



**IAB Level 3 Diploma in Accounting and Cash Management
603/2755/8**

Qualification Specification

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1 Introduction

The Level 3 Diploma in Accounting and Cash Management qualification comprises seven mandatory units:

- Principles of manual and computerised accounting – T/616/7758
- Make accounting adjustments – Y/508/5866
- Prepare financial statements from double entry records for sole traders and partnership – D/508/5867
- Prepare financial statements from double entry records for sole traders and not for profit organisations – H/508/5868
- Principles of cash management – H/616/7769
- Manage cash effectively – Y/616/7770
- Use a computerised accounting package – D/508/6629

(See Section 11 'Unit specifications' for further details.)

The Total Qualification Time (TQT) and Guided Learning Hours (GLH) for this qualification are as follows:

TQT	GLH
495	205

TQT is an estimate of the amount of time that a learner might reasonably require to achieve the level of attainment necessary for the award of a qualification. TQT includes GLH, which describes the time spent by a learner being taught or instructed by a tutor or other appropriate provider of education or training. The remaining hours are time spent by the learner in preparation, study or any other form of participation in education or training that takes place as directed by, but not under the immediate guidance or supervision of, a tutor or other appropriate provider of education or training.

2 Statement of level

This is a Level 3 qualification, defined with reference to the Regulated Qualifications Framework (RQF), as follows:

Knowledge descriptor The learner:	Skills descriptor The learner can:
<ul style="list-style-type: none"> • has factual, procedural and theoretical knowledge and understanding of a subject or field of work to complete tasks and address problems that while well-defined, may be complex and non-routine • can interpret and evaluate relevant information and ideas • is aware of the nature of the area of study or work. • is aware of different perspectives or approaches within the area of study or work. 	<ul style="list-style-type: none"> • identify, select and use appropriate cognitive and practical skills, methods and procedures to address problems that while well-defined, may be complex and non-routine • use appropriate investigation to inform actions • review how effective methods and actions have been.

3 Purpose

Learners who complete the qualification successfully will have the knowledge and skills required to carry out advanced period end bookkeeping and accounting routines, both manually and using a computerised accounting package, and also to effectively manage the cash balances of a business. They will have a knowledge of a range of accounting techniques used by businesses to improve the efficiency of their cash management procedures. They will recognise the importance of liquidity to a business's trading activities and will have the opportunity to acquire the practical skills necessary to effectively manage a business's cash, overdraft and loans in order to maintain an adequate level of liquidity and have an understanding that effective cash management requires an awareness of the general financial environment in which a business operates, how the banking sector is structured, the relationship between different financial institutions and the legal relationship which is formed between a lender and a borrower.

Successful completion of the qualification will give learners the skills required to be able to prepare a trial balance, correct bookkeeping errors, carry out procedures such as valuing stock and recording the stock valuation in the bookkeeping system, accounting for the acquisition, depreciation and disposal of fixed assets, keeping a fixed asset register, accounting for prepayments and accruals, writing-off bad debts and providing for doubtful debts. They will also be able to prepare financial statements for sole traders and partnerships and, using a commercial computerised accounting package, edit a chart of accounts and generate a range of financial and management reports.

On completing the qualification, learners will have progressed to the stage whereby they will be able to manually prepare an extended trial balance for a sole trader, and prepare financial statements for a sole trader and not for profit organisation from incomplete records. They will also be able to prepare cash budgets for a business, monitor its cash inflows and outflows, and be able to recommend appropriate corrective action where they identify significant deviations from budget. They will also be in a position to offer sound advice to a business's management regarding the most appropriate options for borrowing to account for a shortfall in funds, or for investing surplus funds, having identified a variety of long-term or short-term borrowing requirements or investment opportunities.

4 Target groups

The Level 3 Diploma in Accounting and Cash Management qualification has been designed to appeal to learners:

- who already have some bookkeeping experience and want to formalise their knowledge and skills by completing an accredited qualification in bookkeeping and accounting
- who already hold a bookkeeping qualification wanting to expand their range of knowledge and skills
- already employed in bookkeeping or allied roles and wanting to expand their range of knowledge and skills so that they can perform more advanced tasks and take on additional responsibility in the workplace
- who are currently unemployed and wanting to gain the knowledge and skills they need to move into a career in bookkeeping and accounting

- already self-employed as a bookkeeper/practitioner, or considering self-employment, and wanting to expand their range of knowledge and skills so that they can offer a more extensive range of services to a wider client base.

5 Entry requirements

It is recommended that learners wanting to study the Level 3 Diploma in Accounting and Cash Management qualification already have some knowledge of bookkeeping and accounting. Whilst suitable work experience would qualify learners to commence their studies at this Level, the IAB Level 2 Certificate in Bookkeeping and Level 2 Award in Computerised Bookkeeping qualifications, or similar qualifications issued by another awarding body, are ideal stepping-stones to the Level 3 qualification.

6 Progression

Holders of the Level 3 Diploma in Accounting and Cash Management qualification may progress to another qualification at:

- Level 3 carrying with them credits for units achieved to expand their knowledge and skills in the subject area
- a higher level, thereby developing their knowledge and skills in the subject area.

7 Assessment, achievement and grading

7.1 Methods of assessment

The method of assessment for each unit is outlined in the table below.

Assessment Title	Method of Assessment
Principles of manual and computerised accounting	Knowledge Test
Make accounting adjustments	Assignment
Prepare financial statements from double entry records for sole traders and partnerships	Examination
Prepare financial statements from incomplete records for sole traders and not for profit organisations	Assignment
Principles of cash management	Knowledge Test
*Manage cash effectively	Assignment
*Use a computerised accounting package	Examination

The knowledge tests and assignments are delivered online. Pilot assessments are provided for the purposes of practice and revision. Pilot assessments are not timed and can be undertaken as many times as the learner chooses. Once the pilot assessment is passed, the learner can attempt the live assessment. Live assessments are timed.

Both examinations must be completed under controlled conditions at a centre.

The examination for ‘Use a computerised accounting package’ involves setting up an accounting system based on a particular scenario, completing a number of tasks and generating reports.

The time allowed for the examination is three hours.

Sample examination materials are available on the IAB website (in the Centre and Student areas).

***NB:** those learners who have successfully completed the IAB Level 3 Certificate in Computerised Accounting for Business qualification will be exempt from resitting the Manage cash effectively assignment and Use a computerised accounting package examination.

7.2 Achievement and grading

To achieve the qualification learners must take and pass the assessments for the seven mandatory units of which the qualification is comprised. To pass an assessment, the learner must achieve:

70% or above for a Knowledge Test

70% or above for an Assignment

60% or above for an Examination

There are no grade scales – learners will receive either a pass or a fail result.

8 Certification

On achievement of all the mandatory units the learner will receive an IAB Level 3 Diploma in Accounting and Cash Management certificate. The certificate will carry the full name of the learner as registered.

Learners who do not achieve the full qualification may request a Certificate of Unit Completion for any of the individual units they have passed. This certificate will refer only to the title of the unit completed.

9 Reasonable adjustments and special considerations

Please refer to the Centre Area of the IAB website www.iab.org.uk for a copy of this procedure.

10 Enquiries and appeals

Please refer to the Centre Area of the IAB website www.iab.org.uk for a copy of this procedure.

11 Unit Specifications

The unit specifications indicate the content, in terms of learning outcomes and assessment criteria, of each of the seven mandatory units within the Level 3 Diploma in Accounting and Cash Management qualification.

All the learning outcomes and assessment criteria must be covered by providers when delivering the qualification. Each live assessment covers a selection of the unit learning outcomes and assessment criteria and full coverage is achieved across the live assessment variations for each unit.

The content of the assessments is subject to ongoing review by the IAB and changes periodically.

Each of the unit specifications is provided below.

Level 3 Diploma in Accounting and Cash Management – 603/2755/8

Unit title	Principles of manual and computerised accounting – T/616/7758		
Level	3		
GLH	15	Total Qualification Time	30
Learning Outcomes	Assessment Criteria		
Demonstrate knowledge	Learners are required to demonstrate that they:		
<p>1 Understand the purpose of accounting concepts and standards, and recognise the qualitative characteristics of financial information</p>	<p>1.1 Understand the accounting terms 'true and fair'</p> <p>1.2 Understand how the following accounting concepts are used in accounting:</p> <ul style="list-style-type: none"> • going concern • accruals • prudence • consistency • dual aspect • materiality • objectivity • realisation <p>1.3 Understand the purpose of domestic and international accounting standards</p> <p>1.4 Understand how the following qualitative characteristics make financial information more useful:</p> <ul style="list-style-type: none"> • relevance • reliability (faithful representation) • understandability (ease of understanding) • comparability 		
Demonstrate knowledge	Learners are required to demonstrate that they:		
<p>2 Understand the basics of bookkeeping and accounting</p>	<p>2.1 Understand the characteristics of sole trader, partnership, and limited company entities in terms of ownership, control and owner's personal financial liability and how these are created in a computerised accounting system</p> <p>2.2 Recognise the advantages of using a computerised accounting system</p> <p>2.3 Understand the use of account codes and the purpose of the chart of accounts</p> <p>2.4 Understand the purpose of the following within a computerised accounting system:</p> <ul style="list-style-type: none"> • ledger accounts • the nominal ledger • debtor, creditor and VAT control accounts 		

	<ul style="list-style-type: none"> • supplier and customer files • customer and supplier activity/history reports • aged debtor and creditor reports • trial balance • summary audit trail • bank reconciliation • Bank statement reconciled and unreconciled transactions • VAT return • budget reports • profit and loss account and balance sheet
<p>Demonstrate knowledge</p> <p>3 Understand terms used in accounting</p>	<p>Learners are required to demonstrate that they:</p> <p>3.1 Have a knowledge and understanding of the following terms:</p> <ul style="list-style-type: none"> • business transaction • income (capital and revenue) • expenditure (capital and revenue) • cash purchases and sales • credit purchases and sales, and purchases and sales returns • profit and loss • balance sheet • drawings • stock • trade debtors and creditors • bad debt • provision for doubtful debts • discounts (trade, bulk and prompt payment discounts) • wages, salaries, gross pay, net pay and statutory and voluntary deductions • depreciation • accruals and prepayments • VAT
<p>Demonstrate knowledge</p> <p>4 Understand the purpose of VAT accounts and the VAT return</p>	<p>Learners are required to demonstrate that they:</p> <p>4.1 Understand the purpose of the VAT purchase tax and sales tax accounts</p> <p>4.2 Understand the purpose of the VAT control account</p> <p>4.3 Understand the function of the VAT return</p>
<p>Demonstrate knowledge</p> <p>5 Understand the process of accounting for a stock valuation</p>	<p>Learners are required to demonstrate that they:</p> <p>5.1 Understand what is meant by the accounting term 'stock'</p> <p>5.2 Recognise the accounting concepts applied when:</p> <ul style="list-style-type: none"> • using opening and closing stock valuations

	<ul style="list-style-type: none"> • valuing stock <p>5.3 Recognise what is meant by the term 'cost price'</p> <p>5.4 Recognise methods used for the purpose of valuing stock at cost price</p> <p>5.5 Recognise the terms 'mark-up and 'margin', and know how to adjust selling price to cost price given mark-up or margin and selling price</p> <p>5.6 Recognise the term 'net realisable value' and know how to calculate net realisable value</p> <p>5.7 Understand the rule on which cost and net realisable value are applied and identify the accounting concept on which the rule is based</p> <p>5.8 Understand how opening and closing stock valuations are used when preparing financial statements</p>
<p>Demonstrate knowledge</p> <p>6 Understand the process of accounting for fixed assets</p>	<p>Learners are required to demonstrate that they:</p> <p>6.1 Understand the terms 'capital' and 'revenue' expenditure and recognise the consequences of incorrectly classifying expenditure</p> <p>6.2 Understand how the concept of materiality is applied when classifying expenditure as capital or revenue</p> <p>6.3 Recognise costs that are generally capitalised when calculating the cost of a fixed asset</p> <p>6.4 Understand what is meant by the accounting term 'depreciation' and know why fixed assets depreciate</p> <p>6.5 Recognise the accounting concepts applied when providing for depreciation</p> <p>6.6 Understand the following terms – 'capitalised cost', 'depreciable amount', 'useful life', 'residual value' and 'net book value'</p> <p>6.7 Understand the use of the straight line and diminishing balance methods of depreciation and the bases on which depreciation is calculated (full year and month-for-month)</p> <p>6.8 Understand the purpose of the fixed asset register</p> <p>6.9 Understand the process for accounting for the disposal of a fixed asset</p> <p>6.10 Know how the following information is used when preparing financial statements:</p>

	<ul style="list-style-type: none"> • fixed asset costs • accumulated depreciation provisions • annual depreciation charge • profit or loss on disposal
<p>Demonstrate knowledge</p> <p>7 Understand the process of accounting for prepayments and accruals</p>	<p>Learners are required to demonstrate that they:</p> <p>7.1 Recognise the accounting concepts applied when making adjustments for prepayments and accruals</p> <p>7.2 Understand how prepayments and accruals are used in the preparation of financial statements</p>
<p>Demonstrate knowledge</p> <p>8 Understand the process of accounting for bad and doubtful debts</p>	<p>Learners are required to demonstrate that they:</p> <p>8.1 Recognise the terms 'bad' and 'doubtful debts' and understand the difference between a bad debt and provision for doubtful debts</p> <p>8.2 Recognise the accounting concepts applied when writing-off bad debts and providing for doubtful debts</p> <p>8.3 Understand the process for accounting for a bad debt write</p> <p>8.4 Recognise each of following as methods on which a doubtful debts provision is calculated:</p> <ul style="list-style-type: none"> • general provision • specific provision <p>8.5 Understand the process for calculating a provision for doubtful debts, and a provision for doubtful debts adjustment</p> <p>8.6 Know how the following are used in the preparation of financial statements:</p> <ul style="list-style-type: none"> • bad debt write-off • provision for doubtful debts adjustment • provision for doubtful debts
<p>Demonstrate knowledge</p> <p>9 Understand the purpose of a trial balance and a suspense account</p>	<p>Learners are required to demonstrate that they:</p> <p>9.1 Recognise the format of the trial balance and understand its purpose</p> <p>9.2 Recognise types of error the trial balance will not expose</p> <p>9.3 Recognise types of error exposed by the trial balance and know the process for tracing errors within the bookkeeping system</p> <p>9.4 Understand the purpose of the suspense account</p>
<p>Demonstrate knowledge</p> <p>10 Understand the purpose of financial statements</p>	<p>Learners are required to demonstrate that they:</p> <p>10.1 Recognise the format of the trading and profit and loss account and understand its purpose</p>

	10.2 Recognise the format of the balance sheet and understand its purpose
Demonstrate knowledge 11 Understand the purpose of the extended trial balance	Learners are required to demonstrate that they: 11.1 Recognise the format of the extended trial balance 11.2 Understand the purpose of the extended trial balance 11.3 Understand the process for preparing an extended trial balance
Demonstrate knowledge 12 Understand the principles of accounting for partnerships	Learners are required to demonstrate that they: 12.1 Understand the term 'partnership' 12.2 Recognise advantages and disadvantages of partnerships 12.3 Recognise the main provisions of the Partnership Act 1890 12.4 Understand the purpose of a Partnership Agreement and identify the main contents of such an agreement 12.5 Recognise the purpose of the following accounts: <ul style="list-style-type: none"> • partners' fixed capital accounts • partners' current accounts • partnership trading and profit and loss account • partnership profit or loss appropriation account • partnership balance sheet 12.6 Recognise that the following result in a change in the structure of a partnership: <ul style="list-style-type: none"> • new partner joining a partnership • a partner withdrawing from a partnership 12.7 Recognise the accounting term 'goodwill' and understand the process for creating and deleting goodwill
Demonstrate knowledge 13 Understand the process of accounting from incomplete records	Learners are required to demonstrate that they: 13.1 Understand how the system of bookkeeping known as single entry operates 13.2 Recognise the limitations of keeping single entry records 13.3 Understand the process of calculating capital or accumulated funds from incomplete data 13.4 Understand the process for constructing accounts to account for receipts and payments from incomplete records

<p>Demonstrate knowledge</p> <p>14 Understand the principles of accounting for not for profit organisations</p>	<p>Learners are required to demonstrate that they:</p> <p>14.1 Understand the term 'not for profit' and can identify the form in which a not for profit organisation is likely to operate</p> <p>14.2 Recognise terms used specifically in accounting for not for profit organisations</p> <p>14.3 Understand the purpose of a receipts and payments account and the limitations of such an account</p> <p>14.4 Understand the purpose of the income and expenditure account</p>
<p>Demonstrate knowledge</p> <p>15 Understand the purposes of budgeting</p>	<p>Learners are required to demonstrate that they:</p> <p>15.1 Understand the purpose of budgets</p> <p>15.2 Understand the calculation of variances and how these can be used to aid management decisions</p>

Unit title	Make accounting adjustments – Y/508/5866		
Level	3		
GLH	25	Total Qualification Time	75
Learning Outcomes		Assessment Criteria	
<p>Demonstrate skills</p> <p>1 Account for a stock valuation</p>		<p>Learners are required to demonstrate that they can:</p> <p>1.1 Value stock at cost price</p> <p>1.2 Value stock at net realisable value</p> <p>1.3 Adjust retail selling price to cost price given mark-up or margin</p> <p>1.4 Value stock given cost price and net realisable value</p> <p>1.5 Adjust a stock valuation</p> <p>1.6 Prepare a journal entry to account for closing stock</p> <p>1.7 Prepare the journal entry to transfer opening and closing stock to the trading account</p> <p>1.8 Keep a stock account, record opening and closing stock and balance off the account at the end of an accounting period</p> <p>1.9 Use opening and closing stock valuations in the preparation of financial statements</p>	

<p>Demonstrate skills</p> <p>2 Account for fixed assets</p>	<p>Learners are required to demonstrate that they can:</p> <p>2.1 Maintain a fixed asset register</p> <p>2.2 Calculate depreciation using the straight line and diminishing balance methods applying the full year and month-for month bases</p> <p>2.3 Prepare a journal entry to account for a fixed asset bought on credit</p> <p>2.4 Prepare a journal entry to support a depreciation charge</p> <p>2.5 Maintain fixed asset cost accounts, provision for depreciation accounts and a depreciation expense account in the ledger</p> <p>2.6 Calculate the profit or loss on disposal of a fixed asset</p> <p>2.7 Prepare journal entries to support the transfer of a fixed assets cost and accumulated depreciation to a disposals account following its disposal</p> <p>2.8 Prepare a fixed asset disposals account in the ledger and record the cost, accumulated depreciation, income on disposal and profit or loss on disposal of fixed assets</p> <p>2.9 Prepare the journal entry to support the transfer of profit or loss on disposal of fixed assets to the profit or loss account</p> <p>2.10 Use information in the bookkeeping system relating to the cost, annual depreciation charge, accumulated provision for depreciation and profit or loss on disposal when preparing financial statements</p>
<p>Demonstrate skills</p> <p>3 Account for prepayments and accruals</p>	<p>Learners are required to demonstrate that they can:</p> <p>3.1 Make calculations to account for amounts received in advance, receivable in arrears, paid in advance and payable in arrears</p> <p>3.2 Prepare journal entries to account for prepayment and accruals adjustments and process the adjustments through appropriate accounts in the ledger</p> <p>3.3 Prepare journal entries to transfer non-trading income earned, and expenses incurred in an accounting period to the profit and loss account, process the transfer transactions through the ledger accounts and close off the accounts</p> <p>3.4 Use prepayment and accruals balances in the preparation of a balance sheet</p>

<p>Demonstrate skills</p> <p>4 Account for bad and doubtful debts</p>	<p>Learners are required to demonstrate that they can:</p> <p>4.1 Prepare the journal entry to account for the write-off of a bad debt and make a claim for VAT bad debt relief, record the journal entry in the main and subsidiary ledgers</p> <p>4.2 Calculate a provision for doubtful debts using the general provision or specific provision bases</p> <p>4.3 Calculate a provision for doubtful debts increase or decrease adjustment and record the adjustment in a provision for doubtful debts account</p> <p>4.4 Record a provision for doubtful debts adjustment (increase or decrease) in the profit and loss account</p> <p>4.5 Balance off the provision for doubtful debts account and use the closing balance in the preparation of a balance sheet</p>
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Unit title	Prepare financial statements from double entry records for sole traders and partnerships – D/508/5867		
Level	3		
GLH	25	Total Qualification Time	75
Learning Outcomes	Assessment Criteria		
<p>Demonstrate skills</p> <p>1 Prepare a trial balance and correct errors</p>	<p>Learners are required to demonstrate that they can:</p> <p>1.1 Prepare a trial balance from a list of balances taken from a double entry bookkeeping system</p> <p>1.2 Introduce a suspense account balance to account for an imbalance in the double entry records and record the imbalance on the trial balance and in the suspense account</p> <p>1.3 Prepare journal entries to correct bookkeeping errors, record the entries in the bookkeeping system and eliminate the balance on the suspense account</p> <p>1.4 Redraft the trial balance following the correction of errors</p>		
<p>Demonstrate skills</p> <p>2 Prepare financial statements for a sole trader</p>	<p>Learners are required to demonstrate that they can:</p> <p>2.1 Use a trial balance extracted from the double entry bookkeeping system of a sole trader, apply period end adjustments and prepare the following financial statements:</p> <ul style="list-style-type: none"> • a trading and profit and loss account • a balance sheet 		

<p>Demonstrate skills</p> <p>3 Prepare an extended trial balance</p>	<p>Learners are required to demonstrate that they can:</p> <p>3.1 Enter balances extracted from the double entry system of a sole trader in the trial balance columns of an extended trial balance and total the debit and credit columns</p> <p>3.2 Enter accounting adjustments in the adjustments columns of the extended trial balance and total the debit and credit columns</p> <p>3.3 Extend balances from the trial balance column(s) to the profit and loss columns or balance sheet columns of the extended trial balance</p> <p>3.4 Balance the profit and loss columns of the extended trial balance by calculating and adding the net profit or loss, and extend the profit or loss to the appropriate balance sheet column</p> <p>3.5 Balance the balance sheet columns of the extended trial balance</p>
<p>Demonstrate skills</p> <p>4 Prepare financial statements for a Partnership</p>	<p>Learners are required to demonstrate that they can:</p> <p>4.1 From a trial balance extracted from the double entry bookkeeping system of a partnership, apply accounting adjustments and prepare a trading and profit and loss account</p> <p>4.2 Prepare a profit and loss appropriation account for a partnership and account for the appropriation of profit or loss in accordance with the Partnership Act 1890 or a Partnership Agreement.</p> <p style="padding-left: 40px;">Appropriation to include:</p> <ul style="list-style-type: none"> ● interest charged on drawings ● interest given on capital invested ● partners' salaries ● share of profit or loss <p>4.3 Prepare partner current accounts following the appropriation of profit or loss</p> <p>4.4 Prepare a balance sheet for a partnership clearly showing the claim of each partner on the net assets of the business</p> <p>4.5 Account for the creation and deletion of goodwill following a change in the structure of a partnership</p> <p>4.6 Prepare partner capital accounts following a change in the structure of a partnership</p>

	<p>4.7 Prepare a profit and loss appropriation account following a change in the structure of a partnership</p> <p>4.8 Prepare current accounts for partners following a change in the structure of a partnership and the appropriation of profit or loss</p>
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Unit title	Prepare financial statements from incomplete records for sole traders and not for profit organisations – H/508/5868		
Level	3		
GLH	20	Total Qualification Time	50
Learning Outcomes	Assessment Criteria		
Demonstrate skills	Learners are required to demonstrate that they can:		
1 Calculate capital or accumulated funds from incomplete data	1.1 Given the assets and liabilities of a business, or a not for profit organisation, calculate the capital contribution of the owner of the business, or the accumulated fund of members of the not for profit organisation		
Demonstrate skills	Learners are required to demonstrate that they can:		
2 Construct accounts and a trial balance from incomplete records	2.1 Given incomplete data construct accounts to account for receipts and payments for a business or not for profit organisation		
	2.2 Prepare a trial balance for a business from incomplete records (sole trader)		
Demonstrate skills	Learners are required to demonstrate they can:		
3 Prepare financial statements from incomplete records	3.1 Prepare a trading and profit and loss account for a sole trader, or an income and expenditure account for a not for profit organisation from incomplete records		
	3.2 Prepare a balance sheet for a sole trader, or not for profit organisation from incomplete records		

Unit title	Principles of cash management – H/616/7769		
Level	3		
GLH	15	Total Qualification Time	30
Learning Outcomes		Assessment Criteria	
Demonstrate knowledge 1 Understand how the external environment impacts on how a business manages its cash assets		Learners are required to demonstrate that they: 1.1 Understand how government policies affect a business's treasury functions: <ul style="list-style-type: none"> • understand the term 'treasury function' • understand how the government's monetary policy in controlling the supply of money in the economy, and the effect of this on the rate of inflation and interest rates, impacts on a business's treasury function 1.2 Identify statutory and other regulations relating to the management of cash balances in different types of business organisation 1.3 Recognise that a business's principles of cash management will be determined by their own specific financial regulations, guidelines and security procedures and understand how its regulations, guidelines and procedures influence its principles of cash management 1.4 Understand that recording and accounting practices may vary in different parts of a business resulting in a variety of sources of information being available for determining likely patterns of cash flow	
Demonstrate knowledge 2 Be able to make informed decisions regarding the management of the cash balances of a business		Learners are required to demonstrate that they: 2.1 Understand that effective cash management is based on the need to categorise a business's cash receipts and payments according to their main characteristics and patterns of cash flow 2.2 Identify and categorise a business's cash receipts and payments 2.3 Identify the characteristics of the following main types of cash receipts and payments: <ul style="list-style-type: none"> • regular (operational) cash receipts • capital receipts • exceptional receipts • regular (operational) cash payments • capital payments • exceptional payments • proprietor drawings 2.4 Understand how a business can raise finance from a bank in the form of a loan and an overdraft	

	<p>2.5 Recognise and compare the main features of overdrafts and loans, including:</p> <ul style="list-style-type: none"> • advantages and disadvantages • the purpose and content of facility letters • term (time period) • interest rates (fixed, variable and capped) • fees • repayment structure • security (personal guarantee, fixed and floating charges) <p>2.6 Identify the following as types of business investment and recognise the risks and terms and conditions associated with each of them:</p> <ul style="list-style-type: none"> • certificates of deposit • government securities • local authority short term loans • shares
<p>Demonstrate knowledge</p> <p>3 Understand a range of accounting and other business techniques used to improve the efficiency of cash balances within a business</p>	<p>Learners are required to demonstrate that they:</p> <p>3.1 Understand the relationship between the techniques of cash flow accounting, accounting for a business’s income and expenditure and recognise the importance of distinguishing cash from profit</p> <p>3.2 Understand the meaning of the term ‘liquidity’ and identify the following as being features of liquidity management:</p> <ul style="list-style-type: none"> • the importance of cash to a business’s daily operations and its ability to meet its future financial obligations • the management of working capital the management of cash so as to avoid overtrading and overcapitalisation <p>3.3 Identify the following as being component parts of a cash budget and understand that the cash budget is presented in a format that shows the composition and timing of receipts and payments and changes in the cash position of a business:</p> <ul style="list-style-type: none"> • an analysis of the sources of cash receipts for the period, resulting in the calculation of total cash receipts for the period • an analysis of the sources of cash payments for the period, resulting in the calculation to total cash payments for the period • net cash flow for the period • Bank balance brought forward at beginning of period • Bank balance carried forward at end of period <p>3.4 Understand the effect of lagged receipts and payments on a business’s cash management</p>

	<p>3.5 Recognise that the value of cash transactions can be calculated by adjusting figures in the financial statements to reverse the effect of accounting adjustments such as prepayments, accruals and depreciation</p> <p>3.6 Identify the following as statistical techniques that can be used to estimate the future trends of income and expenditure:</p> <ul style="list-style-type: none"> • moving averages (time series analysis) • allowances for inflation <p>3.7 Understand how a cash budget is used by management for the purpose of decision making</p> <p>3.8 Identify the ways to manage risk and exposure when investing surplus funds, to minimise potential losses to the business</p>
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Unit title	Manage cash effectively – Y/616/7770		
Level	3		
GLH	45	Total Qualification Time	110
Learning Outcomes	Assessment Criteria		
Demonstrate skills	Learners are required to demonstrate that they can:		
1 Prepare forecasts of income and expenditure for a business for a given period of time	<p>1.1 Use information from a range of sources within the business to prepare a cash budget:</p> <ul style="list-style-type: none"> • from given information calculate sales receipts for inclusion in the cash budget, taking into account sales price fluctuations, the effect of prompt payment discounts, bad debts and lagging • from given information calculate purchase payments for inclusion in the cash budget, taking into account purchase price fluctuations, the effect of prompt payment discounts and lagging • from given information calculate non-sales receipts and non-purchase payments for inclusion in the cash budget (to include cash receipts and payments based on different receipt and payment patterns) • ensure exceptional receipts and payments are anticipated and included in the cash budget 		
	<p>Note: When preparing a cash budget amounts must be expressed in round £'s observing the mathematical rules of rounding.</p>		

	<p>1.2 Prepare forecasts of income and expenditure using statistical techniques – trend analysis and allowance for inflation</p> <p>1.3 Prepare a cash budget for a number of months clearly indicating the net cash position of the business at the end of each month</p>
<p>Demonstrate skills</p> <p>2 Use forecasts to monitor a business’s cash flow</p>	<p>Learners are required to demonstrate that they can:</p> <p>2.1 Compare actual cash flows with forecast cash flows and identify significant deviations (favourable and adverse variances) from the cash budget</p> <p>2.2 Summarise variances from the cash budget and reconcile forecast cash flows with actual cash flows</p> <p>2.3 Identify possible reasons for differences (favourable and adverse variances) between forecast cash flows and actual cash flows and take corrective action within the business’s organisational policies</p>
<p>Demonstrate skills</p> <p>3 Use a business’s cash balances effectively</p>	<p>Learners are required to demonstrate that they can:</p> <p>3.1 Observe the business’s financial regulations and guidelines governing financing, investment and risk when making recommendations relating to the management of cash</p> <p>3.2 Take account of trends in the economic and financial environment in managing cash balances</p> <p>3.3 Manage cash, overdrafts and loans in order to maintain an adequate level of liquidity in line with cash forecasts</p> <p>3.4 Use a cash budget to anticipate financing requirements and investment opportunities</p> <p>3.5 Make recommendations for financing cash shortfalls, identified by the cash budget, on the most favourable terms available by selecting the most appropriate form of financing considering the following factors:</p> <ul style="list-style-type: none"> • purpose for which the finance is required • period of time for which the finance is required • amount of finance required <p>3.6 Make recommendations for investing surplus funds, identified by the cash budget, taking into account the following factors:</p> <ul style="list-style-type: none"> • the business’s policies and procedures • internal regulations • attitude towards risk

	<ul style="list-style-type: none"> • period of time of investment • return on the investment • termination costs • realisation • authorisation limits
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Unit title	Use a computerised accounting package – D/508/6629		
Level	3		
GLH	60	Total Qualification Time	125
Learning Outcomes	Assessment Criteria		
Demonstrate skills	Learners are required to demonstrate that they can:		
1 Set up a computerised accounting system	1.1 Use the set up function and enter details to set up a computerised accounting system for a business by completing appropriate fields within the set up procedure including: <ul style="list-style-type: none"> • business name • financial year • VAT scheme • customer and supplier details • nominal account names • budget figures 1.2 Enter outstanding customer and supplier invoices, credit notes and payments on account 1.3 Enter an opening trial balance 1.4 Make amendments to account details, account codes, names, add missing references or amend incorrect references 1.5 Set up accounts for recording transactions with the owner(s) and record transactions		
Demonstrate skills	Learners are required to demonstrate that they can:		
2 Enter business transactions	2.1 Input data to account for credit based transactions 2.2 Enter non-credit transactions 2.3 Process customer receipts and refunds 2.4 Process supplier payments and refunds 2.5 Process payments through the bank current account 2.6 Process payments made by a business credit card 2.7 Process petty cash transactions		

	<p>2.8 Reconcile the balance on bank accounts, including credit cards</p> <p>2.9 Record transactions relating to the owner(s) including amounts contribution by the owner(s) during the period</p>
<p>Demonstrate skills</p> <p>3 Prepare and post journal entries</p>	<p>Learners are required to demonstrate that they can:</p> <p>3.1 Prepare and post journal entries to account for the following:</p> <ul style="list-style-type: none"> • bad debts and VAT bad debt relief • provision for doubtful debts • the correction of errors • the clearing of balances on VAT purchase tax and sales tax accounts • wages and salaries (net pay, deductions from pay and employer on-costs) • goods taken by the owner for own use
<p>Demonstrate skills</p> <p>4 Account for a stock valuation</p>	<p>Learners are required to demonstrate that they can:</p> <p>4.1 Adjust a stock valuation</p> <p>4.2 Prepare and post a journal entry to account for closing stock</p>
<p>Demonstrate skills</p> <p>5 Account for fixed assets</p>	<p>Learners are required to demonstrate that they can:</p> <p>5.1 Maintain a fixed asset register by updating the fixed asset module within the computerised accounting package</p> <p>5.2 Use the fixed asset module to calculate depreciation using the straight line and diminishing balance methods applying the full year and month-for month bases</p> <p>5.3 Prepare and post a journal entry to account for a fixed asset bought on credit</p> <p>5.4 Post the depreciation charge for the period to the profit and loss account</p> <p>5.5 Record the disposal of a fixed asset in the computerised accounting system</p>
<p>Demonstrate skills</p> <p>6 Account for prepayments and accruals</p>	<p>Learners are required to demonstrate that they can:</p> <p>6.1 Make calculations to account for amounts received in advance, receivable in arrears, paid in advance and payable in arrears</p> <p>6.2 Prepare and post entries on to the computerised accounting system to account for prepayment and accruals adjustments</p>

<p>Demonstrate skills</p> <p>7 Account for bad and doubtful debts</p>	<p>Learners are required to demonstrate that they can:</p> <p>7.1 Account for the write off of a bad debt and claim VAT bad debt relief</p> <p>7.2 Calculate a provision for doubtful debts using the general provision or specific provision bases</p> <p>7.3 Calculate a provision for doubtful debts increase or decrease adjustment and enter the adjustment in a provision for doubtful debts account</p>
<p>Demonstrate skills</p> <p>8 Make end of period adjustments</p>	<p>Learners are required to demonstrate that they can:</p> <p>8.1 Adjust the accounts for period end adjustments including:</p> <ul style="list-style-type: none"> • stock • income • expenses • VAT • adjustments for partnership entries including interest on capital and drawings
<p>Demonstrate skills</p> <p>9 Amend the chart of accounts and generate reports</p>	<p>Learners are required to demonstrate that they can:</p> <p>9.1 Edit and check the chart of accounts to show specific categories of information</p> <p>9.2 Generate period end reports for a sole trader and/or partnership including:</p> <ul style="list-style-type: none"> • profit and loss account • balance sheet • VAT return • budget v's actual report <p>9.3 Generate other reports including:</p> <ul style="list-style-type: none"> • supplier and customer names and addresses • supplier and customer activity reports • aged debtors and creditor reports • trial balance • summary audit trail • bank statement reconciled and unreconciled transactions day book reports (customer invoices and credits, supplier invoices and credits), by reference or date <p>9.4 Analyse figures to provide management information</p>

12 Links to National Occupational Standards (NOS)

The mandatory units within the Level 3 Diploma in Accounting and Cash Management qualification link with the following National Occupational Standards (NOS) for Accountancy and Finance:

- FA-1 Process Income

- FA-2 Process Expenditure
- FA-3 Account for Income and Expenditure.