

# Accounting Revision Notes Chapters 1- 9

## Chapter 1

When maintaining financial accounts you should bear in mind that they should be kept:

- Accurately
- Up-to-date
- Confidentially

## Recording of Transactions – Subsidiary Books

These include:

- **Sales Day Book** – a list of sales made, compiled from invoices issued
- **Purchases Day Book** – a list of purchases made, compiled from invoices received
- **Sales Day Returns Book** – a list of ‘returns in’, i.e. goods returned by customers, compiled from credit notes issued
- **Purchases Returns Day Book** – a list of ‘returns out’, i.e. goods returned by the business to suppliers, compiled from credit notes received
- **Cash Book** – the business’ record of the bank account and the amount of cash held, compiled from receipts, paying-in slip counterfoils, cheque counterfoils and other banking documents
- **Petty Cash Book** – a record of cash (notes and coin) purchases from small items made by the business, compiled from petty cash vouchers
- **General Journal** – a record of non-regular transactions, which are not recorded in any other subsidiary book

## Double-entry Book Keeping

This involves making two entries in the accounts for each transaction.

## Division of the Ledger

The ledger has traditionally been divided into a number of sections:

- **Sales Ledger** – personal accounts of debtors, i.e. customers to whom the business has sold on credit
- **Purchases Ledger** – personal accounts of creditors, i.e. suppliers to whom the business owes money
- **Cash Books** – a cash book comprising cash account and bank account, and a petty cash book for petty cash account (small purchases). These also subsidiary books
- **General (or nominal) Ledger** – the remainder of the accounts : nominal accounts, e.g. sales, purchases, expenses and real accounts for items owned by the business

## AS SPECIFICATION FOR ACCOUNTING

### ASSESSMENT OBJECTIVES

These are common to both AS and A2 level and will assess candidates' ability to:

- a) Demonstrate knowledge and understanding of the accounting information system, accounting procedures, techniques and concepts, the role and limitations of accounting in decision-making (AO1).
- b) Select and apply their knowledge and understanding of accounting procedures, techniques and concepts to a variety of accounting problems (AO2).
- c) Analyse and interpret accounting information in different forms (eg accounting statements, reports, tables, graphs and charts) (AO3).
- d) Evaluate accounting information and make an assessment of alternative courses of action in the form of reasoned judgements, recommendations and decisions, taking into consideration economic, legal, technological and social factors (AO4).

**To complete AS level candidates must study 3 modules. The content of each is outlined below.**

### MODULE 1

This module is designed as a foundation for the course and covers double-entry procedures with the emphasis on the accounting systems of sole traders. Candidates should gain an understanding of how the double-entry system works and develop some skill in keeping accounting records. Candidates should be able to record transactions, working from original documents, in the appropriate books of original entry. Transactions may, where appropriate, include VAT at the current rates.

Candidates should be able to verify the accuracy of accounting records, and be able to assess the consequences of errors on profit calculations and balance sheets. Candidates should be able to complete the double-entry process by transferring relevant accounts to the trading, profit and loss account, balancing accounts, and preparing a balance sheet set out in good form.

#### 1.1 ACCOUNTING RECORDS

Candidates should be able to:

Prepare and understand accounting records based on source documents, the use of subsidiary books and ledger accounts.

*Note:* source documents include invoices, credit notes, debit notes, cheque counterfoils, paying-in counterfoils, cash receipts, till rolls, petty cash vouchers; information from bank statements such as standing orders, direct debits, credit transfers, bank charges.

The subsidiary books are general ledger, four day books, main cash book and petty cash book; ledger accounts may be subdivided into the sales, purchases and general ledgers.

## 1.2 RECORDING VAT

Candidates should be able to:

Understand the main features of the VAT system and be able to record VAT in the double-entry system.

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