of the penalty and interest regime applicable to late or non-payment of VAT due</p> <p>1.5.6 the consequences of failing to:</p> <ul style="list-style-type: none"> - correct errors properly - report an error when required to do so <p>1.5.7 the operational and legal consequences of incorrect recovery of VAT.</p>

2. Calculate VAT			
2.1	Extracting relevant data from accounting records		
	<p>Learners need to understand:</p> <p>2.1.1 relevant sources of VAT information needed by a business</p> <p>2.1.2 how to identify relevant accounting records that cover the required period of each VAT return</p> <p>2.1.3 how to identify and extract relevant revenue, expenditure and VAT figures from the accounting records</p> <p>2.1.4 how to validate data and determine that the figures extracted have come from original and verified source documents</p> <p>2.1.5 the benefits of accounting software in identifying errors, e.g. incorrect VAT rate.</p>		
2.2	VAT invoices		
	<p>Learners need to understand:</p> <p>2.2.1 the contents and form of a VAT invoice:</p> <ul style="list-style-type: none"> - simplified VAT invoices - modified VAT invoices - e-invoicing requirements - mixed-rated supplies <p>2.2.2 how to determine the tax point of an invoice, both basic and actual, when there are:</p> <ul style="list-style-type: none"> - advance payments - deposits - continuous supplies - goods on sale or return <p>2.2.3 the significance of the correct tax point for:</p> <ul style="list-style-type: none"> - eligibility for special VAT schemes - applying the correct rate of VAT - determining the correct VAT period <p>2.2.4 the time limits for issuing VAT invoices:</p> <ul style="list-style-type: none"> - 14-day rules - 30-day rules <p>2.2.5 the rules relating to electronic invoicing</p>		
2.3	VAT calculations		
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>Learners need to understand:</p> <p>2.3.1 the difference between inputs and outputs, and between input tax and output tax</p> <p>2.3.2 the automation of calculations through use of accounting software</p> <p>2.3.3 rounding rules on VAT calculations</p> <p>2.3.4 rules for VAT when prompt payment discounts (PPD) are offered to customers</p> <p>2.3.5 the different implications of exempt supplies and of zero-</p> </td> <td style="width: 50%; vertical-align: top;"> <p>Learners need to be able to:</p> <p>2.3.11 calculate VAT on:</p> <ul style="list-style-type: none"> - standard-rated supplies - reduced-rated supplies <p>2.3.12 calculate VAT when given the net or the gross amount of the supply</p> <p>2.3.13 calculate the VAT payable/repayable for a VAT period from information such as:</p> <ul style="list-style-type: none"> - sales and purchases invoices - credit notes issued and received - cash and petty cash transaction receipts </td> </tr> </table>	<p>Learners need to understand:</p> <p>2.3.1 the difference between inputs and outputs, and between input tax and output tax</p> <p>2.3.2 the automation of calculations through use of accounting software</p> <p>2.3.3 rounding rules on VAT calculations</p> <p>2.3.4 rules for VAT when prompt payment discounts (PPD) are offered to customers</p> <p>2.3.5 the different implications of exempt supplies and of zero-</p>	<p>Learners need to be able to:</p> <p>2.3.11 calculate VAT on:</p> <ul style="list-style-type: none"> - standard-rated supplies - reduced-rated supplies <p>2.3.12 calculate VAT when given the net or the gross amount of the supply</p> <p>2.3.13 calculate the VAT payable/repayable for a VAT period from information such as:</p> <ul style="list-style-type: none"> - sales and purchases invoices - credit notes issued and received - cash and petty cash transaction receipts
<p>Learners need to understand:</p> <p>2.3.1 the difference between inputs and outputs, and between input tax and output tax</p> <p>2.3.2 the automation of calculations through use of accounting software</p> <p>2.3.3 rounding rules on VAT calculations</p> <p>2.3.4 rules for VAT when prompt payment discounts (PPD) are offered to customers</p> <p>2.3.5 the different implications of exempt supplies and of zero-</p>	<p>Learners need to be able to:</p> <p>2.3.11 calculate VAT on:</p> <ul style="list-style-type: none"> - standard-rated supplies - reduced-rated supplies <p>2.3.12 calculate VAT when given the net or the gross amount of the supply</p> <p>2.3.13 calculate the VAT payable/repayable for a VAT period from information such as:</p> <ul style="list-style-type: none"> - sales and purchases invoices - credit notes issued and received - cash and petty cash transaction receipts 		

	<p>rated supplies, and the effect on recovery of input tax</p> <p>2.3.6 how partial exemption works, the de-minimis limit and how this affects the recovery of input tax</p> <p>2.3.7 the identification of what cannot be claimed as input tax:</p> <ul style="list-style-type: none"> - expenditure on employee and business contact entertaining, including that of mixed groups - purchases and sales of cars and vans - assets with private use <p>2.3.8 the VAT rules on fuel scale charges, how to apply them and their effect on the VAT payable or reclaimable</p> <p>2.3.9 how to apply bad debt relief, when this is available and what time limits apply</p> <p>2.3.10 how to account for postponed import VAT.</p>	<ul style="list-style-type: none"> - deposits, advance payments and delayed payments - adjustments made for: <ul style="list-style-type: none"> ▪ fuel scale charges ▪ bad debts ▪ input tax that cannot be claimed <p>2.3.14 calculate the impact on VAT of:</p> <ul style="list-style-type: none"> - PPD - fuel scale charges - bad debts - items on which input tax cannot be reclaimed <p>2.3.15 calculate VAT for international trade:</p> <ul style="list-style-type: none"> - imports - exports.
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3. Review and verify VAT returns

3.1 Make adjustments for errors or omissions in VAT returns

Learners need to understand:

- 3.1.1 if previous period errors or omissions can be corrected by amendments on current VAT returns
- 3.1.2 the thresholds and deadlines where previous period errors or omissions must be declared, including the timescales during which corrections can be made
- 3.1.3 when previous period errors or omissions must be separately reported rather than corrected on current VAT returns
- 3.1.4 when to report given previous period errors or omissions that cannot be corrected on current VAT returns.

Learners will be able to:

- 3.1.5 calculate and process the appropriate adjustments for given previous errors
- 3.1.6 recognise the impact that the adjustments for previous errors will have on VAT.

3.2 Verify information contained within VAT returns	
<p>Learners need to understand:</p> <p>3.2.1 what is included in all relevant boxes of the VAT return (excluding Box 2, 8 and 9)</p> <p>3.2.2 how imports and exports are treated on a VAT return</p> <p>3.2.3 the importance of checking the VAT return before submission</p> <p>3.2.4 how to identify reasons for any given differences between the VAT return and the accounting records</p>	<p>Learners need to be able to:</p> <p>3.2.5 review VAT returns from accounting information</p> <p>3.2.6 reconcile the VAT return to accounting records.</p>

4. Understand principles of payroll	
4.1 Employer responsibilities of payroll	
<p>Learners need to understand:</p> <p>4.1.1 that payroll is operated by businesses or individuals who employ staff</p> <p>4.1.2 that HMRC is the relevant tax authority for payroll</p> <p>4.1.3 HMRC's powers to require businesses to comply with:</p> <ul style="list-style-type: none"> - regulations about registration - record keeping - submissions of returns - payment of amounts due <p>4.1.4 HMRC's rights in respect of inspection of records and visits</p> <p>4.1.5 HMRC's rules about:</p> <ul style="list-style-type: none"> - what records should be kept - software - how payroll records should be retained - how long payroll records should be retained <p>4.1.6 the difference between gross pay, taxable pay, taxable gross pay and net pay</p> <p>4.1.7 that businesses are required to make statutory deductions from gross pay:</p> <ul style="list-style-type: none"> - Pay As You Earn (PAYE) - National Insurance contributions (NICs) - student loan repayments 	<p>Learners will be able to:</p> <p>4.1.12 calculate the following:</p> <ul style="list-style-type: none"> - gross pay - taxable gross pay - deductions from employees' pay - net pay - the amount due to HMRC <p>4.1.13 reconcile gross pay to net pay and / or taxable gross pay.</p> <p>Note: students will be provided with figures from which to calculate these values.</p> <p>Exclusion: the calculation of Income Tax, National Insurance Contributions (NICs) and student loan repayments.</p>

	<ul style="list-style-type: none"> - pension contributions 4.1.8 that businesses may be required to make non-statutory deductions from gross pay 4.1.9 when businesses or individuals are required to register as an employer 4.1.10 that employers are entitled to deduct statutory and other deductions from employees' pay 4.1.11 the data protection principles specifically related to the personal data of employees. 	
4.2	<p>Operating payroll</p> <p>Learners need to understand:</p> <ul style="list-style-type: none"> 4.2.1 the outline content of forms produced for payroll: <ul style="list-style-type: none"> - payslips - P45s - P60s - P11Ds 4.2.2 that employers must produce and distribute forms to employees within the required time period 4.2.3 that payroll reports must be submitted to HMRC by employers using Real Time Information (RTI) 4.2.4 the content of Full Payment Submissions (FPS) and the Employer Payment Summary (EPS) reports submitted under RTI 4.2.5 that employers must report to HMRC employee payments and employee changes within the required timescale 4.2.6 the statutory time limits for submitting payroll returns and making payment to HMRC 4.2.7 the consequences of late filing and/or payment. 	

5. Report information within the organisation

5.1 Communicating information on VAT and payroll related matters

Learners need to understand:

- 5.1.1 who to report relevant information to
- 5.1.2 when a query is beyond current experience or expertise and so should be referred to a line manager
- 5.1.3 the significant effect on cash flows and cash budgeting of the requirements to make payments on time to HMRC.

Learners need to be able to:

- 5.1.4 communicate the appropriate time limits for submitting returns and making payments to appropriate persons
- 5.1.5 communicate the effects of new legislation to the appropriate person
- 5.1.6 provide appropriate information for VAT:
 - the completion of the VAT return
 - the discovery of current and previous period errors and omissions
 - determining whether to correct or disclose errors and omissions
 - penalties and assessments
 - the effects of a change in VAT rate or other regulatory changes
 - the effect on VAT of a change in business operations
 - effects of adopting special VAT schemes on payment or recovery of VAT
- 5.1.7 provide appropriate information for payroll:
 - the completion of payroll reports
 - penalties
 - the effects of regulatory changes.

5.2 Legislation, regulation, guidance and codes of practice

Learners need to understand:

- 5.2.1 where to find information regarding changes to VAT and payroll law and practice
- 5.2.2 the importance of seeking authorisation before returns are submitted
- 5.2.3 the relevance of data protection, information security and confidentiality to VAT and payroll practice
- 5.2.4 the importance of maintaining up to date and relevant knowledge
- 5.2.5 the importance of ethical behaviour in relation to VAT and payroll
- 5.2.6 the importance of updating accounting software regarding changes to VAT and payroll legislation
- 5.2.7 the importance of acting in good faith and exercising care in relation to facts or information presented on behalf of clients or employers when dealing with HMRC, according to the *AAT Code of Professional Ethics*.

Delivering this unit

To deliver this unit effectively, tutors must have up to date knowledge of the areas of tax covered and how processes may be automated using accounting software. Although the use of specific accounting software is not covered in this unit, having an understanding and using examples of the types of reports produced by different accounting systems and for different types of businesses would be helpful, along with the differences associated with special schemes, such as the annual, flat rate and cash accounting schemes.

An emphasis should be placed on understanding the sources of data used to produce reports in accounting systems and confirming their accuracy by applying and understanding the rules and regulations of HMRC. Knowledge must be updated regularly and the unit should be taught alongside the relevant extracts from the AAT reference material.

Wherever possible, students should be encouraged to have direct work experience in the preparation, completion and submission of VAT returns and payroll reports. The use of simulated activities based on real workplace scenarios would be helpful. Tutors should use examples of documents such as invoices, receipts, payslips and P60s to aid the understanding for students, whilst complying with confidentiality, security and data protection principles. Using examples of businesses who have carried out processes incorrectly, as well as those who have carried out processes in the correct way, will emphasise the penalty regimes and the importance of timely, accurate and complete reporting.

Tutors should illustrate the importance of budgeting and cash flow requirements when calculating VAT and payroll payments. This could be delivered alongside topic areas within Management Accounting Techniques.

Links with other units

This unit links with the following units:

- Level 3 Business Awareness
- Level 3 Financial Accounting: Preparing Financial Statements
- Level 3 Management Accounting Techniques.

Test specification for Tax Processes for Businesses unit assessment

Please refer to the latest Qualification Technical Information (QTI) for specific legislation that will apply to assessments. Details can be accessed at [aat.org.uk/training/qualifications/2022/resources](https://www.aat.org.uk/training/qualifications/2022/resources)

Assessment method	Marking type	Duration of assessment
Computer based assessment	Computer marked	1 hour 30 minutes

Learning outcomes	Weighting
1. Understand legislation requirements relating to VAT	25%
2. Calculate VAT	30%
3. Review and verify VAT returns	20%
4. Understand principles of payroll	15%
5. Report information within the organisation	10%
Total	100%

Botswana Tax Processes for Businesses (2023)

Unit level	GLH value	Unit reference number	Assessment
3	60	A/650/7497	Unit assessment

Introduction

This unit is optional in the Level 3 Diploma in Accounting. For students based in the UK there is a UK version of this unit [Tax Processes for Businesses](#), earlier in this specification.

This unit explores tax processes that influence the daily operations of businesses and is designed to develop students' skills in understanding, preparing, and submitting Value Added Tax (VAT) returns to the Botswana Unified Revenue Services (BURS). The unit provides students with the knowledge and skills that are needed to keep businesses, employers and clients compliant with laws and practices that apply to VAT and payroll. Students will learn about legislation and the importance of maintaining their technical knowledge through monitoring updates.

For VAT, students will understand the registration and deregistration rules, including signing up for BURS e-Services. Students will be able to recognise different types of supplies and calculate VAT correctly, understanding the importance of the rules relating to the recovery of input VAT and the sanctions and penalties for inaccuracies, omissions, and failure to make submissions and payments within the correct timescales. Students will be able to verify the accuracy of calculations, invoices and tax points, and will learn about the correction of errors. When learning about the content of the VAT return, students will understand how to apply special rules when goods and services are imported and exported out of Botswana, and how to extract the appropriate data to complete VAT returns.

In relation to payroll, students will understand the processes for businesses involved in calculating pay and deductions and the content of documents and reports produced manually or on software, along with the timescales for submission and payment.

The application of ethical principles is threaded throughout this unit. All work must be carried out with integrity, objectivity and a high degree of professional competence. There must be due care with regards to confidentiality about any personal data being processed and, from a business protection aspect, with the correct approach to professional behaviour. Students will understand how to communicate VAT and payroll matters to relevant individuals and organisations.

This unit is subject to assessment until May 2025.

Learning outcomes

1. Understand legislation requirements relating to VAT
 2. Calculate VAT
 3. Review and verify VAT returns
 4. Understand principles of payroll
 5. Report information within the organisation
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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.

Learners may not be assessed on all content, or on the full depth or breadth of a piece of content. Content assessed may change over time to ensure validity of assessment.

1. Understand legislation requirements relating to VAT	
1.1	<p>Botswana tax law principles relating to VAT</p> <p>Learners need to understand:</p> <p>1.1.1 that BURS is the relevant tax authority for VAT in Botswana</p> <p>1.1.2 that VAT is a tax on consumer spending, charged on taxable supplies by taxable persons, including whether the tax charged falls on registered businesses or the end user</p> <p>1.1.3 BURS's rights in respect of inspection of records and visits to registered businesses</p> <p>1.1.4 BURS'S rules about:</p> <ul style="list-style-type: none"> - what records should be kept - electronic / manual invoicing - authorised accounting software - how long VAT records should be retained - how VAT records should be retained - electronic filing and digital tax return submission, i.e. BURS e-Services.
1.2	<p>VAT registration and deregistration requirements</p> <p>Learners need to understand:</p> <p>1.2.1 the registration and deregistration thresholds for VAT and how to apply them</p> <p>1.2.2 the definitions of:</p> <ul style="list-style-type: none"> - taxable supplies - standard-rated supplies - zero-rated supplies - exempt supplies <p>1.2.3 what is meant by the historic turnover method (historic test) and the future turnover method (future turnover test) and how to comply with them in respect of registration.</p> <p>1.2.4 the circumstances:</p> <ul style="list-style-type: none"> - in which voluntary registration may be beneficial to the business - for voluntary and compulsory deregistration.
1.3	<p>Filing and payment of VAT returns</p> <p>Learners need to understand:</p> <p>1.3.1 the timing and frequency of:</p> <ul style="list-style-type: none"> - filing VAT returns under the BURS tax requirements - payment/re-payment of VAT under the BURS tax requirements <p>1.3.2 the circumstances in which monthly or two-monthly VAT returns are required</p> <p>1.3.3 the processes for registering and submitting VAT returns under BURS e-services</p>

1.4	Implications for non-compliance with VAT regulations
	<p>Learners need to understand:</p> <p>1.4.1 the powers of BURS to penalise a business that has failed to register for VAT</p> <p>1.4.2 the details of the BURS penalty applicable to non-registration or late registration</p> <p>1.4.3 the consequences of late submission and non-submission of VAT returns</p> <p>1.4.4 the details of the penalties imposed by BURS applicable for late submission and non-submission of VAT returns</p> <p>1.4.5 the powers of assessment that BURS has in respect of failure to submit VAT returns</p> <p>1.4.6 the consequences of late payment or non-payment of VAT due</p> <p>1.4.7 the details of the penalties and interest imposed by BURS applicable to late or non-payment of VAT due</p> <p>1.4.8 the consequences of failing to:</p> <ul style="list-style-type: none"> - correct errors properly - report an error when required to do so <p>1.4.9 the operational and legal consequences of incorrect recovery of VAT.</p>

2. Calculate VAT			
2.1	Extracting relevant data from accounting records		
	<p>Learners need to understand:</p> <p>2.1.1 relevant sources of VAT information needed by a business</p> <p>2.1.2 how to identify relevant accounting records that cover the required period of each VAT return</p> <p>2.1.3 how to identify and extract relevant revenue, expenditure and VAT figures from the accounting records</p> <p>2.1.4 how to validate data and determine that the figures extracted have come from original and verified source documents</p> <p>2.1.5 the benefits of accounting software in identifying errors, e.g. incorrect VAT rate.</p>		
2.2	VAT invoices		
	<p>Learners need to understand:</p> <p>2.2.1 the contents and form of a VAT invoice:</p> <ul style="list-style-type: none"> - e-invoicing and manual invoicing requirements - mixed-rated supplies <p>2.2.2 how to determine the tax point (time of supply) of an invoice, both basic and actual, including when there are:</p> <ul style="list-style-type: none"> - advance payments (deposits) <p>2.2.3 the significance of the correct tax point for:</p> <ul style="list-style-type: none"> - applying the correct rate of VAT - determining the correct VAT period <p>2.2.4 the time limits for issuing VAT invoices:</p> <ul style="list-style-type: none"> - 14-day rules - 60-day rules 		
2.3	VAT calculations		
	<table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top; width: 50%;"> <p>Learners need to understand:</p> <p>2.3.1 the difference between output and input, and between output tax and input tax</p> <p>2.3.2 the automation of calculations through use of accounting software</p> </td> <td style="vertical-align: top; width: 50%;"> <p>Learners need to be able to:</p> <p>2.3.9 calculate VAT on standard-rated supplies</p> <p>2.3.10 calculate VAT when given the net or the gross amount of the supply</p> <p>2.3.11 calculate the VAT payable/repayable for a VAT period from information such as:</p> <ul style="list-style-type: none"> - sales and purchases invoices </td> </tr> </table>	<p>Learners need to understand:</p> <p>2.3.1 the difference between output and input, and between output tax and input tax</p> <p>2.3.2 the automation of calculations through use of accounting software</p>	<p>Learners need to be able to:</p> <p>2.3.9 calculate VAT on standard-rated supplies</p> <p>2.3.10 calculate VAT when given the net or the gross amount of the supply</p> <p>2.3.11 calculate the VAT payable/repayable for a VAT period from information such as:</p> <ul style="list-style-type: none"> - sales and purchases invoices
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	<p>2.3.3 rules for VAT when prompt payment discounts (PPD) are offered to customers</p> <p>2.3.4 the different implications of exempt supplies and of zero-rated supplies, and the effect on recovery of input tax</p> <p>2.3.5 how partial exemption works and how this affects the recovery of input tax</p> <p>2.3.6 the identification of what can and cannot be claimed as input tax:</p> <ul style="list-style-type: none"> - business entertaining, - purchases and sales of passenger vehicles - non-business use - notional input tax <p>2.3.7 how to apply bad debt relief, when this is available and what time limits apply</p> <p>2.3.8 how to account for VAT for international trade:</p> <ul style="list-style-type: none"> - imports - exports. 	<ul style="list-style-type: none"> - credit notes issued and received - cash and petty cash transaction receipts - deposits, advance payments and delayed payments - adjustments made for: - bad debts - input tax that cannot be claimed <p>2.3.12 calculate the impact on VAT of:</p> <ul style="list-style-type: none"> - PPD - bad debts - items on which input tax cannot be reclaimed - notional input tax <p>2.3.13 calculate VAT for international trade:</p> <ul style="list-style-type: none"> - imports - exports.
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3. Review and verify VAT returns		
3.1	Make adjustments for errors or omissions in VAT returns	
	<p>Learners need to understand:</p> <p>3.1.1 that previous period errors may be corrected.</p>	<p>Learners will be able to:</p> <p>3.1.2 calculate and process the appropriate adjustments for given previous period errors</p> <p>3.1.3 recognise the impact that the adjustments for previous period errors will have on VAT.</p>
3.2	Verify information contained within VAT returns	
	<p>Learners need to understand:</p> <p>3.2.1 what is included in all relevant boxes of the Botswana VAT return</p> <p>3.2.2 how imports and exports are treated on a VAT return</p> <p>3.2.3 the importance of checking the VAT return before submission</p> <p>3.2.4 how to identify reasons for any given differences between the VAT return and the VAT control account</p>	<p>Learners need to be able to:</p> <p>3.2.5 review VAT returns from accounting information</p> <p>3.2.6 reconcile the VAT return to accounting records.</p>

4. Understand principles of payroll

4.1 Employer responsibilities of payroll

Learners need to understand:

- 4.1.1 that payroll is operated by businesses or individuals who employ staff
- 4.1.2 that BURS is the relevant tax authority for payroll
- 4.1.3 BURS's powers to require businesses to comply with:
 - regulations about registration
 - record keeping
 - submissions of returns
 - payment of amounts due
- 4.1.4 BURS's rights in respect of inspection of records and visits
- 4.1.5 BURS's rules about:
 - what records should be kept
 - software / manual system used
 - how payroll records should be retained
 - how long payroll records should be retained
- 4.1.6 the difference between gross pay, taxable pay and net pay
- 4.1.7 that businesses are required to make statutory deductions from gross pay:
 - Pay As You Earn (PAYE)
 - Pension
- 4.1.8 that businesses may be required to make non-statutory deductions from gross pay
- 4.1.9 when businesses or individuals are required to register as an employer
- 4.1.10 that employers are entitled to deduct statutory and other deductions from employees' pay
- 4.1.11 the data protection principles specifically related to the personal data of employees.

Students need to be able to:

- 4.1.12 calculate the following:
 - gross pay
 - taxable pay
 - deductions from employees' pay
 - net pay
 - the amount due to BURS
- 4.1.13 Reconcile gross pay to net pay and / or taxable pay

4.2 Operating payroll

Learners need to understand:

- 4.2.1 the outline content of forms produced for payroll:
 - payslips
 - Certificate of Tax
 - annual return
- 4.2.2 that employers must produce and distribute forms to employees within the required time period
- 4.2.3 that payroll reports must be submitted to BURS by employers as per the stipulated time period
- 4.2.4 the content of payroll reports submitted to BURS
- 4.2.5 that employers must report to BURS employee payments and employee changes within the required timescale
- 4.2.6 the statutory time limits for submitting payroll returns and making payment to BURS
- 4.2.7 the consequences of late filing and/or payment.

5. Report information within the organisation

5.1

Communicating information on VAT and payroll related matters

Learners need to understand:

- 5.1.1 who to report relevant information to
- 5.1.2 when a query is beyond current experience or expertise and so should be referred to a line manager
- 5.1.3 the significant effect on cash flows and cash budgeting of the requirements to make payments on time to BURS.

Learners need to be able to:

- 5.1.4 communicate the appropriate time limits for submitting returns and making payments to appropriate persons
- 5.1.5 communicate the effects of new legislation to the appropriate person
- 5.1.6 provide appropriate information for VAT:
 - the completion of the VAT return
 - the discovery of current and previous period errors and omissions
 - determining whether to correct or disclose errors and omissions
 - penalties, surcharges / interest and assessments
 - the effects of a change in VAT rate or other regulatory changes
 - the effect on VAT of a change in business operations
- 5.1.7 provide appropriate information for payroll:
 - the completion of payroll reports
 - penalties
 - the effects of regulatory changes.

5.2

Legislation, regulation, guidance and codes of practice

Learners need to understand:

- 1.2.1 where to find information regarding changes to VAT and payroll law and practice
- 1.2.2 the importance of seeking authorisation before returns are submitted
- 1.2.3 the relevance of data protection, information security and confidentiality to VAT and payroll practice
- 1.2.4 the importance of maintaining up to date and relevant knowledge
- 1.2.5 the importance of ethical behaviour in relation to VAT and payroll
- 1.2.6 the importance of updating any accounting software regarding changes to VAT and payroll legislation
- 1.2.7 the importance of acting in good faith and exercising care in relation to facts or information presented on behalf of clients or employers when dealing with BURS, according to the *AAT Code of Professional Ethics*.

Delivering this unit

To deliver this unit effectively, tutors must have up to date knowledge of the areas of tax covered and how processes may be automated using accounting software. Although the use of specific accounting software is not covered in this unit, having an understanding and using examples of the types of reports produced by different accounting systems and for different types of businesses would be helpful.

An emphasis should be placed on understanding the sources of data used to produce reports in accounting systems and confirming their accuracy by applying and understanding the rules and regulations of BURS. Knowledge must be updated regularly and the unit should be taught alongside the relevant extracts from the AAT Reference Material.

Wherever possible, students should be encouraged to have direct work experience in the preparation, completion and submission of VAT returns and payroll reports. The use of simulated activities based on real workplace scenarios would be helpful. Tutors should use examples of documents such as invoices, receipts, payslips and annual returns to aid the understanding for students, whilst complying with confidentiality, security and data protection principles. Using examples of businesses who have carried out processes incorrectly, as well as those who have carried out processes in the correct way, will emphasise the penalty charges and the importance of timely, accurate and complete reporting.

Tutors should illustrate the importance of budgeting and cash flow requirements when calculating VAT and payroll payments. This could be delivered alongside topic areas within Management Accounting Techniques.

Links with other units

This unit links with the following units:

- Level 3 Business Awareness
- Level 3 Financial Accounting: Preparing Financial Statements
- Level 3 Management Accounting Techniques.

Test specification for Tax Processes for Businesses unit assessment

Please refer to the latest Qualification Technical Information (QTI) for specific legislation that will apply to assessments. Details can be accessed at [aat.org.uk/training/qualifications/2022/resources](https://www.aat.org.uk/training/qualifications/2022/resources)

Assessment method	Marking type	Duration of assessment
Computer based assessment	Computer marked	1 hour 30 minutes

Learning outcomes	Weighting
1. Understand legislation requirements relating to VAT	25%
2. Calculate VAT	30%
3. Review and verify VAT returns	20%
4. Understand principles of payroll	15%
5. Report information within the organisation	10%
Total	100%

Botswana Tax Processes for Businesses (2024)

Unit level	GLH value	Unit reference number	Assessment
3	60	A/650/7497	Unit assessment

Introduction

This unit is optional in the Level 3 Diploma in Accounting. For students based in the UK there is a UK version of this unit [Tax Processes for Businesses](#), earlier in this specification.

This unit explores tax processes that influence the daily operations of businesses and is designed to develop students' skills in understanding, preparing, and submitting Value Added Tax (VAT) returns to the Botswana Unified Revenue Services (BURS). The unit provides students with the knowledge and skills that are needed to keep businesses, employers and clients compliant with laws and practices that apply to VAT and payroll. Students will learn about legislation and the importance of maintaining their technical knowledge through monitoring updates.

For VAT, students will understand the registration and deregistration rules, including signing up for BURS e-Services. Students will be able to recognise different types of supplies and calculate VAT correctly, understanding the importance of the rules relating to the recovery of input tax and the sanctions and penalties for inaccuracies, omissions, and failure to make submissions and payments within the correct timescales. Students will be able to verify the accuracy of calculations, invoices and tax points, and will learn about the correction of errors. When learning about the content of the VAT return, students will understand how to apply special rules when goods and services are imported and exported out of Botswana, and how to extract the appropriate data to complete VAT returns.

In relation to payroll, students will understand the processes for businesses involved in calculating pay and deductions and the content of documents and reports produced manually or on software, along with the timescales for submission and payment.

The application of ethical principles is threaded throughout this unit. All work must be carried out with integrity, objectivity and a high degree of professional competence. There must be due care with regards to confidentiality about any personal data being processed and, from a business protection aspect, with the correct approach to professional behaviour. Students will understand how to communicate VAT and payroll matters to relevant individuals and organisations.

This unit is based on the Tax year 1 July 2023 – 30 June 2024 subject to assessment from 12 May 2025.

Learning outcomes

2. Understand legislation requirements relating to VAT
 3. Calculate VAT
 4. Review and verify VAT returns
 5. Understand principles of payroll
 6. Report information within the organisation
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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.

Learners may not be assessed on all content, or on the full depth or breadth of a piece of content. Content assessed may change over time to ensure validity of assessment.

1. Understand legislation requirements relating to VAT	
1.1	<p>Botswana tax law principles relating to VAT</p> <p>Learners need to understand:</p> <p>1.1.1 that BURS is the relevant tax authority for VAT in Botswana</p> <p>1.1.2 that VAT is a tax on consumer spending, charged on taxable supplies by taxable persons, including whether the tax charged falls on registered businesses or the end user</p> <p>1.1.3 the definitions of:</p> <ul style="list-style-type: none"> - taxable supplies - standard-rate supplies - zero-rated supplies - exempt supplies <p>1.1.4 BURS's rights in respect of inspection of records and visits to registered businesses</p> <p>1.1.5 BURS'S rules about:</p> <ul style="list-style-type: none"> - what records should be kept - how long VAT records should be retained - how VAT records should be retained
1.2	<p>VAT registration and deregistration requirements</p> <p>Learners need to understand:</p> <p>1.2.1 the registration and deregistration thresholds for VAT and how to apply them</p> <p>1.2.2 what is meant by the historic turnover method (historic test) and the future turnover method (future turnover test) and how to comply with them in respect of registration.</p> <p>1.2.3 the circumstances:</p> <ul style="list-style-type: none"> - in which voluntary registration may be beneficial to the business - for voluntary and compulsory deregistration.
1.3	<p>Filing and payment of VAT returns</p> <p>Learners need to understand:</p> <p>1.3.1 the timing and frequency of:</p> <ul style="list-style-type: none"> - filing VAT returns under the BURS tax requirements - payment/re-payment of VAT under the BURS tax requirements <p>1.3.2 the circumstances in which monthly or two-monthly VAT returns are required</p> <p>1.3.3 the processes for registering and submitting VAT returns under BURS e-services</p>

1.4	Implications for non-compliance with VAT regulations
	<p>Learners need to understand:</p> <p>1.4.1 the powers of BURS to penalise a business that has failed to register for VAT</p> <p>1.4.2 the details of the BURS penalty applicable to non-registration or late registration</p> <p>1.4.3 the consequences of late submission and non-submission of VAT returns</p> <p>1.4.4 the details of the penalties imposed by BURS applicable for late submission and non-submission of VAT returns</p> <p>1.4.5 the powers of assessment that BURS has in respect of failure to submit VAT returns</p> <p>1.4.6 the consequences of late payment or non-payment of VAT due</p> <p>1.4.7 the details of the penalties and interest imposed by BURS applicable to late or non-payment of VAT due</p> <p>1.4.8 the consequences of errors in VAT returns</p>

2 Calculate VAT	
2.1	Extracting relevant data from accounting records
	<p>Learners need to understand:</p> <p>2.1.1 relevant sources of VAT information needed by a business</p> <p>2.1.2 how to identify relevant accounting records that cover the required period of each VAT return</p> <p>2.1.3 how to identify and extract relevant revenue, expenditure and VAT figures from the accounting records</p> <p>2.1.4 how to validate data and determine that the figures extracted have come from original and verified source documents</p> <p>2.1.5 the benefits of accounting software in identifying errors, e.g. incorrect VAT rate.</p>
2.2	VAT invoices
	<p>Learners need to understand:</p> <p>2.2.1 the contents and form of a VAT invoice:</p> <ul style="list-style-type: none"> - e-invoicing and manual invoicing requirements - mixed-rated supplies <p>2.2.2 how to determine the tax point (time of supply) of an invoice, both basic and actual, including when there are advance payments (deposits)</p> <p>2.2.3 the significance of the correct tax point for:</p> <ul style="list-style-type: none"> - applying the correct rate of VAT - determining the correct VAT period <p>2.2.4 the time limits for issuing VAT invoices:</p> <ul style="list-style-type: none"> - 14-day rules - 60-day rules

2.3 VAT calculations

Learners need to understand:

- 2.3.1 the difference between output and input, and between output tax and input tax
- 2.3.2 the automation of calculations through use of accounting software
- 2.3.3 rules for VAT when prompt payment discounts (PPD) are offered to customers
- 2.3.4 the different implications of exempt supplies and of zero-rated supplies, and the effect on recovery of input tax
- 2.3.5 how partial exemption works and how this affects the recovery of input tax
- 2.3.6 the identification of what can and cannot be claimed as input tax:
 - business entertaining,
 - purchases and sales of passenger vehicles
 - non-business use
 - notional input tax
- 2.3.7 how to apply bad debt relief, when this is available and what time limits apply
- 2.3.8 how to account for VAT for international trade:
 - imports
 - exports.

Learners need to be able to:

- 2.3.9 calculate VAT on standard-rated supplies
- 2.3.10 calculate VAT when given the net or the gross amount of the supply
- 2.3.11 calculate the VAT payable/repayable for a VAT period from information such as:
 - sales and purchases invoices
 - credit notes issued and received
 - cash and petty cash transaction receipts
 - deposits, advance payments and delayed payments
 - adjustments made for:
 - bad debts
 - input tax that cannot be claimed
- 2.3.12 calculate the impact on VAT of:
 - PPD
 - bad debts
 - items on which input tax cannot be reclaimed
 - notional input tax
- 2.3.13 calculate VAT for international trade:
 - imports
 - exports.

3 Review and verify VAT returns			
3.1	Make adjustments for errors or omissions in VAT returns		
	<table border="1"> <tr> <td> Learners need to understand: 3.1.1 that previous period errors may be corrected. </td> <td> Learners will be able to: 3.1.2 calculate and process the appropriate adjustments for given previous period errors 3.1.3 recognise the impact that the adjustments for previous period errors will have on VAT. </td> </tr> </table>	Learners need to understand: 3.1.1 that previous period errors may be corrected.	Learners will be able to: 3.1.2 calculate and process the appropriate adjustments for given previous period errors 3.1.3 recognise the impact that the adjustments for previous period errors will have on VAT.
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3.2	Verify information contained within VAT returns		
	<table border="1"> <tr> <td> Learners need to understand: 3.2.1 what is included in all relevant boxes of the Botswana VAT return 3.2.2 how imports and exports are treated on the Botswana VAT return 3.2.3 the importance of checking the VAT return before submission 3.2.4 how to identify reasons for any given differences between the VAT return and the VAT control account </td> <td> Learners need to be able to: 3.2.5 review VAT returns from accounting information 3.2.6 reconcile the VAT return to accounting records. </td> </tr> </table>	Learners need to understand: 3.2.1 what is included in all relevant boxes of the Botswana VAT return 3.2.2 how imports and exports are treated on the Botswana VAT return 3.2.3 the importance of checking the VAT return before submission 3.2.4 how to identify reasons for any given differences between the VAT return and the VAT control account	Learners need to be able to: 3.2.5 review VAT returns from accounting information 3.2.6 reconcile the VAT return to accounting records.
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4 Understand principles of payroll	
4.1	Employer responsibilities of payroll
<p>Learners need to understand:</p> <p>4.1.1 that payroll is operated by businesses or individuals who employ staff</p> <p>4.1.2 that BURS is the relevant tax authority for payroll</p> <p>4.1.3 BURS's powers to require businesses to comply with:</p> <ul style="list-style-type: none"> - regulations about registration - record keeping - submissions of returns - payment of amounts due <p>4.1.4 BURS's rights in respect of inspection of records and visits</p> <p>4.1.5 BURS's rules about:</p> <ul style="list-style-type: none"> - what records should be kept - software / manual system used - how payroll records should be retained - how long payroll records should be retained <p>4.1.6 the difference between gross pay, taxable gross pay and net pay</p> <p>4.1.7 that businesses are required to make statutory deductions from gross pay:</p> <ul style="list-style-type: none"> - Pay As You Earn (PAYE) - pension <p>4.1.8 that businesses may be required to make non-statutory deductions from gross pay</p> <p>4.1.9 when businesses or individuals are required to register as an employer</p> <p>4.1.10 that employers are entitled to deduct statutory and other deductions from employees' pay</p> <p>4.1.11 the data protection principles specifically related to the personal data of employees.</p>	<p>Learners need to be able to:</p> <p>4.1.12 calculate the following:</p> <ul style="list-style-type: none"> - gross pay - taxable gross pay - deductions from employees' pay - net pay - the amount due to BURS <p>4.1.13 Reconcile gross pay to net pay and / or taxable gross pay</p>
4.2	Operating payroll

Learners need to understand:

- 4.2.1 the outline content of forms produced for payroll:
 - payslips
 - Certificate of Tax
 - annual return
- 4.2.2 that employers must produce and distribute forms to employees within the required time period
- 4.2.3 that payroll reports must be submitted to BURS by employers in the required time period
- 4.2.4 the content of payroll reports submitted to BURS
- 4.2.5 that employers must report to BURS employee payments and employee changes within the required timescale
- 4.2.6 the statutory time limits for submitting payroll returns and making payment to BURS
- 4.2.7 the consequences of late filing and/or payment

5 Report information within the organisation	
5.1	Communicating information on VAT and payroll related matters
<p>Learners need to understand:</p> <p>5.1.1 who to report relevant information to</p> <p>5.1.2 when a query is beyond current experience or expertise and so should be referred to a line manager</p> <p>5.1.3 the significant effect on cash flows and cash budgeting of the requirements to make payments on time to BURS.</p>	<p>Learners need to be able to:</p> <p>5.1.4 communicate the appropriate time limits for submitting returns and making payments to appropriate persons</p> <p>5.1.5 communicate the effects of new legislation to the appropriate person</p> <p>5.1.6 provide appropriate information for VAT:</p> <ul style="list-style-type: none"> - the completion of the VAT return - the discovery of current and previous period errors and omissions - determining whether to correct or disclose errors and omissions - penalties, surcharges / interest and assessments - the effects of a change in VAT rate or other regulatory changes - the effect on VAT of a change in business operations <p>5.1.7 provide appropriate information for payroll:</p> <ul style="list-style-type: none"> - the completion of payroll reports - penalties - the effects of regulatory changes.
5.2	Legislation, regulation, guidance and codes of practice
<p>Learners need to understand:</p> <p>5.2.1 where to find information regarding changes to VAT and payroll law and practice</p> <p>5.2.2 the importance of seeking authorisation before returns are submitted</p> <p>5.2.3 the relevance of data protection, information security and confidentiality to VAT and payroll practice</p> <p>5.2.4 the importance of maintaining up to date and relevant knowledge</p> <p>5.2.5 the importance of ethical behaviour in relation to VAT and payroll</p> <p>5.2.6 the importance of updating any accounting software regarding changes to VAT and payroll legislation</p> <p>5.2.7 the importance of acting in good faith and exercising care in relation to facts or information presented on behalf of clients or employers when dealing with BURS, according to the <i>AAT Code of Professional Ethics</i>.</p>	

Delivering this unit

To deliver this unit effectively, tutors must have up to date knowledge of the areas of tax covered and how processes may be automated using accounting software. Although the use of specific accounting software is not covered in this unit, having an understanding and using examples of the types of reports produced by different accounting systems and for different types of businesses would be helpful.

An emphasis should be placed on understanding the sources of data used to produce reports in accounting systems and confirming their accuracy by applying and understanding the rules and regulations of BURS. Knowledge must be updated regularly, and the unit should be taught alongside the relevant extracts from the AAT Reference Material.

Wherever possible, students should be encouraged to have direct work experience in the preparation, completion and submission of VAT returns and payroll reports. The use of simulated activities based on real workplace scenarios would be helpful. Tutors should use examples of documents such as invoices, receipts, payslips and annual returns to aid the understanding for students, whilst complying with confidentiality, security and data protection principles. Using examples of businesses who have carried out processes incorrectly, as well as those who have carried out processes in the correct way, will emphasise the penalty charges and the importance of timely, accurate and complete reporting.

Tutors should illustrate the importance of budgeting and cash flow requirements when calculating VAT and payroll payments. This could be delivered alongside topic areas within Management Accounting Techniques.

Links with other units

This unit links with the following units:

- Level 3 Business Awareness
- Level 3 Financial Accounting: Preparing Financial Statements
- Level 3 Management Accounting Techniques.

Test specification for Botswana Tax Processes for Businesses unit assessment

Please refer to the latest Qualification Technical Information (QTI) for specific legislation that will apply to assessments. Details can be accessed at aat.org.uk/training/qualifications/2022/resources

Assessment method	Marking type	Duration of assessment
Computer based assessment	Computer marked	1 hour 30 minutes

Learning outcomes	Weighting
1. Understand legislation requirements relating to VAT	25%
2. Calculate VAT	30%
3. Review and verify VAT returns	20%
4. Understand principles of payroll	15%
5. Report information within the organisation	10%
Total	100%

12. Delivering AAT qualifications

12.1 Staff requirements

AAT requires that all staff who deliver AAT qualifications, including tutors, assessors and verifiers, are professionally competent to do so.

If a training provider wishes to claim recognition of prior learning (RPL) for a student, the staff must hold the relevant assessor and/or Internal Verifier (IV) qualifications.

For more information on assessing RPL and the role and qualifications required for assessors and/or IVs, please refer to the *AAT Code of practice for approved training providers* and *AAT Guidance for training providers* documents available through MyAAT at aat.org.uk/support/quality-assurance/resources

12.2 Training provider and assessment venue approval

Training providers must be approved by AAT to offer these qualifications. To apply to become an AAT Approved training provider, email trainingproviders@aat.org.uk with the following information:

- full name of organisation
- full postal address, including postcode
- landline telephone number
- website address – this must be a live, fully functioning website
- other awarding bodies with which the organisation is accredited.

When AAT has received this information, an account manager will set up a meeting and discuss the criteria needed for approval. Only applications that meet AAT's high standards will be approved.

Existing training providers who wish to offer the qualification(s) should apply through the qualification approval section under online centre services, which can be found under the MyAAT login. Please note that only the training provider's main contact can apply for qualification approval.

Some organisations will not wish to become AAT Approved training providers but may be interested in administering AAT assessments by becoming an approved assessment venue. To apply to become an AAT Approved assessment venue, email assessment.venues@aat.org.uk with the following information:

- the full address of the proposed venue
- any experience in administering computer based assessments.

AAT will evaluate whether a venue meets the minimum hardware and software requirements, is a suitable environment for delivering assessments and has the staff to run assessments successfully. A representative from AAT will conduct a visit before approval is granted.

12.3 Quality assurance

AAT monitors training providers to ensure their continued compliance with the AAT approval criteria, the *AAT Code of practice for approved training providers* and appropriate regulatory requirements.

All training providers have an allocated point of contact and will be subject to a range of quality assurance activities (including visits, remote activities, self-assessment and thematic reviews) to ensure that quality standards are being met. The frequency of quality assurance activities will depend on a number of factors, including the level of risk associated with the provider's experience in delivering AAT qualifications and/or the outcomes of previous quality assurance activities. If a centre has been delivering assessments using RPL, AAT may also ask for particular information and/or documents to be made available so that sampling can be carried out.

Training providers will receive a report following on from any quality assurance activity from AAT, which will identify any actions that are to be addressed.

AAT may apply an action plan with deadlines and/or a sanction where training providers do not meet the requirements set out in the *AAT Code of practice for approved training providers*, which may be accessed via MyAAT at aat.org.uk/support/quality-assurance/resources

Sanctions will be applied at training provider level and will take the following form:

- Level 1: Action plan imposed
- Level 2: Suspension of the right to claim certification
- Level 3: Suspension of the right to register students, schedule assessments and claim certification.

Where AAT considers that there is an irretrievable breakdown in the management and quality assurance of the delivery of specified qualifications, AAT will withdraw training provider approval.

13. Equality and diversity

AAT firmly believes in equality of opportunity for all who participate in its qualifications. As well as our commitment to the Equality Act 2010, we aim to ensure that:

- our qualifications are free from barriers that restrict access and progression
- our qualifications are attainable by all who can demonstrate the required standard by whatever means
- our qualifications, publications and procedures are free from discriminatory practices or stereotypes with regards to age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sexual orientation, caring responsibilities, and part-time working. Assessment tasks and study opportunities are sufficiently varied and flexible to ensure that no particular group of students or would-be students are placed at any disadvantage
- all reasonable adjustments are made to cater for the individual requirements of students
- assessments are valid and reliable to ensure that all students receive impartial treatment.

We do this by:

- considering issues of diversity and equality as part of the development process
- avoiding the creation of barriers that might disadvantage those students who share one or more protected characteristics
- consulting with students (or their representatives)
- collecting data for monitoring and evaluation
- providing additional information at aat.org.uk/about-aat/aat-equal-opportunities-policy

13.1 Reasonable adjustments

A reasonable adjustment is an arrangement that can be put in place by AAT or the assessment centre prior to an assessment to help students with a long-term disability, such as dyslexia, or who are temporarily impaired, such as a student who has broken their arm, to do their best. For example, this could mean applying extra time for dyslexic students or allowing the use of a scribe for a student with a broken arm.

In most cases, it should be possible for the assessment centre to make the decision to grant adjustments and notify AAT before scheduling the assessment: for example, granting extra time up to and including one-third of the available time as published for that assessment. However, if a more significant adjustment is needed, assessment centres may need to obtain approval from AAT first.

Further information about reasonable adjustments and the procedures for notification and approval are given in the *Guidance on the Application of Reasonable Adjustments and Special Considerations in AAT assessments* available through MyAAT at aat.org.uk/assessment/adjustments-and-considerations

13.2 Special consideration

Special consideration is a process that takes account of a student's circumstances, for example a temporary illness or injury, or some other event outside of the student's control, at or shortly before the time of assessment, which could have had an effect on the student's ability to take the assessment. The process entails a review of the student's performance in the assessment and, if appropriate, the application of a small mark adjustment to compensate, as far as possible, for the difficulties that they might have experienced.

Further information about special consideration and the procedure that must be followed in notifying AAT is given in the *Guidance on the Application of Reasonable Adjustments and Special Consideration in AAT assessments* available through MyAAT at aat.org.uk/assessment/adjustments-and-considerations

14. Support for training providers

14.1 Centre Support team

The Centre Support team is dedicated to helping training providers with the daily running of AAT qualifications. The team also offers one-to-one support for new training providers to help them get their AAT qualifications up and running.

Phone: +44 (0)203 3735 2443

Email: centre.support@aat.org.uk

14.2 Regional Account Manager (RAM)

Each training provider has their own Regional Account Manager (RAM) assigned to support them once they have been approved as an AAT training provider. RAMs help provide links to local employers and visit regularly to keep training providers up to date on qualification developments, apprenticeships and possible commercial opportunities.

14.3 Weekly email update from AAT – *SummingUp*

Every Friday, *SummingUp* shares all the latest news from AAT with AAT Approved training providers, including:

- technical updates
- qualification developments
- upcoming events
- new e-learning materials
- the latest marketing materials.

14.4 Events for training providers

Tutors have the opportunity to attend the following events throughout the year.

Annual conference

The annual training provider conference is a chance to get together, network and share ideas. The conference typically includes:

- topical workshops
- guest speaker sessions
- the opportunity to learn about new developments directly from AAT.

Network meetings

At these events, training providers can raise queries, share best practice and ideas with AAT and other training providers. The events:

- cover a wide range of topics
- keep tutors up to date on the latest issues
- provide relevant and cost-effective CPD.

Technical events (tutor-to-tutor sessions)

These events are free of charge to training providers and cover a range of our qualifications and assessment areas. Experienced and high-performing training providers share their experiences, tips and techniques with attendees to help others improve their teaching and delivery.

14.5 Tutor talk forum

All AAT Approved training providers have access to Tutor talk, where tutors can contribute to online conversations about a wide range of AAT issues. Tutors will receive:

- unlimited user logins for all AAT tutors
- email updates on posts they are interested in.

14.6 Online support resources

In order to help tutors deliver AAT qualifications, a range of support materials are offered for all AAT qualifications, such as:

- practice assessments
- tutor workbooks
- recorded webinars
- videos
- podcasts
- training materials
- green light tests for all AAT units.

All tutor support materials can be found on the [Lifelong Learning Portal](#).

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