# Guidance Content

LO1 **Record business transactions using double entry book-keeping, and be able to extract a trial balance**

*Business transactions:*

Giving consideration to the types of business transactions (sales, purchases, receipts and payments) and the regulations which apply to financial accounting.

*Double entry book-keeping:*

Double entry recording in sales, purchases and cash book before posting to the ledger accounts.

Manual and electronic systems will be introduced and how, why and when these are used.

Effectively recording debits and credits; regulations that apply to financial accounting.

*Trial balance:*

Understanding how the trial balance is produced and its role in the identification and rectification of errors; the components of a trial balance and their importance will be considered.

LO2 **Prepare final accounts for sole-traders, partnerships and limited companies in accordance with appropriate principles, conventions and standards**

*Financial reports and financial statements:*

What is the difference between the two?

How, why and when are each one produced?

Different types of financial statements and what they cover.

Adjustments required for accruals, prepayments, bad debts, etc.

*Types of accounts:*

Preparing final accounts e.g. for sole-traders, partnerships or limited companies.

*Principles and conventions:*

Understanding accounting rules and principles.

Understanding the concepts and conventions of consistency, materiality and full disclosure.

LO3 **Perform bank reconciliations to ensure company and bank records are correct**

*Bank reconciliation:*

What is meant by bank reconciliation and why is it required? How is this achieved? Why is this necessary?

Who would be interested in the outcome of a reconciliation?

*The process of reconciliation:*

Ensuring that all entries relating to a particular period are correctly entered in the ledger system to support the preparation of the profit and loss account and balance sheet.

Using tools and techniques to check the general ledger accounts and balances against liquid holdings and cash reserves.

*Differences:*

Identify differences between the balance in the accounting book and in the bank statement.

Identifying variances through a bank reconciliation.

Ensuring the same entry for every debit and credit entry, and that the balance for each account is calculated and entered correctly.

LO4 **Reconcile control accounts and shift recorded transactions from the suspense accounts to the right accounts**

*Control accounts:*

What are they?

How and why are they used?

How do they support effective financial management?

*Suspense accounts:*

How do they differ from control accounts?

Why are they required?

*Reconciling these accounts:*

Why is reconciliation required?

How is this conducted?

The role of debtors and creditors accounts.