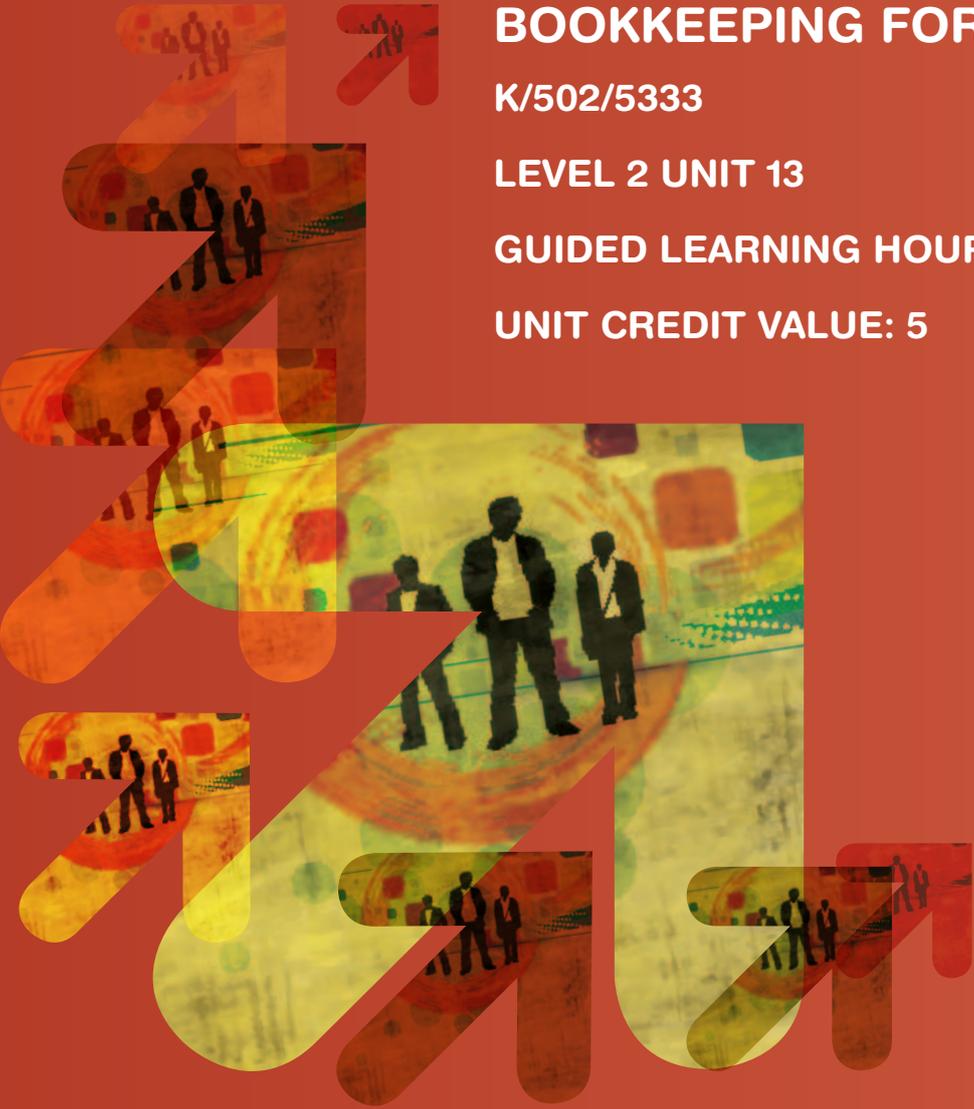




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OCR LEVEL 2 CAMBRIDGE TECHNICAL CERTIFICATE/DIPLOMA IN BUSINESS



BOOKKEEPING FOR BUSINESS

K/502/5333

LEVEL 2 UNIT 13

GUIDED LEARNING HOURS: 30

UNIT CREDIT VALUE: 5



BOOKKEEPING FOR BUSINESS

K/502/5333

LEVEL 2 UNIT 13

AIM OF THE UNIT

In this unit learners will complete and use common financial documents in the workplace and understand the impact of financial fraud on a business. This will help to prepare learners for employment in any position which requires the completion and use of financial documents. They will also be able to interpret simple financial documents and make basic judgements based on their interpretation. The understanding that learners will gain of the importance of preventing fraud and recording transactions in an accurate manner will stand them in good stead in whatever area of business they choose to enter employment or study further.

ASSESSMENT AND GRADING CRITERIA

Learning Outcome (LO)		Pass	Merit	Distinction
The learner will:		The learner can:	To achieve a merit the evidence must show that, in addition to the pass criteria, the learner is able to:	To achieve a distinction the evidence must show that, in addition to the pass and merit criteria, the learner is able to:
1	Be able to use financial documents to record transactions	P1 Identify the documents used to record financial transactions		
		P2 Outline the sequence in which these documents are used.		
		P3 Complete documents to record financial transactions		
2	Be able to create trading and profit and loss accounts and a balance sheet	P4 Create trading, profit and loss accounts from a given set of data		
		P5 Create a balance sheet from a given set of data	M1 Analyse the trading, profit and loss account and balance sheet for a selected business over a two year period	D1 Evaluate the trading, profit and loss account and balance sheet for a selected business over a two year period
3	Know the impact of fraud on a business	P6 Identify how ways of recording financial transactions help prevent fraud in a business organisation	M2 Analyse the importance of recording financial transactions accurately from at least two stakeholders' perspectives	

TEACHING CONTENT

The unit content describes what has to be taught to ensure that learners are able to access the highest grade.

Anything which follows an i.e. details what must be taught as part of that area of content.

Anything which follows an e.g. is illustrative, it should be noted that where e.g. is used, learners must know and be able to apply relevant examples to their work though these do not need to be the same ones specified in the unit content.

Learning Outcome 1 Be able to use financial documents to record transactions

Financial documents

Order form	A document used by the customer to request the purchase of a specific quantity of a good at a specific price.
Receipt	A document used by the business to acknowledge the receiving of goods or money.
Credit note	A document used by a seller to either return a sum to a buyer (i.e. for faulty goods) or as an amount to be used for future purchases (i.e. a gift card).
Invoice	A document used by the business to request payment for a specific quantity of a good at a specific price.
Delivery note	A document used by the business to be sent with the shipment of a specific quantity of goods. A copy of the delivery note is often signed by the customer to prove that the delivery has been received.

Recording transactions

Double entry	The system of bookkeeping where every transaction is entered into the ledgers at least twice.
Ledgers	A system of keeping the debit and credit entries under particular headings, <i>for example sales ledger, purchases ledger.</i>
Sales ledger	A record of all the financial transactions between customers and the business.
Purchases ledger	A record of all the financial transactions between suppliers and the business.
Debit entries	Increases in asset and expense transactions.
Credit entries	Increases in a liability, income (gain) or equity transactions.
Bank reconciliation	The process for matching up the bank balance provided by the bank and the balance shown in the businesses accounts, <i>for example if a cheque has been issued but not cashed.</i>
Daybooks	A record of day to day financial transactions that will be transferred to the ledgers at regular periods, <i>for example cash daybook, purchases daybook.</i>

Cash daybook (or cash book)	Records all money in and out of the business.
Petty cash book	A record of small purchases, <i>for example paper clips, coffee.</i>
Balancing accounts	The process of balancing the debit and credit sides of the accounts. This is found as the difference in the totals of the debit side of the accounts and the credit side of the accounts.

Learning Outcome 2 Be able to create trading and profit and loss accounts and a balance sheet

Trading, profit and loss account

Trading, profit and loss account (or statement of comprehensive income)	A financial statement that shows whether the business has made a net profit or loss over a period of time, including; total sales revenue, cost of sales, gross profit, expenses and net profit.
Total sales revenue	All the revenue of a business gained from sales. Price x number sold = Total sales revenue
Cost of goods sold	The stock of raw materials that a business has sold during a given period of time. Opening stock – purchases + closing stock = cost of goods sold
Gross profit	The money made after the cost of goods sold has been taken off. Total sales revenue – cost of goods sold = gross profit
Operating expenses	Costs that the business has incurred through trading which are not part of the cost of goods sold, <i>for example sales, administration, marketing.</i>
Net profit	The money made after cost of goods sold and operating expenses have been taken off. Total sales revenue – cost of goods sold – operating expenses = net profit OR Gross profit – operating expenses = net profit

Balance sheet

Balance sheet (statement of financial position)	A financial statement that shows a business's assets, liabilities and shareholders equity.
Assets	What a business owns
Fixed assets (Non current assets)	An asset which is likely to be owned for more than 12 months, <i>for example vehicles and property.</i>
Current assets	An asset which is likely to be owned for less than 12 months, <i>for example cash and debtors.</i>
Liabilities	What a business owes.
Long term liability	A liability which is likely to be owed for more than 12 months, <i>for example a mortgage and a loan.</i>
Current liability	A liability which is likely to be owed for less than 12 months, <i>for example an overdraft and creditors.</i>
Shareholders equity	The amount of money invested in a company through shares. This money is a liability because it is owed to the shareholders.

Impact

Reputation	Negative impact, publicity, profitability.
Legal proceedings	Eg, cost of legal advice, time, publicity.

Learning Outcome 3 Know the impact of fraud on a business**Recording transactions**

Recording financial transaction	Relate the importance of recording financial transaction to knowledge gained in learning outcome 1
	Understand why financial documents should be completed
	Understand the importance of paper trail

Consequences of not recording correctly

Overstating revenues	Not recording sales revenue in an accurate way, thereby making the sales revenue appear to be greater.
Understating expenses	Not recording operating expenses in an accurate way, thereby making the operating expenses appear to be smaller.
Overstating the value of corporate assets	Not recording the business assets in an accurate way, thereby making the assets appear greater.
Underreporting the existence of liabilities	Not recording the liabilities in an accurate way, thereby making the liabilities appear smaller.

DELIVERY GUIDANCE

Learning Outcome 1

The tutor could discuss with the learners why financial documents are created in a particular way and to be able to identify the characteristics that separate each one from another. The learners could be provided with a selection of financial documents (as suggested in the teaching content) and create a flowchart showing the relationships between each one. This could be turned into a poster, or made into a leaflet designed for non-accounting specialists.

The tutor could provide the learners with part completed ledgers and a variety of financial documents. The learners could use the information to input the entries correctly.

Learning Outcome 2

Once the data has been input correctly into ledgers, they can be used to create the trading, and profit and loss account, and the balance sheet. To be able to do this, learners will need a sound understanding of the nature of each of these financial accounts. In order to develop this understanding the tutor could provide the learners with part completed accounts for them to complete correctly.

Learning Outcome 3

This learning outcome will utilise the financial knowledge and understanding gained throughout this unit; they could also use the knowledge and understanding about business stakeholders from other units.

The tutor could discuss with the learners the importance of each of the financial documents and how they help prevent fraud within a business. In small groups the learners could take one of the issues from the suggested teaching content and research what it means, how it could affect a business, and the possible impact it may have.

The learners could identify who the stakeholders would be within a business. In small groups the learners could select a range of stakeholders and analyse the importance of accurate financial recording from the stakeholders' perspective.

It is important to maintain focus on the current law and practice in this area. The list given above is neither prescriptive nor exhaustive. Where legislation has been revised learners will consider the most up to date version as that will reflect current industry practice.

GUIDANCE ON ASSESSMENT

P1, P2, P3, P6, M2

Scenario and task:

You have been asked to create a simple training guide to help small start up businesses with their bookkeeping.

You could decide to create a step by step guide, including working examples of how to use financial documents and updating transactions in the ledgers.

You have been provided with a number of financial documents that you could include within your guide. You must identify each of the financial documents, outline the sequence in which you used them, and use them to update the transactions in the ledgers.

Your guide must also explain to businesses the importance of completing financial records and how it will help prevent fraud in a business organisation.

Guidance:

The tutor should provide the learner with the financial documents required to complete this task, and a template ledger for them to complete.

P4, P5, M1, D1

Scenario and task:

You have been provided with the end of year financial details for a business and have been asked to create a trading, profit and loss account, and a balance sheet.

You must use the figures provided and create a correct trading, profit and loss account, and a correct balance sheet.

M1

You have been provided with a trading, profit and loss account and a balance sheet for the business for a two year period. You must analyse the data and report your findings.

D1

You must use the analysis of the two year period and evaluate your findings. This could include the positive and negative change in the data, how it could affect the business, and what impact will it have on stakeholders.

MAPPING WITHIN THE QUALIFICATION TO THE OTHER UNITS

There are links to Unit 3 and it would be appropriate to follow Unit 3 with this unit.

LINKS TO NOS

CfA BAA522 Draft financial statements

CfA BAD323 Research information (Partial)

CfA BAA211 produce documents in a business environment
(Partial)



CONTACT US

Staff at the OCR Customer Contact Centre are available to take your call between 8am and 5.30pm, Monday to Friday.

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Telephone 02476 851509

Email cambridgetechnicals@ocr.org.uk

www.ocr.org.uk