



IAB LEVEL 2 CERTIFICATE IN BOOK-KEEPING
(Qualification Accreditation Number 500/2993/)

INTRODUCTION

The overall aim of this qualification is to accredit candidates' knowledge and understanding of the fundamental principles concerned in the use of a manual accounting system.

Within the qualification, candidates have the opportunity to gain knowledge of manual book-keeping routines concerning the documentation and processes related to making and receiving payments, entry of transactions into the double-entry book-keeping system and preparation of a Trial Balance. They will gain a further insight into both cash and credit business transactions, VAT calculations and other manual routines.

The qualification requires candidates to understand those transactions, which are necessary for the day-to-day function of a double-entry accounting system and for processing of documents and transactions using that system. Accuracy, integrity and security of data should always be uppermost in the candidates mind.

Candidates may use this qualification as the basis of further study of manual systems and use it as underpinning knowledge for the study of the IAB Level 2 Certificate in Computerised Book-keeping and also progress to the IAB Level 3 Diploma in Accounting and Advanced Book-keeping.

To be awarded the full qualification, candidates are required to successfully demonstrate their competence by means of an external examination. It will also provide progression to the NVQs in Accounting at Levels 2, 3 and 4. Candidates will receive acknowledgement of successful completion of the qualification.

Examination Specification:

The Examination of this qualification will take the form of a formal, externally marked, examination of 2 hours duration. The examination may take place on set examination dates throughout the year or by an 'on-demand' sitting with eight weeks notice being given to the IAB.

An Answer Book will be provided giving some 'dummy documents' for the candidates' use. Some of the transactions will be presented in a 'dummy document' or 'business transaction' format.

Candidates will be required to complete four Tasks from the five presented within the Answer Booklet provided.

CERTIFICATION

All candidates who achieve a Pass grade will receive a Certificate for the successful completion of IAB Level 2 Certificate in Book-keeping.

UNIT SPECIFICATION

IAB LEVEL 2 CERTIFICATE IN BOOK-KEEPING

SINGLE UNIT TITLE: (IAB Code B2) Book-keeping to Trial Balance

Aims of the Unit

Upon completion of study for this qualification it is intended that the candidate will be able to:

- Understand and apply basic accounting concepts
- Make Value Added Tax (VAT) calculations
- Recognise and use Source Documents
- Demonstrate a knowledge and understanding of payment methods
- Use a sub-divided Book-Keeping System
- Account for Payroll
- Prepare checking devices, identify and eliminate Book-Keeping Errors
- Prepare a Trial Balance

Prior Knowledge and Skills Requirements

Before starting a course of study or training to the assessment for this unit, it is assumed and is advisable that the candidate has already acquired the knowledge and skills as specified in the IAB Level 1 Certificate in Book-keeping.

Learning Outcome	Assessment Criteria
1 Understand and Apply Basic Accounting Concepts and book-keeping ethics	<p>Understand and apply the basic accounting concepts and ethics which underpin the functions of book-keeping and accounting</p> <p>Understand fundamental double entry Book-keeping terms and Processes.</p> <p>Be able to:</p> <ul style="list-style-type: none">• Explain the function of Book-keeping and Accounting• Recognise and apply the basic accounting concepts of:<ul style="list-style-type: none">• Business entity• Money measurement• Duality• Historic Cost• Identify<ul style="list-style-type: none">• assets, capital and liabilities• capital income and expenditure• revenue income and expenditure <p>Understand and demonstrate the need for security and confidentiality in the keeping of financial records.</p>
2 Make VAT calculations	<p>Understand the workings of Value Added Tax (VAT) for the standard, Cash Accounting, Flat Rate and Annual Schemes.</p> <p>Be able to:</p> <ul style="list-style-type: none">• Explain basic terms relevant to VAT:<ul style="list-style-type: none">• VAT output tax• VAT input tax• VAT standard rate• VAT reduced rate• VAT zero rate• Exempt from VAT/outside the scope of the Scheme

Learning Outcome	Assessment Criteria
<p>2 Make VAT calculations (continued)</p>	<p>Be able to:</p> <ul style="list-style-type: none"> • Make basic VAT calculations and record VAT in the Books of the business and the VAT Account: <ul style="list-style-type: none"> • Make VAT calculations given VAT inclusive amounts • Make VAT calculations given VAT exclusive amounts • Make VAT calculations when a cash/settlement discount is offered for early or prompt payment of an invoice. • Check the VAT calculations on incoming business documents • Keep a VAT account, recording VAT input and output tax • Balance the VAT Account • Explain the balance on a VAT Account <p>Be able to provide VAT Input and VAT Output information relating to the completion of form VAT100 (VAT Return).</p>
<p>3 Recognise and use source documents</p>	<p>Understand the requirement of documenting business transactions.</p> <p>Be able to identify source documents used in business and to demonstrate awareness of the legal requirement for retaining business documents.</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Explain the function of a range of source documents used in business, i.e.: <ul style="list-style-type: none"> • Purchase order • Acknowledgement of order • Advice note • Delivery note • Invoice • Debit/credit note • Statement of account • Remittance advice • Receipt • Calculate Trade Discount and a Cash/Settlement discount and apply when preparing business document • Process business transactions using source documents • Prepare and present business documents in accordance with the organisational procedures
<p>4 Demonstrate a knowledge and understanding of payment methods</p>	<p>Understand and identify appropriate methods of making and receiving payments.</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Demonstrate an awareness of common methods of payment used in business • Make payments using appropriate payment methods, including the calculation and deduction of any cash / settlement discount offered and taken. • Check payments received, including the calculation and deduction of any cash/ settlement discounts offered and taken.

Learning Outcome	Assessment Criteria
<p>5 Use a Sub-divided Book-Keeping System</p>	<p>Understand the need for a suitable book-keeping system to allow for the processing of a high volume of transactions quickly and accurately.</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Process a range of business transactions through a sub-divided book-keeping system • Appreciate the advantages of using a sub-divided book-keeping system • Explain the methods of processing used in high volume systems, appreciate the advantages and disadvantages of: <ul style="list-style-type: none"> • Batch processing • Real time processing • Process a range of cash and credit based transactions through a sub-divided book-keeping system: <ul style="list-style-type: none"> • List information from invoices and credit notes issued and received into day books • Total and code day books • Make postings from day books to appropriate accounts in the Sales, Purchase and General Ledgers (including Control Accounts) <p>Be able to use the Journal to:</p> <ul style="list-style-type: none"> • Open double entry books • Account for the purchase and sale of fixed assets • Account for a bad debt write off • Correct book-keeping errors not disclosed by the Trial Balance • Support wages/salaries transactions <p>Be able to record receipts and payments in a columnar Cash Book:</p> <ul style="list-style-type: none"> • Balance off/total and code the Cash Book • Code the transactions and totals entered in the Cash Book • Make postings from the Cash Book to appropriate accounts in the main books (including control accounts) <p>Be able to record petty cash transactions in a Petty Cash Book:</p> <ul style="list-style-type: none"> • Balance off/total and code the Petty Cash Book • Restore the petty cash imprest balance • Code the transactions and totals entered in the Petty Cash Book • Make postings from the Petty Cash Book to appropriate accounts in the main books
<p>6 Account for Payroll</p>	<p>Understand the purpose of the payroll and process transactions relating to the cost of employment</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Explain the purpose of the payroll • Explain elements of gross pay, i.e.: <ul style="list-style-type: none"> • Basic pay • Overtime pay • Shift pay • Bonuses and commissions • Explain the terms: <ul style="list-style-type: none"> • 'Gross pay' • 'Net pay'

Learning Outcome	Assessment Criteria
6 Account for Payroll (continued)	<ul style="list-style-type: none"> • Identify typical statutory and voluntary deductions, and employer on-costs • Keep a Wages/Salaries Control Account and clear total costs of employment to a wages/salaries expense account • Keep PAYE/NIC and pension creditor accounts and clear the balances on such accounts
7 Prepare Checking Devices, Identify and Eliminate Book-Keeping Errors	<p>Understand the need for reliable error free financial information. Prepare checking devices and identify and eliminate errors</p> <p>Be able to reconcile the Cash and Bank Account balances:</p> <ul style="list-style-type: none"> • Prepare a statement to reconcile cash held in the cash box to the Cash Account Balance • Account for time-lag differences between the Bank Account and Bank Statement • Carry out a Reconciliation of opening and closing Cash Book and Bank balances (where opening balances do not agree) • Prepare a Bank Reconciliation Statement • Update the Bank Account following reconciliation <p>Be able to prepare Purchase Ledger Control and Sales Ledger Control Accounts:</p> <ul style="list-style-type: none"> • Collect data from relevant sources to prepare Control Accounts: <ul style="list-style-type: none"> • Transfer totals from the purchase Day Book to the Purchase Ledger Control Account • Transfer totals from the Purchase Returns Day Book to the Purchase Ledger Control Account • Transfer totals from the Sales Day Book to the Sales Ledger Control Account • Transfer relevant information from the Cash Book including <ul style="list-style-type: none"> •Receipts from Credit Customers •Payments to Credit Suppliers •Discounts Allowed and Received • Reconcile Control Account balances to schedules of debtors and creditors extracted from the Sales and Purchase Ledgers <p>Be able to prepare a reconciliation of a Supplier Statement to the Purchase Ledger Account:</p> <ul style="list-style-type: none"> • Compare the transactions posted to the personal account of the Trade creditor in the Purchase Ledger to the postings per their Statement of Account and account for differences between the two sets of records • Prepare a Reconciliation Statement bringing the personal account balance into agreement with the Statement of Account balance • Identify invoices falling due for payment • Pay invoices falling due for payment taking credit for goods returned, and taking advantages of cash / settlement discounts on offer • Prepare a Remittance Advice to be issued with payment.

Learning Outcome	Assessment Criteria
8 Prepare a Trial Balance	<p>Understand the form and function of the Trial Balance</p> <p>Be able to prepare a Trial Balance:</p> <ul style="list-style-type: none"> • Explain the form and function of the Trial Balance • Explain the limitations of the Trial Balance and have a knowledge of the types of error not disclosed by the Trial Balance • Prepare a Trial Balance from the main books of the business <ul style="list-style-type: none"> • Prepare a Trial Balance from a given list of ledger accounts • Redraft a Trial Balance following the correction of errors

UNIT ASSESSMENT

Candidates may sit the Examination of this Unit on either the specific dates set and published by the IAB or on dates set by Centres on an 'On-demand' basis.