

Advanced Bookkeeping

Unit level	GLH value	Assessment
3	90	Unit and synoptic assessment

Introduction

This unit is the first of two Advanced level financial accounting units. It develops Foundation level skills, incorporating Advanced Bookkeeping and managing records for non-current assets, in preparation for producing final accounts for unincorporated organisations.

The purpose of this unit is to build on skills and knowledge learned in the Foundation level accounting units and to develop bookkeeping skills, taken to an initial trial balance. This is valuable progress for the student, both in terms of moving towards preparing final accounts and also in terms of offering employers more technical skills at this stage. The bookkeeping skills that students have acquired at an earlier stage will be reinforced and developed in this unit. While the daybooks and some of the ledger accounts may be familiar, the accruals basis of accounting is introduced to underpin many of the adjustments that are commonly found in the workplace, including accruals, prepayments, accounting for irrecoverable and doubtful debts and the period end valuation of inventory. This takes the student to the position of being able to draw up a trial balance using adjusted figures, and to extend it to identify the profit or loss for the period.

Students will study non-current asset accounting in some depth, including the accurate recording and control of the valuable resource of non-current assets which is vital to all organisations. On completion of this unit, students will understand and know how to use the non-current assets register as an important and independent record of the details of each individual non-current asset. The student will know how to use the various ledger accounts required to record the acquisition and disposal of non-current assets, how to calculate the gain or loss on disposal, and how to choose and apply depreciation methods and rates.

Students are expected to know and explain why they follow certain procedures, rather than just knowing that they have to be followed. While recognising that computerised accounts packages and spreadsheets will normally be used in the workplace, this unit helps the student understand the background processes. On completion of this unit, students will also begin to understand how ethical principles apply in the context of their work in this area. This enables the student to be a more independent member of a team and to work intelligently in their role, requiring increasingly less supervision as their knowledge grows and starting to supervise more junior members of the team.

Advanced Bookkeeping is a **mandatory** unit in this qualification. It follows on from the Foundation level units, Bookkeeping Transactions and Bookkeeping Controls. It is closely linked with the Advanced level unit, Final Accounts Preparation, which is recommended to be delivered after this unit. It also incorporates appropriate parts of Ethics for Accountants. Skills and knowledge from this unit are essential for the Professional level unit, Financial Statements of Limited Companies.

Learning outcomes

1. Apply the principles of advanced double-entry bookkeeping
 2. Implement procedures for the acquisition and disposal of non-current assets
 3. Prepare and record depreciation calculations
 4. Record period end adjustments
 5. Produce and extend the trial balance
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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.

Students may not be assessed on all content, or on the full depth or breadth of a piece of content in any particular assessment. Content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

1. Apply the principles of advanced double-entry bookkeeping

1.1 Demonstrate the accounting equation

Students need to know:

- the importance of the accounting equation for keeping accounting records
- the effect of accounting transactions on elements of the accounting equation.

1.2 Classify assets, liabilities and equity in an accounting context

Students need to know:

- definitions and examples of assets: non-current (tangible, intangible) and current; liabilities: current and non-current; equity and capital; income (revenue); expenses (costs).

Students need to be able to:

- classify general ledger accounts as income (revenue), expense (cost), asset, liability or equity (capital).

1.3 Demonstrate the purpose and use of books of prime entry and ledger accounting

Students need to know:

- the different books and records that make up the accounting system: books of prime entry: sales and purchases daybooks, cash book, journal (including narratives), general ledger accounts, memorandum ledgers, control accounts: sales ledger, purchases ledger, value added tax (VAT, may be known by another name in other countries) and payroll
- what information should be recorded in each record
- how these records relate to each other, including dealing with VAT
- the importance of following organisational policies and procedures
- the importance of the integrity and accuracy of records
- why the records need to be kept secure, and how.

Students need to be able to:

- write up general ledger accounts correctly and accurately
 - close off accounts to the statement of profit or loss, where appropriate
 - carry down balances, where appropriate.
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1.4 Apply ethical principles when recording transactions

Students need to know:

- the meaning of objectivity and its importance in accounting
- the importance of transparency and fairness
- that only valid transactions for the period must be included, and that all relevant transactions must be included.

Students need to be able to:

- apply the ethical principle of confidentiality
- identify whether entries are made with integrity, professional competence and due care
- identify whether transactions are genuine and valid for inclusion in the organisation's records
- identify professional behaviour, including dealing with the pressures of familiarity and authority.

1.5 Carry out financial period end routines

Students need to know:

- that income or expense accounts will carry a balance prior to closing off to the statement of profit or loss at the end of the financial period
- which account balances to carry forward and which to close off to the statement of profit or loss at the end of a financial period.

Students need to know how to:

- verify general ledger balances by using other sources of information and performing reconciliations where appropriate: physical checks, inventory records, supplier and bank statements, sales and purchases ledgers (memorandum ledger accounts)
- resolve discrepancies or refer them to the appropriate person
- identify and make corrections in the general ledger, including the journal.

2. Implement procedures for the acquisition and disposal of non-current assets

2.1 Demonstrate the importance of prior authority for capital expenditure

Students need to know:

- why authorisation is necessary
- the appropriate person in an organisation to give authority.

2.2 Identify capital expenditure

Students need to know:

- that International Financial Reporting Standards (IFRS) exist that are relevant to non-current assets
- the definitions of cost, useful life, residual value, depreciable amount, carrying amount
- what can and cannot be included in the cost of non-current assets
- the importance of organisational policy, including applying a given level of materiality
- that revenue expenses should be excluded
- that the depreciable amount of the acquisition should be allocated over its useful life; this is an application of the accrual basis of accounting
- the effect of capitalisation on the statement of profit or loss and statement of financial position.

Students need to be able to:

- treat VAT according to the registration status of the acquiring organisation.
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2.3 Differentiate between funding methods for acquisition of non-current assets

Students need to know:

- the following funding methods: cash purchase (including purchase on standard commercial credit terms); borrowing, including loans, hire purchase, finance lease (no detailed knowledge of accounting treatment); part-exchange
 - the suitability of each of the above in a tightly defined business context.
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2.4 Record acquisitions and disposals of non-current assets

Students need to know:

- the purpose and content of the non-current assets register, including assisting physical verification and checking general ledger entries and balances
- the carrying amount of an asset that has been disposed of at the end of the period
- the meaning of the balance on the disposals account
- how gains and losses on disposal are treated at the period end

Students need to be able to:

- update the non-current assets register for acquisitions and disposals
 - record acquisitions and disposals in the general ledger
 - account for acquisitions and disposals by part-exchange
 - treat VAT, according to the registration status of the acquiring organisation
 - use the following accounts: non-current asset at cost (for example, motor vehicles at cost), non-current asset accumulated depreciation, bank/cash, loan, disposals.
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3. Prepare and record depreciation calculations

3.1 Calculate depreciation

Students need to know:

- how charges are treated at the period end.

Students need to be able to:

- choose and use appropriate methods of depreciation, taking into account the expected pattern of usage of the asset
 - choose and use appropriate rates of depreciation, taking into account the estimated useful life of the acquisition
 - use the straight-line method of depreciation, using a percentage, fraction or over a period of time, including cases when a residual value is expected, for a full year or pro rata for part of a year, according to organisational policy
 - use the diminishing balance method of depreciation for a full year using a percentage
 - use the units of production method of depreciation.
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3.2 Record depreciation

Students need to be able to:

- record depreciation in the non-current assets register
 - record depreciation in the general ledger, including the journal
 - use the following accounts: depreciation charges, non-current asset accumulated depreciation.
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4. Record period end adjustments

4.1 Record accruals and prepayments in income and expense accounts

Students need to know:

- that adjustments for accruals and prepayments are an application of the accrual basis of accounting
- how opening and closing accruals and prepayments affect income and expense accounts.

Students need to be able to:

- explain the difference between the amount paid or received and the amount recognised in the accounts
 - account for accruals and prepayments by making a double-entry in the current period and reversing it in the future period
 - recognise the reversal of a previous period adjustment in the ledger accounts
 - calculate adjustments pro rata
 - enter adjustments in the general ledger, including the journal
 - calculate the amount transferred to the statement of profit or loss
 - use the following accounts: accruals/accrued expenses, accrued income, prepayments/prepaid expenses, prepaid income.
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4.2 Record irrecoverable debts and allowances for doubtful debts

Students need to know:

- the differences between irrecoverable debts, allowances for specific doubtful debts and general allowances
- that allowances for doubtful debts are an application of the accrual basis of accounting (recognition only).

Students need to be able to:

- calculate new allowances for doubtful debts in accordance with organisational policy
 - calculate adjustments for an existing general allowance for doubtful debts
 - account for the recovery of an irrecoverable debt previously written off
 - use the journal to record irrecoverable debts and allowances for doubtful debts (VAT implications are not required)
 - use the following accounts: irrecoverable debts (statement of profit or loss), sales ledger control account, allowance for doubtful debts account (statement of financial position), allowance for doubtful debts adjustment account (statement of profit or loss).
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4.3 Record inventory

Students need to know:

- that IFRS exist that are relevant to inventory valuation
- the meaning of net realisable value
- that valuation must be at the lower of cost and net realisable value on an individual item basis
- the principles of different methods of valuation (calculations not required)
- what can and cannot be included in the valuation of inventory
- that accounting for inventory is an application of the accrual basis of accounting.

Students need to be able to:

- determine the correct closing inventory figure in accordance with current accounting standards
- calculate the cost of inventory from selling price when VAT or an element of profit is included (calculations involving an understanding of mark-up or sales margin will not be required)
- make entries in the journal
- use the following accounts: closing inventory – statement of profit or loss; closing inventory – statement of financial position.

4.4 Record period end adjustments

Students need to know:

- that, when making period end adjustments, there is scope to significantly affect the reported results of the organisation
- the effects of including misleading or inaccurate period end adjustments (non-compliance with regulations, misinformed decision making by users of the final accounts).

Students need to be able to:

- respond appropriately to period end pressures (time pressure, pressure to report favourable results, pressure from authority).

5. Produce and extend the trial balance

5.1 Prepare a trial balance

Students need to know:

- that certain accounts can carry either a debit or a credit balance (in particular: VAT, disposals, allowance for doubtful debts adjustment, bank, loan, irrecoverable debts)
- the importance of the trial balance for the preparation of final accounts.

Students need to be able to:

- transfer balances from ledger accounts, a list of balances or written data into correct debit or credit columns of the trial balance
- correct any errors that are not shown by the trial balance
- use and clear the suspense account.

5.2 Carry out adjustments to the trial balance

Students need to be able to:

- place the following adjustments correctly in the extended trial balance: closing inventory, accruals, prepayments, corrections of errors/omissions, depreciation, irrecoverable debts, allowances for doubtful debts.

5.3 Complete the extended trial balance

Students need to be able to:

- extend figures in the ledger balances and adjustments columns correctly into the statement of profit or loss and statement of financial position columns
 - make the extended columns balance
 - correctly label the balancing figure line as profit or loss.
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Delivering this unit

This unit has the following links across the AAT Advanced Diploma in Accounting.

Unit name	Content links	Suggested order of delivery
Final Accounts Preparation	Advanced Bookkeeping gives students underlying knowledge that may support their study of Final Accounts Preparation.	It is recommended that Advanced Bookkeeping is delivered before Final Accounts Preparation.
Ethics for Accountants	Advanced Bookkeeping touches on ethical matters in the context of bookkeeping.	Not applicable for this unit.
Indirect Tax	Advanced Bookkeeping requires knowledge of how VAT is treated	Early delivery of Indirect Tax may enhance understanding of the VAT elements of the Bookkeeping units.

Links to standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

- FA-4 Prepare accounts.

Test specification for Advanced Bookkeeping unit assessment

Please refer to the latest Qualification Technical Information (QTI) for specific legislation or rates that apply to the current assessments. Details can be accessed at aat.org.uk/about-aat/qualification-development

Assessment method	Marking Type	Duration of exam
Computer based assessment	Computer marked	2 hours

Learning outcomes	Weighting
1. Apply the principles of advanced double-entry bookkeeping	24%
2. Implement procedures for the acquisition and disposal of non-current assets	20%
3. Prepare and record depreciation calculations	13%
4. Record period end adjustments	20%
5. Produce and extend the trial balance	23%
Total	100%

Final Accounts Preparation

Unit level	GLH value	Assessment
3	60	Unit and synoptic assessment

Introduction

This Advanced level unit is about preparing final accounts for sole traders and partnerships, and helping students to become aware of alternative business organisation structures.

This purpose of this unit is to provide the background knowledge and skills that a student needs in order to be capable of drafting accounts for sole traders and partnerships, and it provides the background knowledge of the regulations governing company accounts. A successful student will be able to complete tasks while being aware of potential ethical issues and know how to report information effectively. The student should become an accomplished member of the accounting team who is able to work with little supervision and who can see a financial picture of the organisation as a whole.

Students will be able to recognise the different types of organisations that need to prepare financial statements and will understand why such statements are important to users in the business environment. The financial accounting techniques and knowledge that they have already acquired will be developed to prepare accounting records when the records are incomplete, and students will become familiar with mark-up and margin.

Students will recognise special accounting requirements for partnerships. They will become aware of legislation and regulations governing financial statements, and will be able to recall and apply ethical knowledge to situations arising during the preparation of accounts. This unit also introduces students to the terminology and formats used by accountants in the financial statements of companies, working with the International Financial Reporting Standards (IFRS) terminology that is utilised across AAT.

Using all of this, the student will be able to prepare final accounts for sole traders and partnerships from an initial trial balance and present these to their line manager. They will then gain awareness of the more detailed requirements for the preparation of company financial statements.

Final Accounts Preparation is a **mandatory** unit in this qualification. It is closely linked to the Advanced level financial accounting unit, Advanced Bookkeeping, as well as to the Foundation level units, Bookkeeping Transactions and Bookkeeping Controls. In addition, it draws on the ethical principles from the Advanced level unit, Ethics for Accountants. On completion of this unit, students are prepared to start the Professional level unit, Financial Statements of Limited Companies.

It is recommended that this unit is taken after Advanced Bookkeeping and with or after Ethics for Accountants.

Learning outcomes

1. Distinguish between the financial recording and reporting requirements of different types of organisation
 2. Explain the need for final accounts and the accounting and ethical principles underlying their preparation
 3. Prepare accounting records from incomplete information
 4. Produce accounts for sole traders
 5. Produce accounts for partnerships
 6. Recognise the key differences between preparing accounts for a limited company and a sole trader
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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.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

1. Distinguish between the financial recording and reporting requirements of different types of organisation

1.1 Describe the types of organisation that need to prepare final accounts

Students need to know:

- brief descriptions of business organisations:
 - for profit: sole traders, partnerships, limited companies, limited liability partnerships (LLPs)
 - not for profit: charities
- the basic differences between the structure and financial characteristics of these organisations:
 - who owns the organisation/public benefit requirement
 - who manages the organisation
 - where responsibility lies for debts that the organisation cannot pay, and the amount of exposure
 - whether, and how, any tax is paid
- for commercial organisations, the different terms used to represent ownership in the statement of financial position (capital and equity) and amounts taken by the owners (drawings and dividends)
- for charitable organisations, representation of net assets in the statement of financial position as funds of the charity.

Students need to be able to:

- recognise basic advantages and disadvantages of operating as a partnership rather than as a sole trader
- recognise basic advantages and disadvantages of incorporated status.

1.2 Recognise the regulations applying to different types of organisation

Students need to know:

- that different regulations apply to different organisations, including awareness of relevant:
 - partnership legislation
 - companies legislation and accounting standards
 - LLP legislation
 - charity legislation, charity regulators and statements of recommended practice
 - that the presentation of final accounts for sole traders and partnerships is not governed by statute and accounting regulations to the same extent as those for limited companies; they have no definitive format
 - the importance of behaving professionally, being competent and acting with due care at work
 - the importance of deadlines in the preparation of final accounts.
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2. Explain the need for final accounts and the accounting and ethical principles underlying their preparation

2.1 Describe the primary users of final accounts and their needs

Students need to know:

- the primary users of final accounts
 - the reasons why final accounts are needed by these users.
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2.2 Describe the accounting principles underlying the preparation of final accounts

Students need to know:

- the existence of a framework within which accountants work
- the underlying assumptions governing financial statements: accrual basis, going concern basis
- the fundamental qualitative characteristics of useful financial information
- the supporting qualitative characteristics
- why financial statements should be free from material misstatement.

Students need to be able to:

- recognise circumstances when a business is no longer a going concern and be aware of the effect on the value of its assets.
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2.3 Apply ethical principles when preparing final accounts

Students need to know:

- the importance of behaving professionally and being competent
 - the importance of objectivity, including an awareness of the potential for conflicts of interest and bias
 - why security and confidentiality of information must be maintained at all times.
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3. Prepare accounting records from incomplete information

3.1 Recognise circumstances where there are incomplete records

Students need to know:

- possible reasons why information may be missing
 - possible reasons for inconsistencies within the records themselves
 - examples of the types of figures that may be missing
 - the importance of acting with integrity.
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3.2 Prepare ledger accounts, using these to estimate missing figures

Students need to be able to:

- use the content of daybooks, including value added tax (VAT)
 - use information from the cash book
 - distinguish between relevant and non-relevant data
 - reconstruct ledger accounts: sales and purchases ledger control accounts, VAT control account and the bank account
 - calculate and correctly label the missing figure of such reconstructed accounts
 - calculate opening or closing balances from information given
 - adjust data for VAT, using information given.
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3.3 Calculate figures using mark-up and margin

Students need to know:

- what margin and mark-up are, and the difference between them.

Students need to be able to:

- calculate mark-up and margin
 - use mark-up and margin to calculate missing figures
 - use cost of goods sold to determine a missing figure
 - adjust data for VAT from data provided.
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3.4 Assess the reasonableness of given figures within a particular context

Students need to be able to:

- recognise whether a figure is reasonable in a given context
 - explain reasons behind the difference between an actual balance and a calculation
 - exercise professional scepticism.
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4. Produce accounts for sole traders

4.1 Calculate opening and/or closing capital for a sole trader

Students need to be able to:

- account for drawings, capital injections and profits or losses
 - record these in ledger accounts
 - explain movements in capital balances.
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4.2 Describe the components of a set of final accounts for a sole trader

Students need to know:

- the purpose of a statement of profit or loss
 - the purpose of a statement of financial position
 - how the statement of financial position is linked to the accounting equation
 - how the statement of profit or loss and the statement of financial position are related.
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4.3 Prepare a statement of profit or loss for a sole trader in the given format

Students need to be able to:

- itemise income and expenditure in line with given organisational policies
 - transfer data from the trial balance to the appropriate line of the statement according to the level of detail given for the organisation.
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4.4 Prepare a statement of financial position for a sole trader in the given format

Students need to be able to:

- apply the net assets presentation of the statement of financial position
 - transfer data from the trial balance to the appropriate line of the statement according to the level of detail given for the organisation.
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5. Produce accounts for partnerships

The following points apply to assessment criteria 5.2, 5.4, 5.5, 5.6 and 5.7:

- the number of partners is limited to a maximum of three
- there are no changes in the partnership during a period
- either a profit or loss may be provided for allocation.

5.1 Describe the key components of a partnership agreement

Students need to know:

- what a partnership agreement typically may or may not contain
- why a formal partnership agreement may not exist for all partnerships.

5.2 Describe the accounting procedures for a change in partners

Students need to know:

- a simple definition of goodwill in accounting terms
- why goodwill will change capital balances on admission or retirement of a partner
- that goodwill may be introduced and subsequently eliminated from the accounting records using the profit sharing ratio.

Students need to be able to:

- calculate the goodwill adjustments using the profit sharing ratio
- enter such adjustments in ledger accounts and balance off these accounts as necessary.

5.3 Describe the key components of partnership accounts

Students need to know:

- the purpose of a statement of profit or loss
- the purpose and content of the partnership appropriation account
- how the statement of profit or loss is linked to the partnership appropriation account
- the nature and content of partners' current accounts
- the nature and content of partners' capital accounts
- the purpose of a statement of financial position.

5.4 Prepare a statement of profit or loss for a partnership, in the given format

Students need to know:

- why the statement of profit or loss for a partnership is an adaptation of one for a sole trader.

Students need to be able to:

- itemise income and expenditure in line with given organisational policies
 - transfer data from the trial balance to the appropriate line of the statement according to the level of detail given for the organisation.
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5.5 Prepare a partnership appropriation account, in compliance with the partnership agreement and in the given format

Students need to be able to:

- apply the terms of a partnership agreement
 - record interest on capital (but not how to calculate it)
 - record interest on drawings (but not how to calculate it)
 - record salaries or commission paid to partners
 - calculate, and appropriate and account for, the residual profit according to the profit sharing ratio
 - recognise the status of partners' salaries, commission and interest
 - present this account in the format given for the organisation.
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5.6 Prepare the current accounts for each partner

Students need to be able to:

- enter ledger accounting entries
 - account for drawings in the form of cash, goods or services
 - link the current account with figures from the appropriation account.
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5.7 Prepare a statement of financial position for a partnership, in compliance with the partnership agreement and in the given format

Students need to know:

- how the statement of financial position for a partnership differs from one of a sole trader.

Students need to be able to:

- apply the net assets presentation of the statement of financial position
 - transfer data from the trial balance to the appropriate line of the statement according to the level of detail given for the organisation
 - show partners' current and capital accounts on the statement of financial position.
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6. Recognise the key differences between preparing accounts for a limited company and a sole trader

6.1 Describe the main sources of regulation governing company accounts

Students need to know:

- the particular importance of maintaining an up-to-date knowledge of relevant legislation and accounting standards that apply to companies
 - which source provides the required formats for the statement of profit or loss and statement of financial performance for a company adopting IFRS
 - which standards provide guidance for property, plant and equipment, and inventories, where IFRS is adopted (recalled as examples of regulation).
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6.2 Describe the more detailed reporting arising from these regulations

Students need to know:

- the requirement to prepare financial statements at least annually and file them publicly
 - why selection and application of accounting policies is regulated, and the objectives that should be met when developing them
 - why limited company financial statements need to follow statutory formats, with prescribed headings and terminology
 - why cost of sales and other expenses must be classified according to rules
 - why taxation is charged in the statement of profit or loss of a company
 - why only the carrying value of non-current assets appears on the statement of financial position of a company
 - why notes must be provided as part of the financial statements of a company.
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Delivering this unit

This unit has the following links across the AAT Advanced Diploma in Accounting.

Unit name	Content links	Suggested order of delivery
Advanced Bookkeeping	This unit builds on the knowledge and skills acquired from studying Advanced Bookkeeping.	It is recommended that Final Accounts Preparation is delivered after Advanced Bookkeeping.
Ethics for Accountants	Ethics and ethical principles are embedded within this unit.	It is recommended that Final Accounts Preparation is delivered either at the same time as or after Ethics for Accountants.
Management Accounting: Costing. Spreadsheets for Accounting and Indirect Tax	Three Advanced level units – Management Accounting: Costing, Spreadsheets for Accounting and Indirect Tax – have links to Final Accounts Preparation.	Not applicable.

Links to standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

- FA-4 Prepare accounts
- FA-5 Draft financial statements.

Test specification for Final Accounts Preparation unit assessment

Please refer to the latest Qualification Technical Information (QTI) for specific legislation or rates that apply to the current assessments. Details can be accessed at aat.org.uk/about-aat/qualification-development

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

Learning outcomes	Weighting
1. Distinguish between the financial recording and reporting requirements of different types of organisation	10%
2. Explain the need for final accounts and the accounting and ethical principles underlying their preparation	7%
3. Prepare accounting records from incomplete information	27%
4. Produce accounts for sole traders	31%
5. Produce accounts for partnerships	20%
6. Recognise the key differences between preparing accounts for a limited company and a sole trader	5%
Total	100%

Management Accounting: Costing

Unit level	GLH value	Assessment
3	80	Unit and synoptic assessment

Introduction

Management Accounting: Costing provides students with the knowledge and skills needed to understand the role of cost and management accounting in an organisation, and how organisations use such information to aid management decision making. This unit takes students from Elements of Costing at Foundation level and gets them ready to prepare organisational budgets and report on performance at Professional level.

On successful completion of this unit, students should be able to carry out costing procedures in an organisation's accounting department with minimal supervision. They will be able to gather, analyse and report cost and revenue information to support managerial planning, control and decision making.

Students will develop a deeper understanding of the fundamental principles that underpin management accounting methodology and techniques, how costs are handled in organisations, and why different organisations treat costs in different ways. They 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 cost 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. These include: inventory control methods; direct labour costing; allocation and apportionment of indirect costs to responsibility centres; calculation of overhead absorption rates, including under absorptions and over absorptions; and prime, marginal and absorption costing calculations.

They will also learn the techniques required for decision making, using both short-term and long-term estimates of costs and revenues. These include: estimating changes in unit costs and profit as activity levels change; segmented profit or loss by products; break-even (cost volume profit – CVP) analysis; limiting factor decision making; job, batch, unit, process and service costing; reconciling budgeted and actual costs and revenues by means of flexible or fixed budgets; and capital investment appraisal techniques.

This unit builds on the knowledge and skills that students develop at Foundation level in Elements of Costing and prepares them for the Professional level units, Management Accounting: Budgeting and Management Accounting: Decision and Control. Together, these units give students an underpinning understanding of cost and management accounting principles and the ability to apply relevant techniques.

Management Accounting: Costing is a **mandatory** unit in this qualification.

Learning outcomes

1. Understand the purpose and use of management accounting within an organisation
 2. Apply techniques required for dealing with costs
 3. Apportion costs according to organisational requirements
 4. Analyse and review deviations from budget and report these to management
 5. Apply management accounting techniques to support decision making
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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.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

1. Understand the purpose and use of management accounting within an organisation

1.1 Demonstrate an understanding of internal reporting

Students need to know:

- the purpose of internal reporting and providing accurate information to management
 - how to calculate:
 - costs, contribution and reported profits for an organisation
 - segmented costs, contribution and reported profits by product.
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1.2 Demonstrate an understanding of ethical principles in management accounting

Students need to know:

- the need for integrity in preparing management accounts
 - why third parties (such as banks) may also be users of management accounts.
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1.3 Critically compare different types of responsibility centres

Students need to know:

- the differences in cost and revenue reporting between responsibility centres, which are:
 - cost centres
 - profit centres
 - investment centres.
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1.4 Explain and demonstrate the differences between marginal and absorption costing

Students need to know:

- how to calculate prime, marginal and full absorption costs
 - the difference between product and period costs
 - the impact on reported performance of marginal versus full absorption costing in both the short run and long run
 - ethical considerations regarding manipulating profits
 - when each method is appropriate.
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2. Apply techniques required for dealing with costs

2.1 Record and calculate materials, labour and overhead costs

Students need to be able to:

- prepare and interpret inventory records
 - calculate direct labour costs per unit of production or service
 - calculate overtime premiums and bonuses
 - complete timesheets and pay calculations (including overtime and bonuses)
 - account for overheads
 - calculate direct labour cost per equivalent finished production.
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2.2 Analyse and use appropriate cost information

Students need to be able to:

- analyse cost information for material, labour and overheads in accordance with the organisation's costing procedures
 - prepare cost accounting journal entries for direct materials or indirect materials, direct or indirect labour, or overheads costs.
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2.3 Apply inventory control methods

Students need to know:

- inventory control measures, including different valuation methods. These include:
 - inventory buffers, lead times, minimum/maximum order quantities
 - the concept of economic order quantity
 - compliance with inventory control policies
 - the effect on reported profits of choice of method.

Students need to be able to:

- account for inventories using first-in-first-out (FIFO), last-in-first-out (LIFO, for internal reporting) and weighted average cost (AVCO) methods
 - analyse closing inventory balances
 - make calculations for the inventory control measures listed above.
-

2.4 Differentiate between cost classifications for different purposes

Students need to know:

- the implications of different cost classifications for cost analysis, decision making and reporting. These are:
 - fixed costs
 - variable costs
 - semi-variable costs
 - stepped costs.
-

2.5 Differentiate between and apply different costing systems

Students need to know:

- the appropriate choice of costing system for different business sectors and individual organisations
 - how to record cost information using different costing systems. These are:
 - job costing
 - batch costing
 - unit costing
 - process costing
 - service costing.
-

3. Apportion costs according to organisational requirements

3.1 Calculate and use overhead costs

Students need to know:

- the concept of activity-based costing, including appropriate cost drivers
- different methods of indirect cost allocation, apportionment or absorption.

Students need to be able to:

- attribute overhead costs to production and service cost centres:
 - allocation versus apportionment
 - direct method
 - step-down method.

3.2 Calculate overhead recovery rates using traditional methods

Students need to be able to:

- calculate overhead recovery rates in accordance with suitable bases of absorption. These are:
 - 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

Students need to be able to:

- calculate overhead recovery rates using appropriate cost drivers.

3.4 Demonstrate understanding of the under recovery or over recovery of overheads

Students need to be able to:

- account for under recovered or over recovered overhead costs in accordance with established procedures. These include:
 - making under absorption or over absorption calculations
 - making cost journal postings
 - interpreting the significance of under recoveries or over recoveries of overhead costs.

4. Analyse and review deviations from budget and report these to management

4.1 Calculate variances

Students need to be able to:

- compare budget/standard versus actual costs and revenues, and calculate variances using:
 - fixed budgets
 - flexible budgets.

4.2 Analyse and investigate variances

Students need to be able to:

- determine the cause and effects of variances
- investigate any significant variances, and draw conclusions for remedial action.

4.3 Report on variances

Students need to be able to:

- identify and explain key variances
 - produce management reports in a suitable format.
-

5. Apply management accounting techniques to support decision making

5.1 Estimate and use short-term future income and costs

Students need to know:

- the importance of professional competence in estimating income and costs.

Students need to be able to:

- use estimates of relevant future income and costs for short-term decision making
 - use CVP analysis including:
 - break-even analysis (both by calculation and by linear break-even chart)
 - margin of safety and margin of safety percentage
 - target profit
 - profit-volume analysis
 - use limiting factor decision making.
-

5.2 Assess and estimate the effects of changing activity levels

Students need to know:

- the effect of changing activity levels on unit costs and profits.

Students need to be able to:

- calculate changes in forecast unit costs and profits
 - explain such effects.
-

5.3 Use long-term future income and costs

Students need to know:

- the appropriate choice of techniques for long-term decision making:
 - payback
 - net present value
 - internal rate of return.

Students need to be able to:

- interpret the results from a capital investment appraisal using the techniques above.
-

Delivering this unit

This unit has the following links across the AAT Advanced Diploma in Accounting.

Unit name	Content links	Suggested order of delivery
Final Accounts Preparation	Management Accounting: Costing builds on the knowledge and understanding of management accounting as a whole and also links with Final Accounts Preparation.	Not applicable for this unit.

Links to standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

- MA-1 Provide cost and revenue information
- MA-2 Provide management information.

Test specification for Management Accounting: Costing unit assessment

Please refer to the latest Qualification Technical Information (QTI) for specific legislation or rates that apply to the current assessments. Details can be accessed at aat.org.uk/about-aat/qualification-development

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

Learning outcomes	Weighting
1. Understand the purpose and use of management accounting within an organisation	15%
2. Apply techniques required for dealing with costs	35%
3. Apportion costs according to organisational requirements	19%
4. Analyse and review deviations from budget and report these to management	10%
5. Apply management accounting techniques to support decision making	21%
Total	100%

Indirect Tax

Unit level	GLH value	Assessment
3	60	Unit and synoptic assessment

Introduction

This Advanced level unit is about indirect tax: specifically, the tax that is referred to in the UK and throughout this unit as value added tax (VAT). The unit is designed to develop students' skills in preparing and submitting returns to the relevant tax authority in situations where the transactions that have to be included are relatively routine. However, some non-routine issues are also included in this unit.

This unit provides students with the knowledge and skills that they need to keep their employers and clients compliant with the laws and practices that apply to the indirect taxation of sales and purchases. The content is designed to ensure that students can perform these tasks relatively unsupervised, particularly in terms of routine and some non-routine VAT tasks. However, it is expected that the student will still require some management for more involved and intensive VAT transactions. It is important that the student understands and applies the VAT rules from an ethical point of view. All VAT work must be carried out with integrity, objectivity and a high degree of professional competence. There must be due care with regard to confidentiality about any personal data being processed and, from a business protection aspect, with the correct approach to professional behaviour.

Students will learn about VAT legislation and the importance of maintaining their technical knowledge through monitoring updates. Students must be taught how to complete VAT returns accurately and must understand the implications of failing to do so. Inaccuracy and omission, late submission of returns and late payment or non-payment of VAT need to be understood in terms of the sanctions and penalties that are available to the relevant tax authority.

In particular, students will learn how to calculate the VAT value correctly in different circumstances, verify the calculations of the submitted return and correctly use an accounting system to extract relevant data for the return.

The VAT registration and deregistration rules are important aspects of learning at this level, and this includes the need to monitor sales closely to avoid breaching regulations. The existence and basic terms of special VAT schemes are also important.

Students will learn about how to deal with errors made in previous VAT returns and how and when these errors are corrected. They will also learn about communicating VAT matters to relevant individuals and organisations, including the special rules that apply when goods and services are imported into and exported out of the UK and the European Union (EU).

Indirect Tax is a **mandatory** unit. It links with Advanced Bookkeeping, Final Accounts Preparation and Management Accounting: Costing as core subjects, and with Spreadsheets for Accounting and Ethics for Accountants to create the Advanced Diploma in Accounting.

Learning outcomes

1. Understand and apply VAT legislation requirements
 2. Accurately complete VAT returns and submit them in a timely manner
 3. Understand the implications for the business of errors, omissions and late filing and payment
 4. Report VAT-related information within the organisation in accordance with regulatory and organisational requirement
-

Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit. All areas indicated in the table below must be covered in teaching.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

1. Understand and apply VAT legislation requirements

1.1 Identify and analyse relevant information on VAT

Students need to know:

- relevant sources of VAT information needed by a business
 - how to analyse available information and identify relevant items to extract
 - how to communicate relevant regulatory information to others within the business
 - the ethical and legal implications of failure to identify and apply information and regulations to the business.
-

1.2 Explain the necessary interaction with the relevant tax authority

Students need to know:

- the relevant tax authority for VAT
 - the tax authority's powers to require businesses to comply with regulations about registration, record keeping, submissions of VAT returns and payment of VAT due
 - that VAT is a tax on consumer spending, including knowing whether the tax falls on registered businesses or the end user
 - how and when it is appropriate to obtain guidance from the relevant tax authority about VAT matters, particularly in respect of issues where there is doubt over the correct treatment
 - the tax authority's rights in respect of inspection of records and control visits (students should understand what records can be inspected during a control visit, but no further detail of control visits is expected)
 - the tax authority's rules about: what constitute VAT records; how long VAT records should be retained; how VAT records should be retained.
-

1.3 Describe the VAT registration, scheme choice and deregistration requirements

Students need to know:

- about registering for VAT
 - the registration and deregistration thresholds for the normal VAT scheme, and how to apply them
 - the circumstances in which voluntary registration may be beneficial to the business
 - the deregistration threshold and circumstances in which deregistration may be appropriate
 - what is meant by the past turnover measure and the future turnover method, and how to comply with them in respect of registration
 - the special VAT schemes that can be used by some registered businesses: the annual and cash accounting schemes and the flat rate scheme for small businesses
 - the thresholds and qualification criteria for the special VAT schemes
 - why being in the normal VAT scheme or in one or more special VAT schemes affect the timing and frequency of filing returns and payment of VAT.
-

1.4 VAT invoices, required information and deadlines

Students need to know:

- what the correct contents and form of a VAT invoice are, including:
 - the simplified VAT invoice rule
 - the e-invoicing requirements
 - standard-rated, zero-rated and exempt supplies
- how to determine the tax point of an invoice, both basic and actual, when the invoice is raised after the supply and also when there are: advance payments; deposits; continuous supplies; and goods on sale or return
- the significance of the correct tax point for eligibility for special VAT schemes, applying the correct rate of VAT and determining the correct VAT for reporting
- the time limits for issuing VAT invoices, including understanding the 14-day and 30-day rules.

1.5 Maintain knowledge of legislation, regulation, guidance and codes of practice

Students need to know:

- where to find information regarding changes to VAT law and practice
- how to use information to determine relevant changes for the business that must be applied
- the deadline dates by which changes must be applied
- the importance of maintaining up-to-date and relevant VAT knowledge and the impact of this on the ability to act with professional competence.

2. Accurately complete VAT returns and submit them in a timely manner

2.1 Extract relevant data from the accounting records

Students need to know:

- how to identify relevant accounting records that cover the required period of each VAT return
 - how to identify and extract relevant income, expenditure and VAT figures from the following ledgers and accounts: sales and sales returns; purchases and purchases returns; cash and petty cash accounts; and the VAT account
 - how to determine that the figures extracted have come from an original and verified daybook or journal
 - how to determine that entries in the ledgers have been made with integrity and due regard to the regulation of VAT administration.
-

2.2 Calculate relevant input and output tax

Students need to know:

- the difference between inputs and outputs, and between input tax and output tax
- the specific calculations needed for standard, reduced-rate, zero-rated and exempt supplies
- how to calculate VAT for imports and acquisitions, exports and despatches
- the place of supply rules for both goods and services within and outside the EU
- how to treat different forms of inputs and outputs when preparing a VAT return, including how to identify valid VAT documents for the purposes of input tax recovery
- how imports, acquisitions, despatches and exports are treated on a VAT return, but not any knowledge of Intrastat returns, EC Sales List or VAT Mini One Stop Shop
- the different implications of exempt supplies and of zero-rated supplies for the VAT return, and the effect on recovery of input tax
- how partial exemption works, the de minimis limit and how this affects the recovery of input tax
- rounding rules on VAT calculations, including for retailers
- rules for VAT when prompt payment discounts (PPD) are offered to customers and how to calculate it
- how to calculate the VAT when given the net or the gross amount of the supply
- how to account for VAT on: expenditure on employee and business contact entertaining, including that of mixed groups; purchases and sales of cars and vans; deposits and advance payments for goods and services
- the VAT rules on fuel scale charges, how to apply them and their effect on VAT payable or reclaimable
- how to apply bad debt relief, when this is available and what time limits apply.

2.3 Calculate the VAT due to, or from, the relevant tax authority

Students need to be able to:

- correctly calculate the VAT payable to or reclaimable from the relevant tax authority for a VAT period in respect of: transactions in the current VAT period, including access to and use of sales and purchases invoices, credit notes issued and received, and cash and petty cash transaction receipts, adjustments for bad debt relief, fuel scale charges, entertainment expenses, cars and vans, deposits and advance payments, and correction of errors and omissions made in previous returns
- disallow VAT that is not recoverable
- deal with pressure to allow irrecoverable VAT or other inappropriate amounts to appear on the VAT return, or to remain in the accounts.

2.4 Make adjustments and declarations for any errors or omissions identified in previous VAT periods

Students need to be able to:

- determine if a given previous period error or omission can be corrected by an amendment on the current VAT return
 - apply the thresholds and deadlines within which previous period errors or omissions must be declared, including the timescales during which corrections can be made
 - identify when a given previous period error or omission must be separately reported rather than corrected on the current VAT return
 - apply the required treatment
 - report a previous period error or omission that cannot be corrected on a current VAT return.
-

2.5 Complete and submit a VAT return and make any associated payment within statutory limits

Students need to know:

- the statutory time limits for submitting VAT returns and making payment for both normal and special VAT schemes
 - how these time limits differ depending on the payment method used
 - how to complete all relevant boxes of the online return in the manner laid down by the relevant tax authority
 - how to calculate the amount of VAT due to or reclaimable from the relevant tax authority as a check on the amounts calculated by the online VAT return
 - why the final total on the VAT return should agree with the total on the business' VAT account
 - how to identify the reasons why the given final total and the given VAT account differ
 - the process for recovery of VAT that is to be reclaimed from the relevant tax authority.
-

3. Understand the implications for the business of errors, omissions, and late filing and payment

3.1 Explain the implications for a business of failure to comply with registration requirements

Students need to know:

- the powers of the tax authority to penalise a business that has failed to register for VAT
 - the details of the penalty regime applicable to non-registration or late registration.
-

3.2 Explain the implications for a business of failure to comply with the requirement to submit VAT returns

Students need to know:

- the consequences of late submission and non-submission of VAT returns
 - how the surcharge regime applies to late submission or non-submission of VAT returns
 - the powers of assessment that the tax authority has in respect of failure to submit VAT returns.
-

3.3 Explain the implications for a business of failure to comply with the requirement to make payment of VAT

Students need to know:

- the consequences of late payment or non-payment of VAT due
 - the details of the penalty regime applicable to late or non-payment of VAT due.
-

3.4 Explain the implications for a business resulting from a failure to make error corrections in the proper manner or to report errors where required to do so

Students need to know:

- the consequences of failing to correct errors properly
 - the consequences of failing to report an error when required to do so
 - the operational, ethical and legal consequences of allowing VAT recovery that is by law disallowed.
-

4. Report VAT-related information within the organisation in accordance with regulatory and organisational requirement

4.1 Inform the appropriate person about VAT-related matters

Students need to be able to:

- identify the appropriate person to whom to report information, given different circumstances
 - provide appropriate information regarding: the discovery of current and previous period errors and omissions; determining whether to correct or disclose errors and omissions; the completion of the return; penalties, surcharges and assessments; the effects of a change in VAT rate or other regulatory changes; the effect on VAT of a change in business operations
 - communicate the appropriate time limits for submitting VAT returns to appropriate persons
 - identify when a query about VAT is beyond current experience or expertise and so should be referred to a line manager.
-

4.2 Communicate information about VAT due to or from the tax authority

Students need to be able to:

- specify relevant information regarding amounts due to or recovery of amounts from the UK's Revenue and Customs authority (HMRC)
 - communicate the effects of the special VAT schemes on payment or recovery of VAT.
-

Delivering this unit

This unit has the following links across the AAT Advanced Diploma in Accounting.

Unit name	Content links	Suggested order of delivery
Advanced Bookkeeping and Final Accounts Preparation	VAT and its treatment is a key part of all the Bookkeeping units in this qualification, including the preparation of ledger accounts.	Not applicable for this unit.

Links to standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

- T-3 Reporting VAT.

Test specification for Indirect Tax unit assessment

Please refer to the latest Qualification Technical Information (QTI) for specific legislation or rates that apply to the current assessments. Details can be accessed at aat.org.uk/about-aat/qualification-development

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

Learning outcomes	Weighting
1. Understand and apply VAT legislation requirements	30%
2. Accurately complete VAT returns and submit them in a timely manner	40%
3. Understand the implications for the business of errors, omissions and late filing and payment	20%
4. Report VAT-related information within the organisation in accordance with regulatory and organisational requirement	10%
Total	100%

Ethics for Accountants

Unit level	GLH value	Assessment
3	50	Synoptic assessment only

Introduction

This unit is about professional ethics in an accounting environment. It seeks to ensure that students have an excellent understanding of why accountants need to act ethically, of the principles of ethical working, of what is meant by ethical behaviour at work, and of when and how to take action in relation to unethical behaviour and illegal acts.

This unit supports students in:

- working within the ethical code applicable to accountants and accounting technicians
- ensuring that the public has a good level of confidence in accounting practices or functions
- protecting their own and their organisation's professional reputation and legal liability
- upholding principles of sustainability.

Students will learn the core aspects of the ethical code for accountants as it relates to their work as accounting technicians and as exemplified in the *AAT Code of Professional Ethics*. They will understand the ethical principles of integrity, objectivity, professional competence and due care, and professional behaviour and confidentiality, and they will learn to apply these principles to analyse and judge ethical situations at work.

They will also understand that acting ethically derives from core personal and organisational values, such as honesty, transparency and fairness, as well as from professional ethics. Understanding the conceptual framework of principles, threats and safeguards contained in the ethical code, plus its process for ethical conflict resolution, will enable students to apply a systematic approach to ethical problems that they may encounter.

In studying this unit, students will therefore develop skills in analysing problems and in judging between 'right' and 'wrong' behaviour in a given context. They will also be able to identify alternative courses of action to resolve an ethical problem and select the most appropriate action in the circumstances.

Money laundering regulations mean that accountants can be exposed to legal liability for keeping quiet in certain circumstances or for telling the wrong person about suspected wrongdoing. Students will learn when and how money laundering regulations apply and their responsibilities in respect of them. They will also learn about reporting to the authorities in respect of suspected money laundering. In certain other circumstances, it may be appropriate for an accountant to report, 'speak up' or blow the whistle on unethical behaviour.

Finally, students will understand the basis and nature of the accountant's ethical responsibilities to uphold sustainability in their organisation.

Ethics for Accountants is a **mandatory** unit. It links with Work Effectively in Finance at Foundation level and with Accounting Systems and Controls at Professional level. There are opportunities to include aspects of acting ethically at work when delivering the other mandatory units at Advanced level.

Learning outcomes

1. Understand the need to act ethically
 2. Understand the relevance to the accountant's work of the ethical code for professional accountants
 3. Recognise how to act ethically in an accounting role
 4. Identify action to take in relation to unethical behaviour or illegal acts
-

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.

Students may not be assessed on all content, or on the full depth or breadth of a piece of content in any particular assessment. Content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

1. Understand the need to act ethically

1.1 Explain why it is important to act ethically

Students need to know:

- the effect of an accountant acting ethically on the level of confidence that the public has in all accountants, on the probity and reputation of the accountant's organisation and on the accountant's own professional reputation and legal liability
 - the importance of an accountant complying with the ethical code at all times
 - about the accountant's public interest duty to society as well as to the client or employer
 - about the ethical code's objective of maintaining the reputation of accountancy as a profession
 - about the legal and professional nature of the accountant's obligation of compliance with the ethical code
 - about consequences for members of professional accountancy bodies who breach their ethical codes
 - 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
 - about fines or reputational damage suffered by organisations as a result of unethical behaviour and non-compliance with values, codes and regulations.
-

1.2 Explain how to act ethically

Students need to know:

- about specific actions that the accountant may have to take in order to behave ethically
 - why simply complying with regulations may not constitute ethical behaviour, depending on the circumstances
 - why a methodical approach to resolving ethical problems is advisable
 - how the ethical code takes a principles-based approach to ethics, conduct and practice, rather than a rules-based approach.
-

1.3 Explain the importance of values, culture and codes of practice/conduct

Students need to know:

- how an organisation's values, corporate culture and leadership affect its decisions and actions
 - why conflict may arise and have to be resolved between an individual's key personal values and organisational values
 - the importance of an ethics-based culture and ethical leadership within an organisation
 - how codes of conduct, codes of practice and regulations may affect ethical decisions by organisations and individuals.
-

2. Understand the relevance to the accountant's work of the ethical code for professional accountants

2.1 Explain the ethical code's conceptual framework of principles, threats, safeguards and professional judgement

Students need to know:

- the importance of an accountant evaluating threats to compliance with the fundamental principles and then implementing safeguards, using professional judgement, to eliminate the threats or reduce them to an acceptable level
 - the types of threat to the fundamental principles
 - the types of safeguard that may be applied
 - how documented organisational policies on various issues can be used as safeguards to prevent threats and ethical conflict from arising
 - what an accountant should do when a threat cannot be eliminated or reduced to an acceptable level.
-

2.2 Explain the importance of acting with integrity

Students need to know:

- the meaning of integrity from the ethical code
 - the effect of accountants being associated with misleading information
 - the meaning of the key ethical values of honesty, transparency and fairness
 - the importance of acting at all times with integrity, honesty, transparency and fairness when liaising with clients, suppliers and colleagues
 - how integrity is threatened in particular by self-interest and familiarity threats.
-

2.3 Explain the importance of objectivity

Students need to know:

- the meaning of objectivity as defined by the ethical code
 - the importance of maintaining a professional distance between professional duties and personal life at all times
 - 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
 - how accountants may deal with offers of gifts and hospitality
 - how gifts and hospitality may pose threats to objectivity as inducements
 - the link between compromised objectivity and possible accusations of bribery or fraud
 - how objectivity is threatened in particular by intimidation, self-review and advocacy threats as well as by self-interest and familiarity threats.
-

2.4 Explain the importance of behaving professionally

Students need to know:

- the meaning of professional behaviour from the ethical code
 - how the ethical code as a whole sets out the required standards of behaviour for accountants and how to achieve them
 - how compliance with relevant laws and regulations is a minimum requirement
 - why 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
 - how professional behaviour is threatened in particular by self-interest, self-review and familiarity threats.
-

2.5 Explain the importance of being competent and acting with due care

Students need to know:

- the meaning of professional competence, due care and diligence as defined by the ethical code
- how professional qualifications and continuing professional development (CPD) support professional competence
- the areas in which up-to-date technical knowledge may be critical to an accountant's competence
- the consequences of an accountant failing to work competently and with due care
- the link between lack of professional competence or due care and: claims for breach of contract in the supply of services and professional negligence; accusations of fraud or money laundering
- how professional competence and due care are threatened in particular by self-interest, self-review and familiarity threats.

2.6 Explain the importance of confidentiality and when confidential information may be disclosed

Students need to know:

- the meaning of confidentiality as defined by the ethical code
- the types of situation that present threats to confidentiality
- when it may be appropriate to disclose confidential information
- when confidential information must be disclosed
- to whom a disclosure of confidential information may be made
- how information confidentiality may be affected by compliance with data protection laws
- how confidentiality is threatened in particular by self-interest, intimidation and familiarity threats.

2.7 Explain the stages in the ethical code's process for ethical conflict resolution

Students need to know:

- how ethical conflict situations could arise in a work context
 - the stages in the process for ethical conflict resolution when a situation presents a conflict in application of the fundamental principles
 - the role of documented organisational policies in preventing ethical conflict from arising.
-

3. Recognise how to act ethically in an accounting role

3.1 Distinguish between ethical and unethical behaviour

Students need to be able to:

- apply values and principles to identify whether behaviour is ethical or unethical in a given situation
 - apply key organisational values to a given situation, including complying with regulations in spirit as well as letter, with regard to: 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; using social media
 - identify situations where there is pressure to behave unethically, especially from self-interest, familiarity and intimidation threats to the fundamental principles.
-

3.2 Analyse a situation using the conceptual framework and the conflict resolution process

Students need to be able to:

- apply the conceptual framework to a situation
 - apply the conflict resolution process to a situation
 - decide when to take advice externally
 - decide when to refuse to remain associated with the matter creating the conflict, or resign.
-

3.3 Develop an ethical course of action

Students need to be able to:

- formulate a specific course of action to address the ethical concerns that have arisen
 - decide when and how advice about an ethical dilemma or unethical behaviour with regard to their own work, clients, suppliers or colleagues should be sought from a colleague or manager, or from the helpline of the employer or a professional body
 - refer instances of unethical behaviour to responsible persons at work, using discretion and maintaining confidentiality.
-

3.4 Justify an appropriate action when requested to perform tasks that are beyond current experience or expertise

Students need to be able to:

- recognise, in a given situation, when an accountant has been asked to complete work for which they do not have sufficient expertise, information, time, training or resources
 - decide the appropriate time at which advice about such concerns should be sought
 - decide what to do in such a situation.
-

3.5 Explain the ethical responsibilities of accountants in upholding the principles of sustainability

Students need to know:

- the meaning of sustainability
 - the importance of 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
 - the importance of considering the needs of the organisation's wider stakeholders
 - the link between sustainability and the accountant's ethical principle of integrity
 - the links between the accountant's public interest duty to protect society as a whole and the organisation's sustainability
 - the importance of: social and environmental aspects of performance measurement and decision-making techniques; 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.
-

4. Identify action to take in relation to unethical behaviour or illegal acts

4.1 Analyse a given situation in light of money laundering law and regulations

Students need to know:

- the possible offences under money laundering law and regulations, and their consequences for accountants and for organisations
 - the events that may occur in relation to the accountant, their colleagues, the organisation, its customers and its suppliers that give rise to obligations for the accountant under money laundering law and regulations
 - the consequences for an accountant of failing to act appropriately in response to such events, 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
 - the position specifically of accountants employed in a business regarding external reporting of the employer's suspected illegal activities under money laundering law and regulations, when the accountant is directly involved and also when they are not directly involved.
-

4.2 Identify the relevant body to which questionable behaviour must be reported

Students need to know:

- the nature and role of relevant external authorities in relation to accountants and money laundering law and regulations
 - the relevant authority or internal department to which reports about money laundering should be made
 - when and to whom tax errors should be reported
 - the relevant external authorities to which reports about other forms of illegal activity may be made
 - the prescribed internal department and/or external professional body or agency to which reports may be made regarding unethical behaviour and breaches of confidentiality.
-

4.3 Report suspected money laundering in accordance with the regulations

Students need to be able to:

- select the information that should be reported by an accountant making a required disclosure in either an internal report or a suspicious activity report (SAR) regarding suspicions about money laundering
 - identify when the required disclosure should be made.
-

4.4 Decide when and how to report unethical behaviour by employers, colleagues or clients/customers

Students need to know:

- the limited legal protection available to an external whistle-blower.

Students need to be able to:

- identify 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 helplines as appropriate
 - identify 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
 - seek third party advice before blowing the whistle externally.
-

Delivering this unit

This unit has the following links across the AAT Advanced Diploma in Accounting.

Unit name	Content links	Suggested order of delivery
Advanced Bookkeeping, Final Accounts Preparation, Management Accounting: Costing and Indirect Tax	All four of these units include content that cover ethics to an extent, including covering behaviour that is ethical and unethical, and how to develop an ethical course of action.	Not applicable to this unit.

Links to standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

PS-2 Professional ethics in accountancy and finance:

- Performance standards 1–4 and 6–13
- Knowledge and understating standards 1, 2, 5 and 8–11.

Spreadsheets for Accounting

Unit level	GLH value	Assessment
3	50	Synoptic assessment only

Introduction

This Advanced level unit is about using spreadsheets to accurately enter, analyse and present information so that informed accountancy judgements can be made. The skills and knowledge from this unit integrate spreadsheet use within the other Advanced level accountancy subjects.

Accounting technicians need to use spreadsheets as it is important that financial information is accurately analysed and presented in an unambiguous way. Spreadsheets are widely used within industry, commerce and practice, and a variety of spreadsheet packages are available specifically to assist with accounting roles (routine and one-off): Features of spreadsheet packages allow calculations, manipulation of data, analysis, budgeting, preparing financial statements, reporting, forecasting and decision making.

The student will add value to their organisation if they are familiar with the underlying principles of such software and can use it competently within their workplace. Completing this unit will allow the student to apply these important skills to Advanced Bookkeeping, Final Accounts Preparation, Management Accounting: Costing and Indirect Tax.

The student will be able to analyse data using their spreadsheet skills and then communicate the most important information to enable appropriate judgements to be made. This means that the information presented needs to be accurate and easily understood by the recipient.

The objective of this unit is to equip students with sufficient skills and knowledge to enable them to select the correct information and then accurately input raw data into a spreadsheet. The student may need to use spreadsheets developed by others or to produce their own. The student will then be able to demonstrate their use of a range of skills to analyse this data in line with accountancy conventions. 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 responsibility for checking accuracy of information at Advanced level remains with the student.

Students need to demonstrate their spreadsheet skills across the whole range of accountancy topics at Advanced level. Therefore, this unit can only be examined when the knowledge and skills of the other Advanced level units are understood.

Students must have access to a suitable spreadsheet software package as part of their study for this unit and for the assessment. The program selected by learning providers must be capable of producing reports in at least one of the following formats at various stages of the process: XLS, XLSX. Assessment evidence submitted in alternative file formats will not be marked.

Spreadsheets for Accounting is a **mandatory** unit in this qualification. This unit links to Advanced Bookkeeping, Final Accounts Preparation, Indirect Tax and Management Accounting: Costing at Advanced level.

Learning outcomes

1. Design and structure appropriate spreadsheets to meet customer needs
 2. Use spreadsheet software to record, format and organise data
 3. Use relevant tools to manipulate and analyse data
 4. Use software tools to verify accuracy and protect data
 5. Use tools and techniques to prepare and report accounting 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.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

1. Design and structure appropriate spreadsheets to meet customer needs

1.1 Organise data in a timely manner

Students need to be able to:

- identify all customer requirements, including deadlines
 - consider the use of a template or design a bespoke spreadsheet
 - plan and design the spreadsheet to meet customer needs
 - develop a spreadsheet for specific accountancy purposes.
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1.2 Securely store and retrieve relevant information

Students need to be able to:

- securely store, backup, archive and retrieve data and information in line with local policies
 - rename files in line with local conventions.
-

2. Use spreadsheet software to record, format and organise data

2.1 Select relevant data

Students need to know:

- when they have sufficient data and information.

Students need to be able to:

- select valid, reliable and accurate data
 - select relevant raw data from different sources
 - differentiate between what information is required and what information is not required.
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2.2 Accurately enter data

Students need to know:

- why their own data input needs to be accurate
- why they may need to select relevant data from different sources and where to paste that data in their spreadsheet.

Students need to be able to:

- manually enter data accurately
 - link data from different sources and across different worksheets
 - remove duplications in data
 - import data.
-

2.3 Format data

Students need to be able to:

- use a range of appropriate formatting tools to aid understanding and present the data effectively (see Skills list).
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3. Use relevant tools to manipulate and analyse data

3.1 Select and use a range of appropriate formulas and functions to perform calculations

Students need to be able to:

- plan, select and use a range of formulas to manipulate and analyse the data (see Skills list)
 - plan, select and use appropriate mathematical and logical functions (for example: IF, Subtotal, Lookup, and so on) and statistical techniques (for example: Goal Seek, Forecast) to perform calculations (see Skills list).
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3.2 Select and use relevant tools to analyse and interpret data

Students need to be able to:

- assess and select the correct analysis tool for a given task
 - analyse data using multiple sorting criteria
 - analyse data using multiple filtering criteria
 - use Conditional Formatting to enhance decisions
 - analyse data using pivot tables and charts
 - use data analysis tools (knowledge test only)
 - remove duplicates
 - use lookup tables
 - select and use appropriate forecasting tools
 - summarise data using sub totals.
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3.3 Select and use appropriate tools to generate and format charts

Students need to be able to:

- critically select and use a range of charts to summarise and present information
 - develop and format charts appropriately to aid understanding:
 - altering scales
 - altering and formatting axes
 - labelling charts
 - changing data series colour and/or format
 - produce an output in a format suitable to ensure equality of opportunity.
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3.4 Edit and update data

Students need to be able to:

- change existing data
 - include relevant new data in a spreadsheet
 - identify and remove any further duplicates
 - update relevant new data in a chart.
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4. Use software tools to verify accuracy and protect data

4.1 Use appropriate tools to identify and resolve errors

Students need to be able to:

- use formula auditing tools
 - select and use error checking tools
 - show the formulas within a spreadsheet.
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4.2 Assess that new data has been accurately added

Students need to be able to:

- consider if any new data added to the spreadsheet is included in the analysis
 - check that new data is fully included in an existing chart.
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4.3 Protect integrity of data

Students need to know:

- why protection of the integrity of their data is important
- why they may need to use and share spreadsheet passwords
- with whom they can share spreadsheet passwords.

Students need to be able to:

- use data validation to restrict editing
 - protect cells and worksheets
 - use passwords
 - keep data secure from unauthorised use.
-

5. Use tools and techniques to prepare and report accounting information

5.1 Prepare reports

Students need to be able to:

- insert headers and footers
 - hide rows and/or columns
 - format columns, rows and outputs to enhance understanding of the relevant data
 - adjust margins, orientation and print area
 - produce a summary sheet linking to other data and/or worksheets.
-

5.2 Report accounting information

Students need to know:

- why it is important to confirm that the result meets customer requirements.

Students need to be able to:

- ensure that data produced is suitable for publication, using the appropriate house style
 - show all worksheet formulas in a format suitable for publication
 - communicate the completed information to the customer appropriately.
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Skills list

<ul style="list-style-type: none"> • Absolute cell referencing • Adjusting charts • Adjusting contents to fit cells • Advanced formatting • Aligning text • Annotating charts • Auditing formulas (and print screen) • AutoSum (and print screen) • Borders and shading • Changing cell fill colour • Changing chart type • Changing filename • Chart labelling (axis scale, titles, legend) • Chart moving and resizing • Chart production and alteration (bar, bubble, column, line, pie, scatter; in stacked, 3D, exploded formats where appropriate) • Checking links • Checking validity of results • Circular referencing • Clearing cells • Column width • Comments box (show and hide) • Conditional formatting • Consolidating data across several worksheets (linking) • Copying and pasting, including Special (values, linking, etc.) • Currency formatting • Custom sorting • Custom formatting (dates, times, contents red, etc.) • Data validation • Date and time stamps and formats • Decimal formatting, including 1000 separator • Deleting cells, rows, columns • Direct referencing • Error checking (and print screen) • Filtering data using multiple criteria • Finding and replacing • Formatting text and cells, including font type, size, colour, bold, italics • Formulas for now, subtotal, sum, today • Formulas (logical): Count, Counta, Countif, IF, Sumif, Lookup • Formulas (mathematical): add, minus, divide and multiply, average, maximum, minimum • Freezing rows and columns • Goal Seek • Headers and footers • Hiding and unhiding columns and rows • Hiding and showing formulas 	<ul style="list-style-type: none"> • Histogram (knowledge only) • Hyperlink • Importing data • Inserting data, rows and columns • Inserting fields in header/footer (page number, number of pages, date, time and filename) • Linking data across several worksheets • Locking and unlocking cells • Margins • Merging cells • Moving and resizing chart • Moving average (knowledge only) • Naming (renaming) worksheets • Naming cells, ranges • Now date formula • Page breaks • Page numbering • Page orientation (landscape or portrait) • Password protecting a worksheet • Paste special, including linking • Percentages • Pivot tables (simple) • Print scaling • Print screen • Printing (see Report) • Protecting a range of cells • Publishing (see Report) • Rank and percentile (knowledge only) • Removal of duplicates • Renaming files • Report: all or part of the spreadsheet by printing (hard copy), web (HTML), Word®, PDF, PowerPoint®, email • Resizing chart • Row height • Saving as (CSV, PDF, XLSX) • Scaling information for publication • Shading cells • Sorting data using multiple criteria • Subtotalling a range • Subtotalling formulas for sum, average, maximum, minimum • Spell checking • Today date formulas • Trend lines • Tracing precedents and dependents (and print screen) • Unlocking cells • Validation circles • Worksheet naming tab • Wrapping text
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Delivering this unit

This unit has the following links across the AAT Advanced Diploma in Accounting.

Unit name	Content links	Suggested order of delivery
Advanced Bookkeeping, Final Accounts Preparation, Indirect Tax and Management Accounting: Costing	All four units include some elements of content that can be demonstrated as a skill using a spreadsheet.	Not applicable to this unit.

Links to standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

- PS-1 Work effectively in accountancy and finance
- MA-2 Provide management information
- MA-3 Draft budgets
- MA-4 Monitor financial performance
- T-1 Calculate personal tax
- T-2 Calculate business tax
- T-3 Report VAT
- TM-1 Administer cash balances
- P-1 Create and maintain employee records
- P-2 Calculate pay
- P-3 Determine entitlements and deductions
- P-4 Control payroll
- P-5 Complete end-of-period procedures
- P-6 Process expenses and benefits in kind.

12. Synoptic test specification

Please refer to the latest Qualification Technical Information (QTI) for specific legislation or rates that apply to the current assessments. Details can be accessed at aat.org.uk/about-aat/qualification-development

Assessment method	Marking type	Duration of exam
Computer based synoptic assessment	Partially computer/partially human marked	3 hours, composed of two 90-minute components

12.1 Assessment objectives

Assessment objective 1	Demonstrate an understanding of the relevance of the ethical code for accountants, the need to act ethically in a given situation and the appropriate action to take in reporting questionable behaviour
Related learning objectives	Ethics for Accountants LO1 Understand the need to act ethically LO2 Understand the relevance to the accountant's work of the ethical code for professional accountants LO4 Identify action to take in relation to unethical behaviour or illegal acts
Assessment objective 2	Prepare accounting and VAT records and respond to errors, omissions and other concerns in accordance with accounting and ethical principles and relevant regulations
Related learning objectives	Indirect Tax LO1 Understand and apply VAT legislation requirements LO2 Accurately complete VAT returns and submit them in a timely manner LO3 Understand the implications for the business of errors, omissions and late filing and payment LO4 Report VAT-related information within the organisation in accordance with regulatory and organisational requirement Ethics for Accountants LO3 Recognise how to act ethically in an accounting role LO4 Identify action to take in relation to unethical behaviour or illegal acts Advanced Bookkeeping LO1 Apply the principles of advanced double-entry bookkeeping LO2 Implement procedures for the acquisition and disposal of non-current assets LO3 Prepare and record depreciation calculations LO4 Record period end adjustments Final Accounts Preparation LO2 Explain the need for final accounts and the accounting and ethical principles underlying their preparation LO3 Prepare accounting records from incomplete information

Assessment objective 3 Demonstrate an understanding of the interrelationship between the financial accounting and management accounting systems of an organisation and how they can be used to support managers in decision making

Related learning objectives

Advanced Bookkeeping
L03 Prepare and record depreciation calculations
L04 Record period end adjustments
L05 Produce and extend the trial balance

Final Accounts Preparation
L02 Explain the need for final accounts and the accounting and ethical principles underlying their preparation
L03 Prepare accounting records from incomplete information
L04 Produce accounts for sole traders
L05 Produce accounts for partnerships

Management Accounting: Costing
L01 Understand the purpose and use of management accounting within an organisation
L02 Apply techniques required for dealing with costs
L03 Apportion costs according to organisational requirements
L05 Apply management accounting techniques to support decision making

Assessment objective 4 Apply ethical and accounting principles when preparing final accounts for different types of organisation, develop ethical courses of action and communicate relevant information effectively

Related learning objectives

Ethics for Accountants
L03 Recognise how to act ethically in an accounting role

Final Accounts Preparation
L01 Distinguish between the financial recording and reporting requirements of different types of organisation
L02 Explain the need for final accounts and the accounting and ethical principles underlying their preparation
L03 Prepare accounting records from incomplete information
L04 Produce accounts for sole traders
L05 Produce accounts for partnerships
L06 Recognise the key differences between preparing accounts for a limited company and a sole trader

Assessment objective 5 Demonstrate a range of spreadsheet knowledge and skills when working with accounting data

Related learning objectives

Spreadsheets for Accounting

- L01 Design and structure appropriate spreadsheets to meet customer needs
- L02 Use spreadsheet software to record, format and organise data
- L03 Use relevant tools to manipulate and analyse data
- L04 Use software tools to verify accuracy and protect data
- L05 Use tools and techniques to prepare and report accounting information

Assessment objective 6 Use relevant spreadsheet skills to analyse, interpret and report management accounting data

Related learning objectives

Management Accounting: Costing

- L01 Understand the purpose and use of management accounting within an organisation
- L03 Apportion costs according to organisational requirements
- L04 Analyse and review deviations from budget and report these to management
- L05 Apply management accounting techniques to support decision making

Spreadsheets for Accounting

- L01 Design and structure appropriate spreadsheets to meet customer needs
- L02 Use spreadsheet software to record, format and organise data
- L03 Use relevant tools to manipulate and analyse data
- L05 Use tools and techniques to prepare and report accounting information

Assessment objective 7 Prepare financial accounting information, comprising extended trial balances and final accounts for sole traders and partnerships, using spreadsheets

Related learning objectives

Final Accounts Preparation

- L04 Produce accounts for sole traders
- L05 Produce accounts for partnerships

Advanced Bookkeeping

- L05 Produce and extend the trial balance

Spreadsheets for Accounting

- L01 Design and structure appropriate spreadsheets to meet customer needs
- L02 Use spreadsheet software to record, format and organise data
- L03 Use relevant tools to manipulate and analyse data
- L04 Use software tools to verify accuracy and protect data
- L05 Use tools and techniques to prepare and report accounting information

12.2 Summary

Assessment objective	Weighting
A01 Demonstrate an understanding of the relevance of the ethical code for accountants, the need to act ethically in a given situation and the appropriate action to take in reporting questionable behaviour	15%
A02 Prepare accounting and VAT records and respond to errors, omissions and other concerns in accordance with accounting and ethical principles and relevant regulations	16%
A03 Demonstrate an understanding of the interrelationship between the financial accounting and management accounting systems of an organisation and how they can be used to support managers in decision making	14%
A04 Apply ethical and accounting principles when preparing final accounts for different types of organisation, develop ethical courses of action and communicate relevant information effectively	15%
A05 Demonstrate a range of spreadsheet knowledge and skills when working with accounting data	10%
A06 Use relevant spreadsheet skills to analyse, interpret and report management accounting data	16%
A07 Prepare financial accounting information, comprising extended trial balances and final accounts for sole traders and partnerships, using spreadsheets	14%
Total	100%