



UK COLLEGE
OF BUSINESS AND COMPUTING



AAT - ASSOCIATION OF ACCOUNTING TECHNICIANS

AQ2016 - AAT Professional Diploma in Accounting

COURSE HANDBOOK
AAT Level 4

[AQ2016 - About AAT](#)

AAT works across the globe with around 130,000 members in more than 90 countries. Our members are represented at every level of the finance and accounting world, including students, people already working in accountancy and self-employed business owners.

AAT members are ambitious, focused accounting professionals, many occupying senior, well rewarded positions with thousands of employers - from blue-chip corporate giants to public sector institutions.

AAT qualifications are universally respected and internationally recognised. Organisations hire AAT qualified members for their knowledge, skills, diligence and enthusiasm, because AAT represents the highest standards of professionalism.

In short, an AAT qualification is a route to some of the most in-demand skills in the world, and provides our students and members with a professional status to be proud of.

AAT (Association of Accounting Technicians) is sponsored by the chartered accounting bodies CIPFA, ICAEW, CIMA and ICAS.

AQ2016 - Ethics: AAT Sets and Raises Standard

AAT is about more than qualifications. AAT is well recognised and respected as a professional membership body throughout a wide range of businesses and requires its members to have a professional and ethical approach throughout their accountancy and finance careers.

It is because of our exceptionally high standards, quality training and the professionalism of our members that AAT members are so highly regarded. This is a benefit to us as a professional body and to our members.

We publish the AAT Code of Professional Ethics which sets out a code of fundamental ethical principles and supporting guidance. The decisions an accounting technician makes in the course of their professional life can have real ethical implications, this is where the Code helps. It:

- Sets out the required standards of professional behaviour with guidance to help our members achieve them
- Helps our members to protect the public interest
- Helps our members to maintain AAT's good reputation.

To reflect the realities of the workplace, we have embedded ethical dilemmas and decision-making throughout the course of AAT's qualifications and assessments. We hope that this will help to set our members on the right path as they embark on careers as accountancy or finance professionals.

[AQ2016 - Student Membership: Support Every Step of the Way](#)

Becoming an AAT student member is essential to:

- Study AAT qualifications
- Sit AAT assessments
- Access AAT resources which support successful study and career progression.

AAT student membership fees are charged annually, and a one-off admission fee applies.

We support and develop our members through more than 500 AAT approved training providers across the world. We also have an extensive branch network where members can access support and training and meet other AAT members in their local area.

Prospective students wishing to register onto the AAT Level 4 Professional Diploma in Accounting are able to register online via the AAT website. Students are advised to register with an AAT approved training provider before registering as a student member with the AAT. On registration, an email confirming registration and AAT membership number will be sent.

[AQ2016 - Choosing to Study the AAT level 4 Professional Diploma in Accounting](#)

1 Who should choose to study this qualification?

The AAT Level 4 Professional Diploma in Accounting offers technical training in accounting and is ideal for anyone wishing to pursue or progress their career in accountancy and or finance.

The purpose of the AAT Level 4 Professional Diploma in Accounting is to enhance the skills developed from the AAT Level 3 Advanced Diploma in Accounting qualification, enabling students to maximise opportunities in their current or new employment. By studying for this qualification students will acquire lifelong professional accountancy and finance skills, including:

- Drafting financial statements for limited companies
- Gaining knowledge and skills in complex management accounting techniques
- Ability to analyse accounting systems and their associated controls
- Gaining knowledge and skills in specialist accountancy and finance subjects.

The AAT Level 4 Professional Diploma in Accounting qualification will suit those who:

- Have completed the AAT Advanced Diploma in Accounting - Level 3 and who would like to build their skills
- Are already working in finance and would like a formal recognition of their skills
- Would like to go on to be an AAT full member, and/or study for chartered accountant status
- Would like to start their own business through the AAT licensed member in practice scheme.

AAT does not set any prerequisites for the study of the AAT Level 4 Professional Diploma in Accounting, however training providers will be able to assist in this regard. To be successful students will need an aspiration to achieve. Most students will have Level 2 maths and English (equivalent to GCSE grade C or above), or other comparable qualifications. If students do have any other relevant school or college qualifications, a degree or some accounting experience, these will be of immense help. They may in certain circumstances entitle students to claim exemptions.

2 Why choose this qualification?

Students should choose the AAT Professional Diploma in Accounting as it maximises opportunities for employment within a wider accountancy context. It is fit for purpose through adherence to the regulatory procedures of The Office of Qualifications and Examinations Regulation (Ofqual) who regulate qualifications, examinations and assessments in England and vocational qualifications in Northern Ireland.

In developing this qualification AAT has carried out extensive consultation with and received input from a wide variety of stakeholders including industry experts, employers and training providers.

At the professional level AAT offers one other qualification, the AAT Professional Certificate in Taxation - Level 4. The purpose of the AAT Professional Certificate in Taxation is to provide a specialisation pathway for those interested in pursuing a career in taxation.

3 What does the qualification cover?

The AAT Level 4 Professional Diploma in Accounting covers high-level accounting and finance topics and tasks.

Students will look at and become comfortable with a wide range of financial management skills and applications, and gain competencies in: drafting financial statements for limited companies, recommending accounting systems strategy, construction and presentation of complex management accounting reports. Students will also learn about specialist areas such as tax, auditing, credit management and cash and treasury management.

This qualification comprises four mandatory, and two specialist units, from a choice of five options, (420 guided learning hours in total).

The mandatory units are as follows:

- Management Accounting: Budgeting
- Management Accounting: Decision and Control

- Financial statements of Limited Companies
- Accounting Systems and Controls.

The optional units are as follows:

- Business Tax
- Personal Tax
- External Auditing
- Cash and Treasury Management
- Credit Management.

Employers also contribute to the development of AAT qualifications. A student who passes an AAT assessment is passing a test of real workplace skills, set in a real workplace scenario context, which has been reviewed by practitioners and industry experts.

4 What will this qualification lead to?

Once qualified, students automatically become AAT affiliate members and with relevant work experience, will qualify for AAT full membership, enabling use of the designatory letters MAAT after their name.

However, the primary and most important outcome of this qualification is that it can lead to a wide variety of well-paid accountancy and finance jobs, some of which are as follows:

- professional accounting technician
- assistant auditor
- assistant management accountant
- commercial analyst
- payroll manager
- senior bookkeeper
- Payments and billing Manager
- Senior fund accountant
- Senior insolvency administrator
- senior financial officer
- accounts payable and expenses supervisor
- assistant financial accountant
- cost accountant
- fixed asset accountant
- indirect tax manager
- Tax supervisor
- VAT Accountant

As an example, professional accounting technicians have responsibility for creating, and/or verifying and reviewing accurate and timely financial information, either within the organisation in which they are employed or on behalf of another organisation. This will be performed to meet relevant ethical, professional and legal standards, and will utilise the individual's knowledge of business systems and processes, as well as standard accounting practices. This role may exist in an accounting practice, a professional services company or the accounting function of a business or other organisation.

The AAT qualification can give qualified students, exemptions towards all or part of the UK's chartered and certified accountancy qualifications. The following chartered bodies offer exemptions to AAT students.

1. Chartered Institute of Public Finance and Accountancy (CIPFA)
2. The Institute of Chartered Accountants in England and Wales (ICAEW)
3. The Association of Chartered Certified Accountants (ACCA)
4. The Chartered Institute of Management Accountants (CIMA)
5. The Institute of Chartered Accountants of Scotland (ICAS).

5 Is this part of an apprenticeship?

This qualification is part of the Professional Accounting Technician Apprenticeship; however, AAT realise that not everyone can access an apprenticeship. In these cases, there are compelling reasons to choose to take this high-quality qualification, which is valued because of its track record of delivering successful employment outcomes outside of the apprenticeship.

AAT have numerous examples of unemployed and career changer students of all ages who have gained employment directly as a result of achieving this qualification.

6 Support for this qualification

The AAT Professional Diploma in Accounting is the industry recognised pathway to a successful accounting and finance career. Recognised by employers both large and small in the UK and around the world, this is the perfect qualification, if you are

already working in accountancy and finance, or looking to gain skills to change career.

AQ2016 - About the AAT Level 4 Professional Diploma in Accounting

Qualification name	Qualification number
AAT Professional Diploma in Accounting	601/6551/0
Level	Qualification Size
4	420 GLH

1 Topics in the AAT Level 4 Professional Diploma in Accounting

The following information shows the relative content weighting of the AAT Level 4 Professional Diploma in Accounting.

The mandatory units:

- (1) Financial Accounting - 30%
- (2) Management Accounting - 50%
- (3) Business Skills - 20%

The optional units:

- (1) Taxation - 40%
- (2) Monetary Strategy - 40%
- (3) Auditing - 20%

2 Is this qualification linked to the National Occupational Standards?

This qualification is linked to the current occupational standards in accountancy, last revised in 2012: [Accountancy National Occupational Standards](#). The qualification is also mapped to the Trailblazer Professional Accounting Technician Apprenticeship Standard.

3 Are there any prerequisites for this qualification?

There are no prerequisites for studying the AAT; however, students should begin their AAT studies with a good standard of English and Maths and ideally have completed the AAT Foundation and Advanced level qualifications.

Professional accountants work at the very heart of a business and are expected to be able to communicate information clearly and appropriately for a given audience.

AAT recommends that students use [AAT Skillcheck](#) to ensure they are ready to start on a particular qualification.

4 Will current students be able to transfer their results onto this qualification to complete their studies?

Students who have already started an AAT qualification should try to complete their studies on their current programme where possible.

If this is not possible, transitional arrangements may be available. In some cases, students may be able to transfer results for current units to similar units in an updated qualification although this will be strictly time-limited.

It is important to check the latest information to see if transitional arrangements apply via the AAT website.

5 Recognition of prior learning (RPL)

If a student can demonstrate they already have the knowledge and skills to meet the requirements for a unit assessment, they may be eligible for RPL. This must be arranged through a registered AAT training provider and mapping of the student's skills and knowledge must be uploaded to AAT's assessment platform. There are restrictions on which units may be claimed under exemptions or RPL, and restrictions on the number of units that may be claimed.

For the AAT Level 4 Professional Diploma in Accounting, RPL is only available for some unit assessments. This, along with the restriction on the number of units that may be claimed by RPL, ensures that at least 50% of the qualification will always be externally assessed. Where RPL is successfully claimed for a unit assessment the student will be given a mark for that assessment of 70% (the pass threshold), and this mark will be used in determining the final qualification grade. In order to achieve a higher mark, the assessment must be taken as normal.

It is not possible to claim RPL for the synoptic assessment. This assessment must be completed and passed for the student to be awarded this qualification.

[AQ2016 - Exemptions](#)

1 From AAT assessments

Exemptions may be offered to students who can provide evidence of gaining a previous, relevant qualification. If eligible, students may be exempt from sitting some AAT assessments. This includes

students who have completed a recognised accounting or finance-related degree with one of AAT's partner universities.

There are restrictions on how many exemptions are allowed within each qualification. Fees will be charged for exemptions.

For the AAT Professional Diploma in Accounting, no exemption can be claimed for the synoptic assessment or for units that are assessed only via the synoptic assessment. Exemptions will only carry a 70% pass into the overall grade of the qualification.

Further details on exemptions may be found on [the AAT website](#).

2 From the first year of university

AAT qualifications are a great alternative to university, but some students may wish to go on and study for a degree. A number of institutions, including universities, offer exemptions for AAT qualified members. Students should contact the individual institutions to confirm their exemption policies. UCAS points may be available for AAT qualifications although UCAS points will not automatically offer entry to some HE courses. Further information on UCAS may be found on the [UCAS website](#).

A list of universities that offer exemptions to AAT students may be found on the AAT website.

To request an exemption from a course at a specific institution not listed here, a contact name, the course name and UCAS code if possible should be sent to: heprogression@aat.org.uk. AAT will write directly to the institution to request consideration for exemptions.

3 From chartered accountancy bodies

For students who wish to become chartered accountants, the study of AAT qualifications may also offer exemptions from the exams required by a range of chartered accountancy bodies. For up to date information on these exemptions visit the AAT website.

[AQ2016 - Working with Employers in Development and Delivery](#)

AAT qualifications are recognised and valued by employers as vocational and technical qualifications that prepare students for the world of work and for working specifically in accountancy and finance roles.

1 Employer involvement in development and assessment

AAT has worked closely with employers in the development of this qualification to ensure the qualification demands the skills an employer would expect of a student at this level.

Employers are also contributing to the development of the live materials used to assess students on completion of their study. Employer's involvement in assessment of this qualification includes the review and edit of the synoptic assessments and scenarios used to ensure they reflect realistic working practices and environments.

A list of employers who have contributed to, or otherwise supported, the development of this qualification is published on the AAT website.

[AQ2016 - Support for this qualification](#)

1 AAT qualification support

AAT will make available throughout the life of this qualification, a range of free materials and resources to support tutors and students in delivery and assessment.

Materials produced for this qualification may include:

- Specification
- Sample assessment materials
- E-learning
- Green Light tests
- Webinars
- Tutor-to-tutor sessions at network meetings.

For the most up to date information on support resources view the [AAT website](#).

2 Published materials

AAT works closely with commercial publishers to encourage the publication of different support materials for our training providers and students.

While AAT will ensure that commercial publishers have any qualification information they need to produce materials, we do not formally endorse the materials of any one publisher and we do not review publisher materials for accuracy.

As a service to training providers and students, details of commercially published materials will be listed on the AAT website.

[AQ2016 - The Assessment in Detail](#)

1 How will students be assessed?

Students must successfully complete the three mandatory unit assessments and one synoptic assessment plus the unit assessments for two optional units to achieve this qualification. The proportion of this qualification assessed by external assessment is 100%.

- ✓ Management Accounting: Budgeting - Unit Assessment
- ✓ Management Accounting: Decision and Control - Unit Assessment
- ✓ Financial Statements of Limited Companies - Unit Assessment
- ✓ Accounting Systems and Controls - Synoptic Assessment

Students must also complete two of the optional units and their associated assessments:

- ✓ Personal Taxation - Unit Assessment
- ✓ Business Taxation - Unit Assessment
- ✓ External Auditing - Unit Assessment
- ✓ Cash and Treasury Management - Unit Assessment
- ✓ Credit Management - Unit Assessment

All assessments in this qualification:

- Are set and marked by AAT (with the exception of RPL, which is marked by the training provider)
- Are computer based
- Are time limited
- Are scheduled by training providers or assessment venues
- Take place at approved centres and venues in controlled conditions.

Unit and synoptic assessments are not awarded grades individually, but the marks achieved in all assessments

contribute to the student's overall grade for the qualification.

2 Availability of assessments

Unit assessments are available for scheduling on demand throughout the year except during periods set and communicated by AAT.

The synoptic assessment for the AAT Professional Diploma in Accounting is available for students to take at specific windows in the year, as set and communicated by AAT.

It is recommended that students complete all other assessments before attempting the synoptic assessment. There are restrictions in place to prevent premature scheduling of the synoptic assessment.

3 Controlled conditions

AAT has published detailed regulations for training providers regarding the conduct of computer based assessments. These are available on the AAT website.

Training providers must ensure that they comply with the minimum requirements for the hardware and software used in the delivery of AAT assessments, and ensure that all assessments are delivered securely.

Each training provider and assessment venue must have at least one Computer Based Assessment (CBA) administrator and at least

one invigilator. Training providers and assessment venues must ensure that all assessments are invigilated and conducted in accordance with AAT policies and procedures. To avoid any possible conflict of interest, the CBA administrator and invigilator for an assessment must not be active AAT student members or related to any student taking that assessment. Tutors who have prepared students for the assessment cannot act as the sole invigilator.

AAT requirements and regulations for the conduct of assessments are detailed in the Supervisors Instructions for AAT computer based assessments guidance document available on the AAT website.

4 Sitting the assessment

The assessments in this qualification are computer-based, with a time restriction.

Students will be presented with a range of question types and formats in the assessment. These may include multiple-choice questions, numeric gap-fill questions, or question tools that replicate work place activities such as making entries in a journal. In some assessments questions will require a written answer, and this is particularly so in the synoptic assessments. While tasks do not have to be completed in a specific order, students are encouraged to proceed through them in the order presented.

Students should familiarise themselves with the CBA environment and some of the question styles they might encounter in the exam by using the sample materials provided

by AAT. Registered students may access these via the Study Support section of the AAT website.

5 Marking

All assessments are marked by AAT with the exception of RPL.

Assessments may be:

- Wholly computer marked
- Partially computer marked and partially human marked
- Wholly human marked.

Computer marking is completed within the assessment software in accordance with an objective marking scheme devised during assessment development. Human marking is conducted by a team of markers, with appropriate subject matter knowledge, appointed by AAT. Markers use mark schemes devised during assessment development.

Assessments undergo regular quality assurance, which includes:

- Standardisation of markers
- Sampling for consistency
- Review of borderline scripts.

6 Results

For computer-marked assessments, provisional results will be available straight after the assessment. Final results will be confirmed within 10 working days. Results for assessments that

are wholly or partially human-marked are delivered within timescales advertised on the AAT website.

Students will be advised on what percentage of the marks available they achieved in their assessments which will then be used to calculate their grade for the qualification (pass, merit or distinction).

AAT's feedback service provides a simple summary of students' performance in each assessment. The feedback statement confirms their overall result and includes a breakdown of performance by task. Feedback statements are automatically generated and are designed to help students identify their strengths and any topic areas requiring further study. The student is presented with a short descriptor against each task to describe their performance against the topics assessed in that task. There are five feedback descriptors. Each descriptor provides an indication of how the student has performed in that task, and includes generic advice on how to proceed with their studies or continuing professional development (CPD).

7 Re-sits

The AAT Professional Diploma In Accounting is not subject to re-sit restrictions.

Students should only be entered for an assessment when they are well prepared and they are expected to pass the assessment.

Where a student is unsuccessful in an assessment attempt, they should discuss their results with their tutor and revise appropriately before re-taking the assessment.

8 Enquiry and appeals

If the student thinks their assessment outcome does not reflect their performance, they can submit an enquiry on the AAT website. AAT's results enquiry service includes a check of all procedures leading to the issue of the outcome. This service checks that all parts of the assessment were marked; that the marks were totalled correctly; and that the marks were recorded correctly. It also includes a review of the original marking to check that the agreed mark scheme was applied correctly.

Enquiries can be made by a training provider on behalf of an individual student or group of students.

If the student is not satisfied with the response to their enquiry, they can submit an appeal.

There is an administrative fee for enquiries and appeals. AAT will not charge a fee if the enquiry leads to a change in mark awarded for the assessment.

AQ2016 - Grading

To achieve the qualification and to be awarded a grade, a student must pass all the mandatory unit assessments, all optional unit assessments (where applicable) and the synoptic assessment.

The AAT Level 4 Professional Diploma in Accounting will be awarded a grade. This grade will be based on performance across the qualification. Unit assessments and synoptic assessments are not individually graded. These assessments are given a mark that is used in calculating the overall grade.

1 How overall grade is determined

Students will be awarded an overall qualification grade (Distinction, Merit, and Pass). Students who do not achieve the qualification will not receive a qualification certificate, and will be shown as unclassified; this is indicated below for illustrative purposes only.

The raw marks of each assessment will be converted into a percentage mark and rounded up or down to the nearest whole number. For example, 75.5% would be rounded up to 76%, 82.1% would be rounded down to 82%). This percentage mark is then weighted according to the weighting of the unit assessment or synoptic assessment within the qualification. The resulting weighted assessment percentages are combined to arrive at a percentage mark for the whole qualification.

Grade definition	Percentage threshold
Distinction	90-100%
Merit	80-89%
Pass	70-79%
Unclassified	0-69% Or failure to pass one or more assessment/s

Example of Pass

Assessment	Contribution of assessment to qualification grade	Percentage achieved (mark attained divided	Weighted percentage contribution to grade
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		by marks available)	(weighting multiplied by % achieved)
Financial Statements of Limited Companies	15%	73%*	10.9%
Management Accounting: Budgeting	15%	74%	11.2%
Management Accounting: Decision and Control	15%	71%*	10.6%
Business Tax	10%	78%	7.8%
Personal Tax	10%	79%	7.9%
Synoptic Assessment	35%	80%	28%
Total			76.4%

*has been rounded to nearest whole number

Example of Merit

Assessment	Contribution of assessment to qualification grade	Percentage achieved (mark attained divided by marks available)	Weighted percentage contribution to grade (weighting multiplied by % achieved)
Financial Statements of Limited Companies	15%	83%*	12.5%
Management Accounting:	15%	86%*	12.9%

Budgeting

Management Accounting:			
Decision and Control	15%	79%*	11.8%
External Auditing	10%	81%	8.1%
Cash and Treasury			
Management	10%	88%*	8.8%
Synoptic Assessment	35%	89%	31.2%
Total			85.3%

*has been rounded to nearest whole number

Example of Distinction

Assessment	Contribution of assessment to qualification grade	Percentage achieved (mark attained divided by marks available)	Weighted percentage contribution to grade (weighting multiplied by % achieved)
Financial Statements of Limited Companies	15%	95%*	14.2%
Management Accounting:			
Budgeting	15%	92%*	13.8%
Management Accounting:			
Decision and Control	15%	95%	14.3%
Credit Management	10%	96%	9.6%

Cash and Treasury			
Management	10%	96%*	9.6%
Synoptic Assessment	35%	95%	33.3%
Total			94.8%

* has been rounded to nearest whole number

2 Can students improve their grades?

Any student wishing to improve their grade can do so by re-sitting their assessment(s). Re-sits to improve grade will be subject to the same restrictions as re-sits to pass an assessment.

Only a student's highest result will count towards their grade. If a student re-sits, but in doing so achieves an assessment result that would lower their overall grade, their previous higher result will remain valid and will be used to determine their overall grade for the qualification.

It is important to recognise that students achieving a 'Pass' are already demonstrating a high level of competence, as AAT maintains a pass mark of 70% across all assessments.

3 Grading descriptors

Pass	Merit	Distinction
<p>Demonstrates knowledge of the legal and ethical frameworks, duties, and appropriate planning and control systems which apply to the accounting function in a limited company.</p> <p>Refers to these in supporting the actions they would take in a given context.</p>	<p>Demonstrates detailed knowledge of the legal and ethical frameworks, duties, and appropriate planning and control systems which apply to the accounting function in a limited company.</p> <p>Applies these successfully, in range of contexts.</p>	<p>Demonstrates detailed knowledge of the legal and ethical frameworks, duties, and appropriate planning and control systems which apply to the accounting function in a limited company, supported by evidence of breadth and depth of reading and/or experience.</p> <p>Synthesises and applies these successfully in a wide range of contexts.</p>
<p>Demonstrates knowledge of a wide range of theory and concepts in accounting, including professional ethics.</p>	<p>Demonstrates detailed knowledge of a wide range of theory and concepts in accounting, including professional ethics.</p>	<p>Demonstrates detailed knowledge of a wide range of theory and concepts in accounting, including professional ethics.</p>
<p>Selects, and provides an appraisal of, a range of appropriate statistical, management, and financial accounting tools and techniques to prepare financial statements and limited company accounts.</p>	<p>Selects, and provides an appraisal of, a wide range of appropriate of appropriate statistical, management, and financial accounting tools and techniques to prepare financial statements and limited company accounts with a high degree of accuracy.</p>	<p>Selects, and provides a detailed appraisal of, a wide range of appropriate of appropriate statistical, management, and financial accounting tools and techniques to prepare financial statements and limited company accounts with a high degree of accuracy.</p>
<p>Performs complex calculations for tax, financial and management accounting purposes and records these in a range of financial statements and forecasts.</p>	<p>Performs a wide range of complex calculations for tax, financial and management accounting purposes and records these with a high degree of accuracy, in a range of financial statements and forecasts.</p>	<p>Performs a wide range of complex calculations for tax, financial and management accounting purposes, justifies their selection, and records these with a high degree of accuracy, in a range of financial statements and forecasts.</p>

Uses a range of statistical techniques to analyse and evaluate complex data and information, to arrive at conclusions, which support management decision making, and performance management.

Uses a range of statistical techniques to analyse and evaluate complex data and information to arrive at detailed conclusions, which support management decision making and performance management.

Uses a range of statistical techniques to analyse and evaluate complex data and information to arrive at reasoned conclusions, which fully support management decision making and performance management.

AQ2016 - Units

All units in the AAT Professional Diploma in Accounting follow a standard format. The unit specification gives guidance on the requirements of the unit for students, tutors, assessors and those responsible for monitoring national standards. Each unit has the following sections.

Unit title

This qualification, and its component units, is regulated for the National Qualifications Framework (NQF). The unit title shown is the regulated title of the unit. The unit title will appear on the student's qualification certificate exactly as it appears in this specification.

Unit level

All regulated units and qualifications are assigned a level. On the NQF, there are nine levels of achievement, from Entry Level to Level 8.

GLH value

Guided learning hours (GLH) are defined as all the times when a tutor, trainer or facilitator is present to give specific guidance. This definition includes lectures, tutorials and supervised study. It also includes time spent by staff assessing student achievements. It does not include time spent by staff marking assignments or homework where the student is not present.

Assessment

Units may be assessed by:

- Unit assessment only
- Unit assessment, and as part of the synoptic assessment
- Synoptic assessment only.

Introduction

The unit introduction gives the reader an appreciation of the unit in the context of the vocational setting of the qualification, as well as highlighting the focus of the unit. It gives the reader a snapshot of the unit and the key knowledge, skills and understanding gained while studying the unit. The unit introduction highlights any links to other AAT units and shows how the unit relates to them. It also specifies whether the unit is mandatory or optional in the qualification structure.

Learning outcomes

The learning outcomes of a unit set out what a student is expected to know or be able to do as the result of their learning.

Scope of content

The scope of content identifies the breadth of knowledge, skills and understanding needed to achieve each of the learning outcomes. The content provides the range of subject material for the programme of learning and specifies the skills, knowledge and understanding required for achievement of the unit.

Content structure

1. Each learning outcome is stated in full.
2. Assessment criteria specify the standard a student is expected to meet to demonstrate that the learning outcome has been achieved. These may be shown as 'students must know' for a

knowledge criteria, or ‘students must be able to’ for a skills criteria. Some learning outcomes may include both knowledge and skills elements.

3. Each assessment criteria is then expanded into key concepts related to that learning outcome.
4. Each concept is then further expanded into indicative content where applicable.

Relationship between content and assessment

Students must have the opportunity to cover all of the unit content. It is not a requirement of the unit specification that all of the content is assessed. However, the indicative content will need to be covered in a programme of learning in order for students to be able to meet the standard determined in the assessment criteria.

Delivering this unit

This section explains the unit content’s relationship to content in other AAT units and offers guidance on suggested order of delivery.

Links to standards

This section lists any relevant National Occupational Standards or Apprenticeship Standards that apply to the unit.

Test specification for unit assessment

The test specification for the unit assessment gives details about the assessment method, marking type and duration of the exam. The contribution that each learning outcome makes to the overall mark for the unit assessment is also provided.

Where a unit is not assessed by a separate unit assessment and is only assessed in the synoptic assessment, there will be no unit test specification included in the unit.

Management Accounting: Budgeting

Unit level	GLH value	Assessment
4	60	Unit and synoptic assessment

Introduction

This unit is about the use of budgeting for planning, coordinating and authorising the activities of an organisation, and for controlling costs. The unit provides skills and knowledge to improve the performance of an organisation by setting targets, constructing achievable plans and monitoring results.

Students will develop a range of skills within the context of planning and control. These include management accounting, statistical analysis, written communication and variance analysis. The application of standard costing, and its links to budgeting, is also included, although the topic is covered in detail in the Management Accounting: Decision and Control unit.

Students will also develop their business awareness. In particular, they will gain elementary understanding of production planning (efficiency, adjusting for changing inventory levels, material control, staff planning, plant scheduling) and aspects of marketing (competition, promotion, product life cycle and so on). In this context, performance measures are used to set targets and monitor performance. These are not high-level financial indicators, such as

return on net assets as learned in other units, but detailed measures relevant to specific budgets. As an example, average hourly labour rate would be relevant to the control of a direct labour cost budget.

Budgeting could be described as the art of the possible. Budgets are constructed from forecasts and plans. Forecasts relate to external factors, over which management may have very little influence. Plans relate to the organisation's activities and must be managed.

Management Accounting: Budgeting is a mandatory unit. Its content links with Management Accounting: Decision and Control but the application here is specifically to budgeting.

Learning outcomes

1. Prepare forecasts of income and expenditure
 2. Prepare budgets
 3. Demonstrate how budgeting can improve organisational performance
 4. Report budgetary information to management in a clear and appropriate format
-

Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit.

All areas indicated in the table below must be covered in teaching.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

L01: Prepare forecasts of income and expenditure

1.1 Identify internal and external sources of information used to forecast income and expenditure

Students need to be able to:

- Select the appropriate sources of data to use for forecasting
- Describe their sources of data when issuing forecast.

1.2 Use statistical techniques to forecast income and expenditure

Students need to be able to:

- Apply the following techniques
 - sampling
 - indices
 - time series; trends and seasonal variation.

1.3 Discuss the purpose of revenue and cost forecasts and their link to budgets

Students need to be able to:

- Differentiate between forecasts and plans
- Describe how each forecast contributes to the budgeting process
- Describe the methods of dealing with the uncertainty inherent in forecasting (planning models, regular

reforecasting, rebudgeting, rolling budgets and budget flexing).

1.4 Identify the impact of internal and external factors on income and expenditure forecasts

Students need to be able to:

- Advise on the reliability of forecasts
- Describe the stages and features of the product life cycle and their impact on income forecasts
- Describe market trends and competitive pressures
- Explain the expected impact of promotional activity
- Identify and describe external events affecting the reliability of cost forecasts.

LO2: Prepare budgets

2.1 Identify budgetary responsibilities and accountabilities

Students need to be able to:

- Describe the role of the budget committee
- Describe the duties and responsibilities of the budget accountant
- Describe the budgetary accountabilities of senior managers in typical organisations (chief executive and heads of marketing, sales, production, purchasing, finance and human resources)
- Select the appropriate managers to provide information required to prepare budgets
- Classify and allocate direct costs to appropriate responsibility centres

- Identify appropriate responsibility centres and recovery methods for all types of indirect cost.

2.2 Identify and calculate the effect of production and sales constraints

Students need to be able to:

- Identify budget limiting factors, for example, a production bottleneck, possible market share or access to finance
- Calculate the production limit.

2.3 Prepare planning schedules for physical production resources

Students need to be able to prepare the following planning schedules:

- Production plan (volumes of inventory, production and sales)
- Material usage and purchases
- Staffing, labour hours and overtime
- Plant utilisation.

2.4 Calculate budgets for different types of cost

Students need to be able to calculate budgets for the following types of cost

- Direct
- Indirect
- Fixed
- Variable
- Semi-variable
- Stepped

- Capital
- Revenue.

2.5 Prepare draft budgets from historical data, forecasts and planning assumptions

Students need to be able to prepare the following budgets

- Sales revenue
- Material usage and purchases
- Labour (employees and other resources)
- Production facilities
- Other overheads
- Operating statement (profit and loss account down to operating profit)
- Capital expenditure.

2.6 Prepare cash flow forecasts

Students need to be able to:

- Prepare a cash flow forecast from budget data, making due allowance for time lags or assumptions about changes in debtor, creditor and inventory balances
- Analyse a cash flow forecast into shorter control periods, allowing for time lags.

LO3: Demonstrate how budgeting can improve organisational performance

3.1 Discuss how budgeting can promote effective, ethical and focused management

Students need to be able to:

- Create an effective budgeting system, built on honesty and transparency
- Use budget planning and control to motivate the management team
- Use budget planning and control to create a cycle of continuous improvement
- Coordinate budgets to achieve goal congruence
- Recognise the behaviours that threaten effective budgetary control by creating budgetary slack, rivalry and suboptimal performance
- Discuss the benefits and risks of linking remuneration to budget achievement.

3.2 Discuss the use of budgeting for planning, coordinating, authorising and cost control

Students need to know:

- How budgeting fulfils these four apparently diverse functions
- Why a balance must be maintained (for example, overemphasis on cost control is likely to constrain business growth and high level planning targets can conflict with detailed coordination activity)
- The potential for conflict between these functions.

3.3 Break a budget down into control periods

Students need to be able to:

- Split the elements of an operating statement budget into appropriate time periods to facilitate regular reporting
- Ensure that the planning assumptions and cost behaviours in the budget are correctly reflected in the split into control periods.

3.4 Recommend appropriate performance measures to support budgetary control

Students need to be able to:

- Suggest suitable physical and financial performance measures, consistent with key planning assumptions, to aid budgetary control
- Calculate these measures for budget and for actual performance
- Provide constructive advice to assist the achievement of targets and budgets.

3.5 Integrate standard costing into budgetary control

Students need to be able to:

- incorporate standard costs into budget calculations
- use standard costing methodology to split the total material and the total labour variances into price and efficiency variances
- Explain how the use of standard costing can complement budgetary control.

3.6 Prepare and explain a flexed budget

Students need to be able to:

- Flex budgets, adjusting each element of the budget correctly according to the original budget assumptions about cost behaviour
- Explain the purpose of budget flexing
- Discuss the limitations of flexing in the context of a given scenario.

3.7 Calculate variances between budget and actual income and expenditure

Students need to be able to:

- Calculate variances in absolute and percentage terms
- Identify favourable and adverse variances
- Compare like with like and present the results clearly.

3.8 Review and revise budgets to reflect changing circumstances

Students need to be able to:

- Identify when a budget revision is appropriate
- Calculate the impact of changes to planning assumptions and forecasts
- Recalculate budgets accordingly.

L04: Report budgetary information to management in a clear and appropriate format

4.1 Discuss the basic methods of budgeting and make recommendations for their use

Students need to know:

- The features of the basic methods:

- incremental (historical)
 - zero based
 - priority based
 - activity based
- The comparative advantages of each method
 - The circumstances in which each method should be recommended.

4.2 Plan and agree draft budgets with all parties involved

Students need to be able to:

- Describe the sources of information and the validity of those sources when submitting draft budgets to management
- Identify the key planning assumptions in a prepared budget
- Identify the potential threats to budget achievement
- Identify the responsibilities of relevant managers
- Quantify the impact of the budget on the organisation
- Submit the budget for approval.

4.3 Analyse variances and explain their impact on the organisation

Students need to be able to:

- Identify significant variances
- Use operational information provided to explain the likely causes of variances
- Provide suitable advice to management
- Explain the impact of variances on overall organisational performance

- Identify where further investigation is needed
- Make recommendations to improve operational performance

4.4 Effectively present budgetary issues to management

Students need to be able to:

- Identify and describe important budgetary planning and control issues
- Make relevant and focused recommendations to initiate management action.

Links to standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

- MA-3 Draft budgets.

It also links with the Level 4 Apprenticeship Standard: Professional Accounting / Tax Technician

- Accounting
- Ethical Standards.

Delivering this unit

This unit has the following links across the AAT Level 4 Professional Diploma in Accounting.

Unit name	Content links	Suggested order of delivery
Management Accounting: Decision and Control	This unit and Management Accounting: Decision and Control are complementary, forming the management accounting element of the level 4 qualification. Some	Students may find it useful to study Management Accounting: Decision and Control and
Cash and Treasury Management	criteria appear in both units, such as statistical techniques, performance measures and writing management reports.	Management Accounting: Budgeting concurrently, as there are many overlapping concepts.
	The application of these is broader in Management Accounting: Decision and Control than in Management Accounting: Budgeting. There is also a small overlap with the optional unit Cash and Treasury Management. However, preparation of a cash flow forecast from budget data only appears in Management Accounting: Budgeting.	

Test specification for this unit assessment

Assessment method	Marking type	Duration of exam
Computer based assessment	Partially computer / partially human marked	2.5 hours
Learning outcomes		Weighting
1. Prepare forecasts of income and expenditure		10%
2. Prepare budgets		35%
3. Demonstrate how budgeting can improve organisational performance		35%
4. Report budgetary information to management in a clear and appropriate format		20%
Total		100%

Management Accounting: Decision and Control

Unit level	GLH value	Assessment
4	90	Unit and synoptic assessment

Introduction

This unit is one of the mandatory Level 4 units. It takes students from Level 3 costing principles and prepares them to be valuable members of a management accounting finance team.

A student who has successfully completed this unit, together with Management Accounting: Budgeting (Level 4) should be a useful member of a management accounting team. Working with little supervision, the student could be expected to liaise with key business unit managers/budget holders to prepare a basic budget/standard cost budget, create budgetary reports, control reports and standard costing control reports, and prepare key performance indicators and workings to aid management decision making.

This unit teaches students management accounting principles and concepts. Students will understand the nature and importance of different concepts such as cost behaviour, cost analysis, standard costing and contribution theory. They will know when each technique should be used to aid the planning and decision making of an organisation and the subsequent analysis for control purposes.

They will learn the key performance indicators that should be used to aid the performance monitoring of an organisation, and the techniques for assessing changes to an organisation (what-if analysis). The student will build a toolbox of techniques, understand the nature of the technique and when each should be used.

Management Accounting: Decision and Control (formerly known as Financial Performance) is a mandatory unit and builds on the fundamental concepts and techniques introduced in Level 2 Elements of Costing and Level 3 Management Accounting: Costing.

Learning outcomes

1. Analyse a range of costing techniques to support the management accounting function of an organisation
 2. Calculate and use standard costing to improve performance
 3. Demonstrate a range of statistical techniques to analyse business information
 4. Use appropriate financial and non-financial performance techniques to aid decision making
 5. Evaluate a range of cost management techniques to enhance value and aid decision making
-

Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit.

All areas indicated in the table below must be covered in teaching.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

LO1: Analyse a range of costing techniques to support the management accounting function of an organisation

1.1 Distinguish between different cost classifications and evaluate their use in a management accounting function

Students need to know:

- Product costing and the elements of direct and indirect costs, cost classification into materials, labour and production overhead
- Cost classification by behaviour (fixed, variable, stepped fixed and semi-variable) and the relevant range for fixed costs
- Prime cost, full production cost and marginal cost
- The differences between cost centres, profit centres and investment centres
- The High-Low method of cost estimation.

1.2 Discriminate between and use marginal costing and absorption costing techniques

Students need to know:

- The difference between marginal costing and absorption costing, and how to critically evaluate the differences between the two methodologies
- How to reconcile a marginal costing profit with an absorption costing profit for changes in inventory to demonstrate the differences in the two methodologies.

1.3 Recognise and calculate measures of profitability and contribution

Students need to know:

- The difference between contribution and profit
- The contribution per unit and per £ of turnover
- When to use contribution analysis as a decision-making tool

- The break-even point and margin of safety
- The optimal production mix when labour, materials or machine hours are restricted
- The outcomes of the various decision-making tools to aid the decision-making process.

LO2: Calculate and use standard costing to improve performance

2.1 Discuss how standard costing can aid the planning and control of an organisation

Students need to know:

- How standard costs can be established
- The different types of standard (ideal, target, normal and basic)
- How the type of standard can affect behaviour
- Flexible budgeting and how the calculation of the standard cost budget is affected by changes in output.

2.2 Calculate standard costing information

Students need to be able to:

- Prepare standard cost card from given information
- Extract information contained in a budgetary control report.

2.3 Calculate standard costing variances

Students need to be able to calculate:

- Raw material variances (total raw material, price and usage)

- Labour variances (total, rate and efficiency)
- The variable overhead variances (total, rate and efficiency)
- The fixed production variances (total, expenditure, volume, capacity and efficiency).

2.4 Prepare and reconcile standard costing operating statements

Students need to be able to:

- Prepare a standard costing operating statement reconciling budgeted cost with actual cost of actual production
- Explain the differences between marginal costing and absorption costing operating statements
- Reconcile the difference between the operating statement under marginal costing and absorption costing.

2.5 Analyse and present effectively a report to management based on standard costing information

Students need to be able to:

- Identify the nature of variances
- Identify what causes standard costing variances, and the possible action that can be taken to reduce adverse variances and increase favourable variances
- Effectively communicate what the standard costing variance means in report format.

Students need to know

- How variances may interrelate.

L03: Demonstrate a range of statistical techniques to analyse business information

3.1 Calculate key statistical indicators

Students need to be able to:

- Calculate index numbers, moving averages, seasonal variations and trend information and use the regression equation
- Calculate the outputs from various statistical calculations.

3.2 Use and appraise key statistical indicators

Students need to know:

- The key statistical indicators to forecast income and costs and recommend actions
- The reasons for their recommendations.

LO4: Use appropriate financial and non-financial performance techniques to aid decision making

4.1 Identify and calculate key financial and non-financial performance indicators

Students need to be able to:

- Identify and select key performance indicators
- Calculate key performance indicators.

4.2 Evaluate key financial and non-financial performance indicators

Students need to know:

- What the performance indicator means
- How the various elements of the indicator affect its calculation
- How some performance indicators interrelate with each other
- How proposed actions may affect the indicator
- What actions could be taken to improve the indicator
- How lack of goal congruence can affect the overall business objectives when managers are attempting to maximise a given indicator
- How ethical and commercial considerations can affect the behaviour of managers aiming to achieve a target indicator.

4.3 Make recommendations using decision-making techniques

Students need to know:

- The optimal production mix when resources are limited
- The break-even point and margin of safety
- The way to analyse decisions about: make or buy, closure of a business segment, mechanisation
- The use of relevant and non-relevant costing information to aid decision making.

4.4 Make recommendations and effectively communicate to management based on analysis

Students need to know:

- How analysis and calculations lead to recommendations.

Students need to be able to

- Use the analysis to make reasoned recommendations and communicate them effectively.

L05: Evaluate a range of cost management techniques to enhance value and aid decision making

5.1 Use life cycle cost to aid decision making

Students need to be able to:

- Identify the components of the life cycle cost of a product, machine, business unit
- Calculate the discounted and non-discounted life cycle cost of a product, machine, business unit
- Interpret the results of calculations of life cycle costs.

5.2 Use target costing to aid decision making

Students need to be able to:

- Analyse and evaluate target costs
- Identify the components of a target cost.

Students need to know:

- The concepts behind target costing, including value analysis and value engineering.

5.3 Calculate activity based costing (ABC) information

Students need to be able to:

- Recognise that ABC is a refinement on absorption costing, where production costs are analysed into cost pools affected by cost drivers other than simple production volumes.

Students need to know:

- Why products with short production runs may have a higher production overhead absorbed into each unit.

5.4 Evaluate the commercial factors that underpin the life cycle of a product

Students need to know:

- How costs change throughout the product life cycle
- Concepts of economies of scale, mechanisation and how costs can switch between variable and fixed through the stages of the product life cycle
- The stages of the product life cycle.

5.5 Take account of ethical considerations throughout the decision-making process

Students need to know:

- How ethical considerations can be included in the design of a product and packaging in order to promote good corporate citizenship
- How ethical considerations can be included in the value analysis/engineering of a product in order to promote good corporate citizenship
- How ethical considerations can be included in the achievement of goal congruence of an organisation.

Links with standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

- MA-4 Monitor financial performance.

It also links with the Level 4 Apprenticeship Standard: Professional Accounting / Tax Technician

- Accounting
- Ethical Standards.

Delivering this unit

This unit has the following links across the AAT Level 4 Professional Diploma in Accounting.

Unit name	Content links	Suggested order of delivery
Management Accounting: Budgeting	To deliver this unit effectively, tutors need to have a solid understanding of the topics that make up Management Accounting:	Students may find it useful to study Management Accounting: Decision and Control and Management Accounting: Budgeting concurrently, as there are many overlapping concepts.
Cash and Treasury Management	Decision and Control (formerly known as Financial Performance).	
	This unit brings together many fundamental techniques –mathematical and management accounting.	

Test specification for this unit assessment

Assessment method	Marking type	Duration of exam
Computer based assessment	Partially computer / partially human marked	2.5 hours

Learning outcomes	Weighting
1. Analyse a range of costing techniques to support the management accounting function of an organisation	10%
2. Calculate and use standard costing to improve performance	40%
3. Demonstrate a range of statistical techniques to analyse business information	10%
4. Use appropriate financial and non-financial performance techniques to aid decision making	30%
5. Evaluate a range of cost management techniques to enhance value and aid decision making	10%
Total	100%

Financial Statements of Limited Companies

Unit level	GLH value	Assessment
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Introduction

This unit is concerned with the drafting, analysis and interpretation of financial statements of limited companies. This builds on Levels 2 and 3, where the emphasis of the financial accounting units is on identifying and recording transactions in accounts and ledgers following the principles of double-entry bookkeeping, and drafting the financial statements of unincorporated organisations from the accounts and records prepared.

On successful completion of the unit, a student could be expected, with little supervision, to be able to draft the financial statements of single limited companies and groups of companies. A student could also analyse and interpret financial statements of limited companies by means of ratio analysis for the purposes of assisting outside user groups in their decision making, thereby fulfilling a useful role within an accounting team.

The unit provides students with the skills and knowledge for drafting the financial statements of single limited companies, and consolidated financial statements for groups of companies. It ensures that students will have a proficient level of knowledge and understanding of international accounting standards, which they will be able to apply when drafting the financial statements, and will have a sound appreciation of the regulatory and conceptual frameworks that underpin the preparation of limited company financial statements.

Finally, the unit will equip students with the tools and techniques that will enable them to analyse and interpret financial statements effectively.

Financial Statements of Limited Companies is a mandatory unit. It builds on the skills and knowledge acquired in the two Level 2 units, Bookkeeping Transactions and Bookkeeping Controls, and the two Level 3 units Advanced Bookkeeping and Final Accounts Preparation.

Learning outcomes

Demonstrate an understanding of the reporting frameworks and ethical principles that underpin financial reporting

1. Demonstrate an understanding of the key features of a published set of financial statements
 2. Draft statutory financial statements for a limited company
 3. Draft consolidated financial statements
 4. Interpret financial statements using ratio analysis
-

Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit.

All areas indicated in the table below must be covered in teaching.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

LO1: Demonstrate an understanding of the reporting frameworks and ethical principles that underpin financial reporting

1.1 Explain the regulatory framework that underpins financial reporting

Students need to know:

- The purpose of financial statements
- The different types of business organisation (sole traders, partnerships, limited liability partnerships and companies)
- the types of limited company
- How the financial statements of limited companies differ from those of sole traders and partnerships
- Forms of equity, reserves and loan capital
- The reasons for the existence of a regulatory framework
- Sources of regulation: international accounting standards and company law (Companies Act 2006)
- The purpose of accounting standards
- The duties and responsibilities of the directors in respect of financial statements.

1.2 Explain the International Accounting Standards Board (IASB) Conceptual Framework that underpins financial reporting

Students need to know:

- The concepts that underlie the preparation and presentation of financial statements for external users, as detailed in the guidance notes.

1.3 Discuss the ethical principles that underpin financial reporting in accordance with the AAT Code of Professional Ethics

Students need to be able to:

- Explain fundamental principles
- Identify the threats
- Apply the safeguards to resolve ethical conflict.

L02: Demonstrate an understanding of the key features of a published set of financial statements

2.1 Examine the effect of international accounting standards on the preparation of financial statements

Students need to be able to:

- Explain the effect of international accounting standards on the presentation, valuation and disclosure of items within the financial statements
- Make any supporting calculations.

L03: Draft statutory financial statements for a limited company

3.1 Draft a statement of profit or loss and other comprehensive income

Students need to be able to:

- Make appropriate entries in the statement in respect of information extracted from a trial balance and additional information.

3.2 Draft a statement of financial position

Students need to be able to:

- Make appropriate entries in the statement in respect of information extracted from a trial balance and additional information.

3.3 Draft a statement of changes in equity

Students need to be able to:

- Make appropriate entries in the statement in respect of information extracted from a trial balance and additional information or other financial statements provided.

3.4 Draft a statement of cash flows

Students need to be able to:

- Make appropriate entries in the statement, using the indirect method, in respect of information extracted from a statement of profit or loss and other comprehensive income for a single year, and statements of financial position for two years, and any additional information provided.

LO4: Draft consolidated financial statements

4.1 Draft a consolidated statement of profit or loss for a parent company with one partly-owned subsidiary

Students need to be able to:

- Consolidate each line item in the statement of profit or loss
- Treat inter-company sales and other intercompany items, impairment losses on goodwill and dividends paid by a subsidiary company to its parent company
- Calculate and treat unrealised profit on inventories and non-controlling interest.

4.2 Draft a consolidated statement of financial position for a parent company with one partly-owned subsidiary

Students need to be able to:

- Consolidate each line item in the statement of financial position

- Calculate and treat goodwill, non-controlling interest, pre- and post-acquisition profits, equity and unrealised profit on inventories
- Treat adjustment to fair value, impairment of goodwill and intercompany balances.

L05: Interpret financial statements using ratio analysis

5.1 Calculate ratios with regard to profitability, liquidity, efficient use of resources and financial position

Students need to be able to:

- Calculate the following ratios:

Profitability

- return on capital employed
- return on shareholders' funds
- gross profit percentage
- expense/revenue percentage
- operating profit percentage

Liquidity

- current ratio
- the quick ratio or 'acid test' ratio

Use of resources

- inventory turnover
- inventory holding period (days)
- trade receivables collection period
- trade payables payment period
- working capital cycle

- asset turnover (net assets)
- Asset turnover (non-current assets)

Financial position

- Interest cover
- Gearing.

5.2 Appraise the relationship between elements of the financial statements with regard to profitability, liquidity, efficient use of resources and financial position, by means of ratio analysis

Students need to be able to:

- Identify, with reasons, whether a ratio is better or worse as compared to a comparative ratio
- Suggest the factors that influence ratios and how they interrelate.

5.3 Effectively present an analysis with recommendations

Students need to be able to:

- Present the key findings of their analysis to meet user requirements
- Suggest how ratios could be improved and the potential consequences of doing so
- Explain the limitations of ratio analysis.

Delivering this unit

This unit has the following links across the AAT Level 4 Professional Diploma in Accounting.

Unit name	Content links	Suggested order of delivery
N/A	<p>This unit integrates with a number of other units in the qualification, all concerned with financial accounting.</p> <p>At Level 2, Bookkeeping Transactions and Bookkeeping Controls, introduce students to basic bookkeeping skills and the books of original entry.</p> <p>These units lead into the two Level 3 units, Advanced Bookkeeping and Final Accounts Preparation, which cover the theoretical foundations of financial accounting, together with practical skills for the preparation of financial statements for unincorporated traders.</p> <p>The knowledge and skills gained in the Level 2 and Level 3 financial accounting units are drawn on and developed at Level 4 in Financial Statements of Limited Companies, which focuses on the drafting, analysis and interpretation of the financial statements of limited companies.</p>	<p>Students may find it useful to have first studied the Level 2 and Level 3 bookkeeping units.</p>

Links to standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

- FA-5 Draft financial statements.

It also links with the Level 4 Apprenticeship Standard: Professional Accounting / Tax Technician:

- Accounting
- Ethical Standards.

Test specification for this unit assessment

Assessment method	Marking type	Duration of exam
Computer based assessment	Partially computer / partially human marked	2.5 hours

Learning outcomes	Weighting
Demonstrate an understanding of the reporting frameworks and ethical principles that underpin financial reporting	7%
Demonstrate an understanding of the key features of a published set of financial statements	18%
3. Draft statutory financial statements for a limited company	27%
4. Draft consolidated financial statements	20%
5. Interpret financial statements using ratio analysis	28%
Total	100%

Accounting Systems and Controls

Unit level	GLH value	Assessment
4	60	Synoptic assessment only

Introduction

The purpose of the unit is to enable students to demonstrate their understanding of the role of the accounting function in an organisation and the importance of internal controls in minimising the risk of loss. Students will undertake an evaluation of an accounting system to identify weaknesses and assess the impact of those weaknesses on the operation of the organisation.

They will then make recommendations to address the weaknesses having regard for cost/benefit, sustainability and the impact of those recommendations on users of the accounting system. This unit enables students to consolidate and apply the knowledge and understanding gained from the mandatory Level 4 units of Financial Statements of Limited Companies, Management Accounting: Budgeting and Management Accounting: Decision and Control to the analysis of an accounting system.

When organisations have a planned change in policy there will be a transition period, which will present its own challenges. Students need to be able to review a planned change in policy, identify potential problem areas while one system is being changed to another and make suitable

recommendations to ensure that the integrity of the accounting system is maintained.

The accounting system affects all areas of an organisation and should be capable of producing information to assist management with decision making, monitoring and control, as well as producing financial information to meet statutory obligations. In this unit, students will demonstrate analytical and problem-solving skills, exercising judgement to make informed recommendations. These are practical skills that are essential to the accounting technician.

Accounting Systems and Controls is a mandatory unit and requires students to have a sound understanding of management accounting and financial accounting information requirements, and the way that the accounting function needs to support both areas.

Learning outcomes

Demonstrate an understanding of the role and responsibilities of the accounting function within an organisation

1. Evaluate internal control systems
 2. Evaluate an organisation's accounting system and underpinning procedures
 3. Analyse recommendations made to improve an organisation's accounting system
-

Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit. All areas indicated in the table below must be covered in teaching.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

LO1: Demonstrate an understanding of the role and responsibilities of the accounting function within an organisation

1.1 Discuss the purpose, structure and organisation of the accounting function

Students need to know:

- The difference between financial and management accounting
- The importance of accuracy and cost-effectiveness within the accounting system
- The importance of ethics and sustainability within the accounting function
- Why different types and sizes of organisation, or departments within an organisation, will require different accounting information and systems
- The different accounting team staffing structures that will be required by different types or sizes of organisation.

1.2 Discuss the purpose of the key financial reports and their use by a range of stakeholders

Students need to know:

- The purpose and content of statutory financial statements
- The purpose and content of financial information produced for internal use

- The key external stakeholders of an organisation
- How financial information is used by both internal and external stakeholders
- The importance of ethical information and sustainability practices to internal and external stakeholders

Reports

- Income statement
- Statement of financial position
- Statement of cash flows
- Budgetary control reports

1.3 Examine the impact of relevant regulations affecting the accounting function

Students need to need to be able to:

- Identify the types of regulations that affect the accounting function
- Explain how the structure of the accounting function supports compliance with external regulations
- Assess how the existing structure of the accounting function may need to be adapted to comply with changes in external regulations.

1.4 Demonstrate an understanding of the impact of management information requirements on the accounting function

Students need to know:

- How organisational requirements will inform the management information system
- How management information systems should enable the calculation of performance indicators

- Why changes may be required to existing systems to meet revised organisation requirements.

LO2: Evaluate internal control systems

2.1 Discuss how internal controls can support the organisation

Students need to be able to:

- Explain the purpose of internal controls
- Assess how a strong system of internal controls can minimise the risk of loss to an organisation
- Assess how a strong system of internal controls can ensure ethical standards in an organisation
- Identify the types of internal controls used in different parts of the accounting function
- Consider how different types of internal controls suit different types of organisations.

2.2 Evaluate how information from the organisation's financial statements may indicate weaknesses in its internal controls

Students need to be able to:

- Use ratio analysis
- Use key performance indicators.

2.3 Examine ways of preventing and detecting fraud and systemic weaknesses

Students need to know:

- The common types of fraud
- The common types of systemic weaknesses and their causes

- The need for segregation of duties
- The financial and non-financial implications for an organisation if fraud occurs
- The role of internal controls in preventing fraud and errors
- The role of internal controls in detecting fraud and errors.

L03: Evaluate an organisation's accounting system and underpinning procedures

3.1 Examine an organisation's accounting system and its effectiveness

Students need to be able to:

- Identify the varying financial information requirements of stakeholders (payroll, sales accounting, purchases accounting, general ledger, cash-book and costing systems)
- Explain how a fully integrated accounting system enables the extraction of information to meet internal and external reporting and monitoring requirements
- Identify how an organisation's accounting system can support ethical standards and sustainability practices
- Identify weaknesses in accounting systems that impact on cost-effectiveness, reliability and timeliness
- Evaluate impact of weaknesses in an accounting system in terms of time, money and reputation.

3.2 Evaluate the underpinning procedures of an accounting system, assessing the impact on the operation of the organisation

Students need to be able to:

- Identify how underpinning procedures in the organisation impact on the operation of the organisation (payroll, authorisation and control

of sales, purchases, capital expenditure, overheads, payments and receipts)

- Identify how underpinning procedures in the organisation can support ethical standards and sustainability practices
- Identify weaknesses in the underpinning procedures and the impact on cost-effectiveness, reliability and timeliness
- Evaluate the impact of weaknesses in the underpinning procedures in terms of time, money and reputation

3.3 Evaluate the risk of fraud arising from weaknesses in the internal control system

Students need to be able to:

- Identify the impact of a poor internal control system on the exposure to risk for an organisation
- Grade the risk of fraud using either 'low, medium or high' or a numerical grade where the more serious the risk the higher the number.

3.4 Examine current and planned methods of operating

Students need to be able to:

- Explain why accounting systems should be reviewed regularly to ensure they are fit for purpose
- Identify and review the methods of operating used by an organisation to ensure that they:
 - are cost-effective
 - encourage ethical standards
 - support sustainability principles and practices
- Explain that appropriate controls need to be in place during the transition from one system to another

- Evaluate a computerised accounting system's suitability for the specific information needs of the organisation.

L04: Analyse recommendations made to improve an organisation's accounting system

4.1 Identify changes to the accounting system or parts of the accounting system

Students need to be able to:

- Identify suitable changes to the accounting system
- Explain any assumptions made
- Identify problems that might occur during transition.

4.2 Analyse the implications of changes to the accounting system

Students need to be able to:

- Quantify the costs of recommendations, stating assumptions made
- Undertake a cost benefit analysis
- Evaluate the implications of the changes to operating procedures and time spent
- Review recommendations against ethical and sustainability principles, including social, corporate and environmental issues
- Undertake a SWOT analysis.

4.3 Consider the effects of recommended changes on users of the system

Students need to be able to:

- Identify the changes that users may be required to make to working practices to comply with changes to statutory and organisational requirements

- Consider different methods of support that can be given to users of the accounting system to assist them in adapting to the recommended changes.

4.4 Justify recommended changes to the accounting system

Students need to be able to:

- Effectively present recommendations to management
- Provide a clear rationale to support recommendations.

Delivering this unit

This unit has the following links across the AAT Level 4 Professional Diploma in Accounting.

Unit name	Content links	Suggested order of delivery
Management Accounting: Budgeting Management Accounting: Decision and Control Financial Statements of Limited Companies.	<p>For this unit, students are expected to be able to draw together the knowledge and understanding they have gained from studying other units, at this level and at lower levels, and apply this to a given practical scenario. Analytical and problem-solving skills are challenging to teach and, therefore, tutors may need to take a different approach to delivering this unit than for other units.</p> <p>Students may have difficulty in converting their theoretical knowledge into practical recommendations and making links between different areas of an accounting system. Therefore, it is recommended that the unit is only undertaken after students have studied Financial Statements of Limited Companies, Management Accounting: Budgeting, and Management Accounting: Decision and Control.</p>	<p>Management Accounting: Budgeting and Management Accounting: Decision and Control should be delivered first, followed by Financial Statements of Limited Companies.</p>

Links to standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

- FS-1 Review accounting systems.

It also links with the Level 4 Apprenticeship Standard: Professional Accounting/Tax Technician:

- Systems and Processes
- Ethical Standards.

Business Tax

Unit level	GLH value	Assessment
4	60	Unit assessment only

Introduction

This unit introduces the student to UK taxation relevant to businesses. It is about the computing of business taxation, preparation of tax returns and how taxation has an impact on the running of a business for sole-traders, partnerships and limited companies.

In learning how to prepare tax computations, students will gain skills in the tax treatment of capital expenditure, and adjustment of accounting

profits for tax purposes for sole-traders, partnerships and limited companies. In addition, they will be able to allocate profits between partners in a partnership and be able to calculate National Insurance (NI) contributions for the self-employed.

The student will become familiar with the completion of tax returns. They will know when these returns need to be filed with HM Revenue & Customs, and the implications of errors in tax returns, the late filing of returns and the late payment of tax.

They will understand how to compute tax on the sale of capital assets and they will have an introduction to some of the tax reliefs available to businesses.

Tax advice is an important part of many accountancy roles and students will be able to discuss the ethical issues facing business owners and managers in reporting their business tax, and the responsibilities an agent has in giving advice on tax issues to business clients.

Business Tax is an optional unit.

Learning outcomes

1. Complete tax returns for sole-traders and partnerships and prepare supporting tax computations
2. Complete tax returns for limited companies and prepare supporting tax computations
3. Provide advice on the UK tax regime and its impact on sole-traders, partnerships and limited companies
4. Advise business clients on tax reliefs, and their responsibilities and their agent's in reporting taxation to HM Revenue & Customs

5. Prepare tax computations for the sale of capital assets

Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit. All areas indicated in the table below must be covered in teaching.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

LO1: Complete tax returns for sole-traders and partnerships and prepare supporting tax computations

1.1 Analyse trading profits and losses for tax purposes

Students need to be able to:

- Apply rules relating to deductible and non-deductible expenditure
- Classify expenditure as either revenue or capital expenditure
- Adjust accounting profit and losses for tax purposes.

1.2 Identify the correct basis period for each tax year

Students need to be able to:

- Identify the basis periods using the opening year and closing year rules
- Determine overlap periods and overlap profits
- Explain the effect on the basis period of a change in accounting date.

1.3 Identify and calculate capital allowances

Students need to be able to:

- Identify the types of capital allowances
- Calculate capital allowances including adjustments for private usage.

1.4 Analyse taxable profits and losses of a partnership between the partners

Students need to be able to:

- Apportion profits between a maximum of four partners
- Determine the basis periods for continuing, new or departing partners
- Allocate profits between the partners.

1.5 Calculate the NI contributions payable by self-employed taxpayers

Students need to be able to:

- Determine who is liable to pay NI contributions
- Calculate NI contributions.

1.6 Complete the individual and partnership tax returns relevant to sole-traders and partnerships

Students need to be able to:

- Accurately complete self-employed tax returns
- Accurately complete partnership tax returns.

L02: Complete tax returns for limited companies and prepare supporting tax computations

2.1 Analyse trading profits and losses for tax purposes

Students need to be able to:

- Apply the rules relating to deductible and non-deductible expenditure

- Classify expenditure as either revenue or capital expenditure
- Adjust accounting profits and losses for tax purposes.

2.2 Identify and calculate capital allowances

Students need to be able to:

- Identify types of capital allowances
- Calculate capital allowances.

2.3 Calculate total taxable profits and corporation tax payable

Students need to be able to:

- Calculate the taxable total profits from trading income, property income,
- Calculate the total profits and corporation tax payable for accounting periods longer than, shorter than or equal to 12 months.

2.4 Complete corporation tax returns

Students need to be able to:

- Accurately complete a corporation tax return.

LO3: Provide information on the UK tax regime and its impact on sole-traders, partnerships and limited companies

3.1 Demonstrate an understanding of the tax return filing requirements and tax payments due

Students need to know:

- Tax return filing deadlines
- Payment rules for sole-traders and partnerships: amounts and dates

- Payment rules for limited companies: amounts and dates.

3.2 Demonstrate an understanding of the penalties and interest payable for non-compliance

Students need to know:

- Penalties for late filing of tax returns and failing to notify chargeability
- Late payment interest and surcharges
- The enquiry window and penalties for incorrect returns.

L04: Advise business clients on tax reliefs, their responsibilities and their agent's in reporting taxation to HM Revenue & Customs

4.1 Appraise the effective use of trading losses

Students need to be able to:

- Assess and calculate available loss relief
- Advise on the best use of a trading loss for sole traders, partnerships and limited companies.

4.2 Demonstrate an understanding of the current tax reliefs and other tax issues

Students need to know:

- Current tax reliefs available to businesses
- Current tax issues and their implications for businesses.

4.3 Discuss the responsibilities relating to tax for the business and it's agent

Students need to know:

- What the badges of trade are and how they evolved

- What records need to be maintained by a business, for how long and the penalties for not keeping these records
- The distinction between tax planning, tax avoidance and tax evasion
- AAT's ethical standards relating to tax advice and professional conduct in relation to taxation.

L05: Prepare tax computations for the sale of capital assets

5.1 Calculate capital gains tax payable by self-employed taxpayers

Students need to be able to:

- Apply the rules relating to chargeable persons, disposals and assets
- Calculate chargeable gains and allowable losses
- Apply the rules relating to the disposal of shares
- Apply the rules relating to the disposal of chattels and wasting assets
- Apply current reliefs and allowances
- Apply capital gains tax rates.

5.2 Calculate chargeable gains and allowable losses for limited companies

Students need to be able to:

- Apply the rules relating to disposals and assets
- Calculate the computation of chargeable gains and allowable losses
- Apply the rules relating to the disposal of shares
- Apply current reliefs and allowances.

Delivering this unit

This unit has the following links across the AAT Level 4 Professional Diploma in Accounting.

Unit name	Content links	Suggested order of delivery
Personal Tax.	<p>This unit is an optional unit at level 4, so does not need to be taken after another unit is studied.</p> <p>The level 4 unit, Personal Tax, is associated with this unit, although these units can be taken separately.</p> <p>Knowledge developed in either of these units will be useful in the later study of the other units.</p>	N/A

Links to standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

- T-2 Calculate business tax.

It also links with the Level 4 Apprenticeship Standard: Professional Accounting / Tax Technician

- Accounting
- Ethical Standards.

Test specification for this unit assessment

Assessment method	Marking type	Duration of exam
Computer based assessment	Partially computer / partially human marked	2 hours

Learning outcomes	Weighting
1. Complete tax returns for sole-traders and partnerships and prepare supporting tax computations	29%
2. Complete tax returns for limited companies and prepare supporting tax computations	19%
3. Provide advice on the UK tax regime and its impact on sole-traders, partnerships and limited companies	15%
4. Advise business clients on tax reliefs, their responsibilities and their agent's in reporting taxation to HM Revenue & Customs	19%
5. Prepare tax computations for the sale of capital assets	18%
Total	100%

Personal Tax

Unit level	GLH value	Assessment
4	60	Unit assessment only

Introduction

This unit is about the key aspects of taxation that affect UK taxpayers. Income tax, National Insurance (NI), capital gains tax and inheritance tax are covered within this unit.

This unit provides students with the underpinning theory on taxation, such as what makes for a fair and equitable taxation system. Students then explore three core areas of income that contribute to a taxpayer's income tax liability: employment income, income from investments and income from property. Deductions and reliefs that apply to this income are then covered, so that students can compute the net income tax payable, or reclaimable, for a UK taxpayer.

NI as applicable to employment income is covered, together with the key principles that are part of capital gains tax and inheritance tax.

Students are also expected to demonstrate their knowledge and understanding of how, legally, UK taxpayers can minimise their tax liability. For example, investing in a new individual savings account (NISA) will see that interest being exempt from tax, whereas an investment in a building

society will usually give rise to a tax implication. The ethical issues that surround this complex area will also be considered.

Taking all areas together, students will gain the knowledge and understanding on all key areas of UK tax that can affect an individual UK taxpayer.

Personal Tax is an optional unit.

Learning outcomes

1. Analyse the theories, principles and rules that underpin taxation systems
2. Calculate a UK taxpayer's total income
3. Calculate income tax and National Insurance (NI) contributions payable by a UK taxpayer
4. Account for capital gains tax
5. Discuss the basics of inheritance tax

Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit. All areas indicated in the table below must be covered in teaching.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

L01: Analyse the theories, principles and rules that underpin taxation systems

1.1 Evaluate the objectives and functions of taxation

Students need to know:

- Principles underpinning tax systems
- Features of tax systems, including tax bases and structures
- How to compare progressive, regressive and proportional tax criteria used in evaluating a tax system.

1.2 Differentiate between tax planning, tax avoidance and tax evasion

Students need to know:

- Definitions of tax planning, tax avoidance and tax evasion
- Ethical implications of avoidance and evasion
- Requirements to report suspected tax evasion under current legislation.

1.3 Discuss the roles and responsibilities of a taxation practitioner

Students need to know:

- AAT expectations of its members, as set out in the AAT Code of Professional Ethics
- Principles of confidentiality, as applied in taxation situations
- How to deal with clients and third parties.

1.4 Discuss residence, ordinary residence and domicile

Students need to know:

- Definition of residence, ordinary residence and domicile
- The impact each of these has on the taxation position of a UK taxpayer.

L02: Calculate a UK taxpayer's total income

2.1 Calculate income from employment

Students need to be able to:

- Calculate employment income, including salaries, wages, commissions and bonuses
- Calculate taxable benefits in kind

- Identify exempt benefits in kind
- Identify and calculate allowable and exempt expenses.

2.2 Calculate income from investments

Students need to be able to:

- Identify and calculate taxable investment income
- Identify exempt investment income.

2.3 Calculate income from property

Students need to be able

to:

- Calculate profit and losses from residential furnished and unfurnished property.

LO3: Calculate income tax and National Insurance (NI) contributions payable by a UK taxpayer

3.1 Calculate personal allowances

Students need to be able to

calculate:

- Personal allowances
- Age-related personal allowances
- Restrictions on personal allowances.

3.2 Apply relief for pension payments and charitable donations

Students need to be able to apply:

- Occupational pension schemes
- Private pension schemes
- Charitable donations.

3.3 Perform income tax computations

Students need to be able to:

- Calculate income tax, combining all income into one schedule
- Utilise losses on property
- Apply tax rates and bands
- Deduct income tax at source.

3.4 Calculate NI contributions for employees and employers

Students need to be able to:

- Identify taxpayers who need to pay NI
- Calculate NI contributions payable by employees
- Calculate NI contributions payable by employers.

3.5 Advise on tax planning techniques to minimise tax liabilities

Students need to be able to:

- Maximise relevant exemptions and reliefs
- Change benefits in kind to make them more tax efficient
- Change investment incomes to make them more tax efficient
- Make other changes that can minimise tax liabilities.

LO4: Account for capital gains tax

4.1 Discuss chargeable and exempt capital transactions

Students need to know:

- Chargeable and exempt assets
- Chargeable and exempt persons
- Connected persons.

4.2 Calculate chargeable gains and allowable losses

Students need to be able to:

- Calculate chargeable gains and allowable losses on normal capital disposals
- Apply part disposals rules
- Apply chattels and wasting chattel rules
- Determine principal private residence relief.

4.3 Calculate gains and losses arising on the disposal of shares

Students need to be able to:

- Apply matching rules for individuals

- Account for bonus issues
- Account for rights issues.

4.4 Calculate capital gains tax payable

Students need to be able to:

-
- Apply current exemptions
 - Treat capital losses
 - Apply rates of capital gains tax
 - Identify the date capital gains tax is due.

L05 Discuss the basics of inheritance tax

5.1 Identify the basic features of chargeable lifetime and exempt transfers

Students need to know:

- Chargeable lifetime transfers
- Exempt transfers
- Potential exempt transfers.

5.2 Perform basic inheritance tax computations

Students need to be able to:

- Calculate tax payable on death
- Calculate tax payable on lifetime transfers
- Identify who is responsible for payment of inheritance tax.

Delivering this unit

This unit has the following links across the AAT level 4 Professional Diploma in Accounting.

Unit name	Content links	Suggested order of delivery
Business Tax.	<p>This unit is an optional unit at level 4, so does not need to be taken after another unit is studied.</p> <p>The Level 4 unit, Business Tax, is associated with this unit, although these units can be taken separately. Knowledge developed in either of these units will be useful in the later study of the other units.</p>	N/A

Links with standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

- T-1 Calculate personal tax.

It also links with the Level 4 Apprenticeship Standard: Professional Accounting / Tax Technician:

- Accounting
- Ethical Standards.

Test specification for this unit assessment

Assessment method	Marking type	Duration of exam
Computer based assessment	Partially computer / partially human marked	2.5 hours

Learning outcomes	Weighting
1. Analyse the theories, principles and rules that underpin taxation systems	10%
2. Calculate a UK taxpayer's total income	28%
3. a UK taxpayer Calculate income tax and National Insurance (NI) contributions payable by taxpayer	23%
4. Account for capital gains tax	27%
5. Discuss the basics of inheritance tax	12%
Total	100%

External Auditing

Unit level	GLH value	Assessment
4	60	Unit assessment only

Introduction

This unit is about external audits of financial statements, which are undertaken in accordance with International Standards on Auditing, to provide assurance to the intended users on the credibility of the information contained within the financial statements.

The unit is designed to equip students with the knowledge and skills required to undertake an external audit under supervision. It is directed at students who wish to pursue a career in an accountancy firm that undertakes external audits. However, the coverage of accounting systems, internal controls and the control environment will provide those students wishing to pursue a career in finance or internal audit in any organisation with a strong foundation in governance procedures.

On completion of this unit, students will:

- Understand the essence and objectives of the audit process, and the ethical and professional implications of the regulatory requirements and pronouncements of the professional bodies
- Understand the nature and importance of internal controls and identify deficiencies in accounting systems
- Be able to contribute to the conduct of all stages of an external audit, including planning, gathering sufficient and appropriate evidence, and concluding and reporting findings in accordance with International Standards on Auditing (ISA).

External Auditing is an optional unit. However, students require an understanding of the two Level 2 units, Bookkeeping Transactions and Bookkeeping Controls, and the two Level 3 units Advanced Bookkeeping and Final Accounts, and Financial Statements of Limited Companies, covered at Level 4, before taking this unit.

At Level 4, the coverage of internal controls in the External Auditing unit will reinforce the knowledge and skills required in Accounting Systems and Controls.

Learning outcomes

1. Demonstrate an understanding of the principles of auditing
 2. Demonstrate the importance of professional ethics
 3. Evaluate the audited entity's system of internal control
 4. Evaluate audit procedures for obtaining audit evidence
 5. Evaluate the planning process
 6. Evaluate audit procedures
-

Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit. All areas indicated in the table below must be covered in teaching.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

LO1: Demonstrate an understanding of the principles of auditing

1.1 Demonstrate an appreciation of the concept of assurance

Students need know:

- Difference between reasonable and limited assurance
- Difference between positive and negative expression of assurance
- Benefits gained from assurance
- Meaning of true and fair view/presents fairly.

1.2 Discuss the objectives of audits conducted under International Standards on Auditing (ISA)

Students need to know:

- The respective responsibilities of management and external auditors in relation to the financial statements
- The role of professional scepticism and professional judgement
- Elements of a report to management on deficiencies in internal control
- Elements of the auditor's report
- Contents of adequate accounting records
- The role of the International Auditing and Assurance Standards Board (IAASB).

L02: Demonstrate the importance of professional ethics

2.1 Identify the principles and characteristics of ethical codes and the implications for the auditor

Students need to know:

- The consequences of failing to comply with the AAT Code of Professional Ethics, including damages, and legal and professional penalties
- The auditor's liability to the company and shareholders under contract, and liability to third parties under tort of negligence
- The need for professional indemnity insurance
- How liability can be limited through use of:
 - limited liability agreements between auditor and client (proportionate liability and liability cap)
 - Limited liability partnerships
 - Disclaimer of liability (Bannerman clause).

2.2 Consider threats to the fundamental ethical principles and the independence of auditors

Students need to be able to recognise:

- The fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, as set out in the AAT Code of Professional Ethics
- The significance of independence and its relationship with objectivity
- The threats of self-interest, self-review, advocacy, familiarity and intimidation

- Circumstances that threaten the application of the fundamental principles.

2.3 Evaluate safeguards to eliminate or reduce threats to the fundamental ethical principles and the independence of auditors

Students need to be able to:

- Evaluate firm-wide safeguards:
 - use of different personnel with different reporting lines for the provision of non-assurance services to an audited entity
 - procedures for monitoring and managing the reliance on revenue received from a single client
 - procedures that will enable the identification of interests or relationships between the firm or members of the engagement team and clients
 - disciplinary mechanisms to promote compliance with policies and procedures
- Evaluate engagement-specific safeguards:
 - independent review of audit working papers
 - consultation with an independent third party
 - disclosure and discussion of ethical issues with those charged with governance
 - rotation of senior personnel
- Evaluate matters that should be referred to senior members of audit staff.

2.4 Apply the fundamental principle of confidentiality

Students need to be able to:

- Recognise when to disclose information with or without clients' permission
- Recognise when to take precautions if acting for competing clients.

3. Evaluate the audited entity's system of internal control

3.1 Demonstrate an understanding of the principles of internal control

Students need to know:

- Definition of internal control and each of its components (control environment control activities, including performance reviews, information processing, physical controls, segregation of duties and monitoring of controls by management and/or an internal audit function)
- Preventative and detective controls
- Limitations of internal controls
- Factors relating to the operating environment and internal control system that influence control risk.

3.2 Identify the main features of an accounting system

Students need to know:

- Control objectives
- Risks
- Control procedures for the major accounting systems (purchases, revenue, payroll, inventory, non-current assets, bank and cash).

3.3 Evaluate the effectiveness of an accounting control system

Students need to be able to:

- Use systems records (flowcharts, internal control questions and checklists) to evaluate internal control systems

- Use the evaluation of internal controls to determine the audit strategy
- Identify the merits and limitations of using standardised questionnaires and checklists
- Identify the factors that contribute to strengths and deficiencies in accounting systems.

3.4 Identify how internal controls mitigate risks

Students need to be able to:

- Identify the types of errors and irregularities that can occur in accounting systems
- Identify how errors and irregularities can be prevented or detected by control procedures.

L04: Evaluate audit procedures for obtaining audit evidence

4.1 Evaluate methods used to obtain audit evidence in a given situation

Students need to know:

- Types of verification techniques (inspection, observation, external confirmation, recalculation, reperformance, analytical procedures and enquiry)
- When it is appropriate to use each type of verification technique
- Reliability of different sources of audit evidence
- Differences between tests of controls and substantive procedures
- Methods used to test controls, transactions and balances
- Assertions

4.2 Evaluate audit techniques used in an IT environment

Students need to be able to:

- Use computer-assisted audit techniques (CAATs), including test data, integrated test facilities and audit software, to test controls and interrogate the audited entity's files
- Identify the benefits and drawbacks of using CAATs

4.3 Evaluate and use different sampling techniques

Students need to be able to:

- Distinguish between statistical and non-statistical sampling
- Determine when it is more appropriate to examine 100% or a selection of items
- Distinguish between selection methods and when they should be used
- Identify factors affecting sample sizes
- Identify appropriate populations from which to select samples.

4.4 Develop an audit approach suitable for a given situation

Students need to be able to:

- Establish why auditors need to understand the audited entity's internal controls
- Determine when to use a mixture of tests of controls and substantive procedures or substantive procedures only
- Identify why it is appropriate to use a mixture of tests of controls and substantive procedures or substantive procedures only.

4.5 Select procedures for a given assertion

Students need to be able to:

- Apply audit procedures to test financial statement assertions.

LO5: Evaluate the planning process

5.1 Demonstrate an understanding of how audit risk applies to external auditing

Students need to know:

- Components of the audit risk model, inherent, control and detection risks (sampling and non-sampling risk)
- Relationship between the components, in particular, how auditors manage detection risk in order to keep audit risk at an acceptably low level
- How factors such as the entity's operating environment and its system of internal control affect the assessment of inherent and control risk
- How analytical procedures can be used to identify potential under/overstatement of items in the financial statements.

5.2 Demonstrate how the concept of materiality applies to external auditing

Students need to know:

- The difference between 'performance materiality' and 'materiality for the financial statements as a whole'
- The role of materiality in planning an audit and evaluating misstatements
- Methods used to calculate materiality thresholds
- The difference between 'material' and 'material and pervasive'.

5.3 Analyse the key audit risks for a given situation

Students need to be able to:

- analyse factors relating to a given audited entity's operating environment and system of internal control give rise to risk of material misstatement in the financial statements

5.4 Apply audit procedures to achieve audit objectives

Students need to be able to:

- Develop procedures to obtain sufficient appropriate evidence in respect of the relevant assertions for key figures in the financial statements, in particular
 - non-current assets
 - inventory
 - receivables
 - cash and bank
 - borrowings
 - payables
 - provisions
 - revenue
 - payroll and other expenses
 - accruals and prepayments.

L06: Evaluate audit procedures

6.1 Examine the role of audit working papers

Students need to know:

- The role of audit documentation in providing evidence as a basis for the auditor's opinion
- The importance of retaining working papers for future reference
- Form and content of working papers.

6.2 Select and justify matters to be referred to a senior colleague

Students need to be able to:

- Identify material and immaterial misstatements
- Identify deviations from an audited entity's prescribed procedures
- Identify matters of unusual nature and unauthorised transactions, unusual events.
 - non-routine transactions
 - related party transactions
 - transactions above or below market rates
 - suspected fraud.

6.3 Evaluate audit evidence and recommend a suitable audit opinion

Students need to be able to:

- Identify a suitable audit opinion arising from:
 - Significant uncertainties
 - Material misstatements
 - Inability to obtain sufficient, appropriate evidence (limitation on scope).

6.4 Effectively report audit findings to management

Students need to be able to:

- Identify the consequences of deficiencies in internal controls how the deficiencies can be remedied.

Delivering this unit

This unit has the following links across the AAT Level 4 Professional Diploma in Accounting.

Unit name	Content links	Suggested order of delivery
Financial Statements of Limited Companies	<p>Students require an understanding of:</p> <ul style="list-style-type: none">• Level 2, Bookkeeping Transactions and Bookkeeping Controls• Level 3 Advanced Bookkeeping and Final Accounts Preparation• Level 4 Financial Statements of Limited Companies. <p>The coverage of internal controls in the External Auditing unit will reinforce the knowledge and skills required in Accounting Systems and Control.</p>	N/A

Links to standards

- A-1 Implement external audit procedures.

It also links with the Level 4 Apprenticeship Standard: Professional Accounting / Tax Technician

- Accounting
- Ethical Standards.

Test specification for this unit assessment

Assessment method	Marking type	Duration of exam
Computer based assessment	Partially computer / partially human marked	2 hours
Learning outcomes		Weighting
1. Demonstrate an understanding of the principles of auditing		5%
2. Demonstrate the importance of professional ethics		12%
3. Evaluate the audited entity's system of internal control		15%
4. Evaluate audit procedures for obtaining audit evidence		15%
Evaluate the planning 5. process		33%
6. Evaluate audit procedures		20%
Total		100%

Cash and Treasury Management

Unit level	GLH value	Assessment
4	60	Unit assessment only

Introduction

This unit covers learning outcomes needed to be able to identify the movements of cash within the business and make informed decisions on the best course of action to maximise the wealth of the business.

This unit provides a link to the importance of cash management to a business. It is generally accepted that a large number of organisations fail not through lack of sales orders they generate but through an inability to make sound financial decisions in controlling cash and working capital, and making informed decisions in investing surplus funds or raising cash when need dictates.

Those organisations that effectively manage their cash resources have a lower risk of failure than those where these controls show signs of a severe lack of robustness and scrutiny on critical decisions that ensure the buoyancy of cash within the business.

Accounting technicians may be required to provide management with information that will aid them in making informed executive decisions to control spending, raise finance, if and when needed, invest surplus funds and maximise the return on those funds in accordance with risk management.

Students will learn to be able to identify non-cash items in the financial information provided and eliminate these using techniques that will monitor the flow of cash into and out of the business.

This unit will provide students not only with an understanding of theoretical principles of effective cash management but also with practical skills of identifying various options available and of making informed decisions on the most viable course of action.

Cash and Treasury Management is an optional unit.

Learning outcomes

1. Use statistical techniques and financial information to prepare forecasts of cash receipts and payments
 2. Prepare cash budgets and monitor cash flows within the organisation
 3. Evaluate the principles of cash management within the context of regulation and government monetary policies
 4. Evaluate ways of raising finance in accordance with organisational requirements
 5. Evaluate ways of investing surplus funds within organisational policies
-

Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit. All areas indicated in the table below must be covered in teaching.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

LO1: Use statistical techniques and financial information to prepare forecasts of cash receipts and payments

1.1 Identify and classify different types of cash receipts and payments

Students need to be able to:

- Identify the different types of cash receipts and cash payments, including regular, exceptional, capital, drawings and disbursements

1.2 Reconcile profit with movement in cash

Students need to be able to

- Reconcile the differences between other payables accounting and cash accounting. These will include adjusting for non-cash items, taking accounts to opening and closing balances in the financial statements and/or bank statements, and calculating movements in cash.

1.3 Prepare forecasts

Students need to be able to calculate:

- Mark up
- Margin

- Moving averages
- Percentages
- Regression analysis
- Trends
- Seasonal variations
- Index numbers.

1.4 Calculate non-current assets cash movements

Students need to be able to calculate:

- The purchase price of the non-current asset
- The sale price of the non-current asset
- The carrying value of the non-current asset, including revaluation
- The effect of revaluation on cash on the disposal of a non-current asset.

L02: Prepare cash budgets and monitor cash flows within the organisation

2.1 Prepare cash budgets and/or forecasts in the preferred format and clearly indicate net cash requirements, including the effects of lagged receipts and payments

Students need to be able to:

- Identify the range of information required that clearly identifies to the audience the net cash requirement
- Prepare a cash budget format to include:
 - all sources of cash receipts totalled to show receipts for the period

- all sources of cash payments totalled to show payments for the period
 - net cash flow for the period
 - opening cash balance
 - closing cash balance
- Evaluate the effect of lagged or delayed receipts and payments in the different periods of the cash budget, and the effect of settlements discounts, irrecoverable debts and timings.

2.2 Undertake sensitivity analysis on cash budgets and make recommendations to management

Students need to be able to:

- Identify changes in assumptions, both controllable and non-controllable aspects, that can affect the cash budget
- Calculate the impact of changes in volume, price, discounts and timings on the original cash budget
- Make recommendations to management.

2.3 Identify deviations from the cash budget and recommend corrective action within organisational policies

Students need to be able to:

- Identify and explain deviations from the cash budget and given information with possible courses of action to address the deviation from the cash budget and controls to prevent further recurrence
- Explain the importance of preparing a cash budget, evaluating the strengths and weaknesses of cash budgets as a monitoring tool for organisations.

L03: Evaluate the principles of cash management within the context of regulation and government monetary policies

3.1 Explain how government monetary policies affect an organisation's treasury functions

Students need to know:

- How the government, through monetary policy, can influence the rate of inflation and the supply of money through quantitative easing
- The main roles of the Bank of England.

3.2 Discuss the principles of liquidity management

Students need to know:

- The importance of cash budgeting to liquidity management
- The importance of ensuring an organisation can make its financial commitments on time
- The working capital cycle and the cash cycle
- How to recognise liquid and non-liquid assets
- Liquidity ratios and their importance in liquidity management
- The effect on cash flow in respect of the timing of payments received and payments made in determining the cash budget
- Signs of overtrading and overcapitalisation.

3.3 Discuss how an organisation's principles of cash management will be determined by their specific financial regulations, guidelines and security procedures

Students need to know:

- Statutory and other organisational regulations that relate to the management of cash balances:

- that mandatory regulations must be adhered to and awareness of these regulations should be known as included in the Companies Act and published by HM Treasury
- and have an awareness of the Money Laundering Regulations and the Bribery Act 2010.

3.4 Discuss the role of the treasury function

Students need to know:

- The main roles of the treasury function in an organisation
- The relationship between risk and return
- How to invest surplus funds to maximise the return on the investment, with due regard to the organisation's attitude to risk.

LO4: Evaluate ways of raising finance in accordance with organisational requirements

4.1 Demonstrate an understanding of how an organisation can raise finance and the basic terms and conditions associated with each of these types of financing

Students need to know:

- The different ways an organisation can raise finance
- The different terms and conditions surrounding the various types of financing, which are bank loans and overdrafts, operating and finance leases, hire purchase agreements, loan stock, factoring, invoice discounting, equity shares and bonds.

4.2 Evaluate the use of financing options to fund the organisation's cash requirements on the most beneficial terms and conditions

Students need to be able to:

- Determine the accounting entries for each financing option
- Explain the effect on gearing and liquidity for each financing option
- Calculate and explain the total cost to a business for a financing option
- Identify the most appropriate finance option in a given situation.

L05: Evaluate ways of investing surplus funds within organisational policies

5.1 Evaluate different types of investment and the associated risk, terms and conditions

Students need to know:

- The various forms of investing surplus funds available to an organisation. These are land, property, shares, bonds, gilts, various types of bank accounts, certificates of deposits and investments in commodities
- The different types of investment.

5.2 Analyse ways to manage risk when investing to minimise potential exposure to the organisation

Students need to know:

- The relationship between risk, reward and liquidity when investing surplus funds
- How to analyse the risk and return of different options
- The most beneficial method of investment in a given situation
- The portfolio effect of diversifying investments.

5.3 Consider the investment of surplus funds according to organisational culture and policy

Students need to know:

- That various investments may have a minimum investment level
- That some investments may have conditions where withdrawal is restricted
- How the ethics, sustainability or working practices of companies in which investments are made could affect an organisation's reputation and decision making. This will involve both inwardly looking and outwardly looking issues that could affect the company
- What the effect of the above restrictions could have in influencing the decision on whether or not to invest.

5.4 Evaluate economic conditions that could affect various financial markets

Students need to know:

- The benefits, advantages and disadvantages of investing in local economies versus wider economies, or the global economy
- How this could affect the treasury function's role in an organisation
- Whether to invest surplus funds or to reduce debt due to the change in economic conditions
- The effect of interest rates, exchange rates and commodity prices on financial markets.
- The differences between fiscal and monetary policies and how a government can attempt to use these to manage an economy.

Delivering this unit

This unit has the following links across the AAT Level 4 Professional Diploma in Accounting.

Unit name	Content links	Suggested order of delivery
Management Accounting: Decision and Control	This unit follows on from units at Levels 2 and Level 3, building on knowledge learned in specified units such as	N/A
Financial Statements of Limited Companies	Advanced Bookkeeping, as well as linking with other Level 4 units such as Management Accounting: Decision and Control.	
Accounting Systems and Control	Students require an understanding of Level 2, Bookkeeping Transactions and Bookkeeping Controls, Level 3 Advanced Bookkeeping and Final Accounts, and Financial Statements of Limited Companies at Level 4.	
External Auditing	The coverage of internal controls in the External Auditing unit will reinforce the knowledge and skills required in Accounting Systems and Control.	

Links to standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

- TM-1 Administer cash balances.

It also links with the Level 4 Apprenticeship Standard: Professional Accounting / Tax Technician

- Accounting
- Ethical Standards.

Test specification for this unit assessment

Assessment method	Marking type	Duration of exam
Computer based assessment	Partially computer / partially human marked	2.5 hours

Learning outcomes	Weighting
Use statistical techniques and financial information to prepare forecasts of cash 1. receipts and payments	10%
Prepare cash budgets and monitor cash flows within the 2. organisation	20%
Evaluate the principles of cash management within the context of regulation 3. and government monetary policies	20%
Evaluate ways of raising finance in accordance with organisational 4. requirements	25%
Evaluate ways of investing surplus funds within organisational 5. policies	25%
Total	100%

Credit Management

Unit level	GLH value	Assessment
4	60	Unit assessment only

Introduction

This unit is about understanding and applying the principles of effective credit control in an organisation.

Students will require understanding of the principles of credit control in the context of relevant legislation, contract law, best practice, professional ethics and organisational policies. Students will also be able to describe remedies for breach of contract, as well as the terms and conditions of contracts with customers.

Students will gain knowledge of sources of information and techniques used to assess credit risks, in compliance with organisational policies, data protection legislation and professional ethics. Knowledge and application of performance measures relating to liquidity, profitability and gearing will be fundamental to this unit.

Legal procedures and methods for collecting debts, as well as financial techniques used in granting and monitoring credit and debtors will need to be understood and demonstrated. An understanding of different types of discounts will also be required.

Students will apply their skills to monitoring and evaluating credit control in compliance with organisational policies and, in particular, will learn the importance of liquidity management. Knowledge of bankruptcies and insolvencies will be required and also the mechanisms of invoice discounting, factoring and credit insurance.

Students will be expected to demonstrate their ability to present advice and recommendations in line with organisational policies in a professional manner, including for write-offs and provisions. The financial impact of decisions and recommendations will be essential skills required of the student.

Credit Management is an optional unit.

Learning outcomes

1. Analyse relevant legislation and contract law impacting the credit control environment
 2. Critically analyse information from a variety of sources to assess credit risk and grant credit in compliance with organisational policies and procedures
 3. Evaluate a range of techniques to collect debts
 4. Critically evaluate credit control in line with organisational policies and procedures
 5. Present advice and recommendations to management on the credit control system
-

Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit. All areas indicated in the table below must be covered in teaching. Additional examples may be included in the delivery guidance to guide delivery but specific examples will not be assessed unless included in scope.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

L01: Analyse relevant legislation and contract law impacting the credit control environment

1.1 Examine how the main features of statute and contract law apply to credit control

Students need to know:

- Essential features and terminology of contract law: offer, acceptance, intention, consideration, capacity and consent
- Legislation relating to trade descriptions - understanding including offences and breaches
- Legislation relating to unfair contract terms - understanding, in particular, unfair terms
- Legislation relating to sale and supply of goods and services - main terms
- Legislation relating to consumer credit - understanding of principal terms.

1.2 Discuss remedies for breach of contract and the circumstances in which they can be used effectively

Students need to know:

- Express terms, implied terms, conditions, warranties, damages, specific performance, *quantum meruit* and action for the price
- Statutory remedies for late payments of commercial debts (interest) and calculations
- Remedies available for collection of outstanding amounts.

1.3 Explain the terms and conditions associated with customer contracts

Students need to know:

- Void, voidable and unenforceable contracts
- Retention of title clauses
- Invitation to treat.

1.4 Discuss the data protection and ethical considerations associated with credit control activities

Students need to know:

- The effect of data protection on the organisation and customers
- Professional ethics in the context of credit control
- Data protection legislation and the application of the guiding principles.

LO2: Critically analyse information from a variety of sources to assess credit risk and grant credit in compliance with organisational policies and procedures

2.1 Explain sources of credit status and assessment methods used in granting credit

Students need to know:

- Extensive range of internal and external sources of information
- External - credit agencies, references, accounts, publications and credit circles
- Internal - records, conversations, emails, staff and meetings
- Usefulness and appropriateness of different types of information.

2.2 Analyse the credit status of existing and potential customers using relevant ratios and performance indicators

Students need to be able to:

- Analyse credit scoring systems and overtrading
- Calculate liquidity ratios - current, quick, receivables, payables and inventory
- Calculate profitability indicators - gross profit, net profit, interest cover and return on capital employed (ROCE)
- Calculate debt indicators - gearing
- Calculate cash flow indicators - earnings before interest, taxes, depreciation and amortisation (EBITDA), EBITDA interest cover and EBITDA to debt
- Determine the working capital cycle
- Examine receivables analysis - importance and application
- Calculate and interpret average periods of credit.

2.3 Present and justify reasons for granting, refusing, amending or extending credit

Students need to be able to:

- Justify organisational policies and procedures

- Assess and communicate changes to credit
- Identify threats to objectivity that may exist when deciding whether to grant credit.

LO3: Evaluate a range of techniques to collect debts

3.1 Discuss legal and administrative procedures for debt collection

Students need to know:

- The importance of stages in the debt collection process
- Small claims, fast-track and multi-track procedures
- Garnishee orders, warrants of execution and delivery
- Attachment of earnings and charging orders
- Role of debt collection agencies and solicitors.

3.2 Evaluate the effectiveness of methods for collection and management of debts

Students need to know:

- Organisational policies and procedures
- Methods of effective internal and external communication
- Use of third parties
- Legal actions and use of statute
- Legal processes and types of insolvency.

3.3 Justify appropriate debt recovery methods

Students need to be able to:

- Select, analyse and recommend appropriate recovery methods

- Evaluate retention of title claims and recommend actions.

3.4 Calculate the effect of early settlement discounts and advise management on their use

Students need to be able to:

- Quantify the effect of discounts on liquidity and cash flow
- Calculate the annual equivalent cost using simple or compound interest
- Present recommendations.

L04: Critically evaluate credit control in line with organisational policies and procedures

4.1 Explain the importance of liquidity management

Students need to know:

- The characteristics of an effective credit control system
- The impact on liquidity of discounts and changes to credit terms
- Invoice discounting, factoring and credit insurance
- Calculations relating to factoring, invoice discounting and credit insurance.

4.2 Discuss the effects of bankruptcy and insolvency

Students need to know:

- Types of personal and company insolvencies, and relevant actions
- Features of liquidation, receivership, administration and bankruptcy
- Impacts on the organisation.

4.3 Analyse receivables

Students need to be able to:

- Analyse receivables, trading history and average periods of credit
- Apply the 80/20 rule, materiality and status reports
- Analyse ledger balances and take corrective action
- Calculate and recommend actions on irrecoverable and doubtful debts.

4.4 Employ a professional and ethical approach to communications and negotiations with customers

Students need to be able to:

- Prepare briefing notes for management
- Draft letters to customers.

L05: Present advice and recommendations to management on the credit control system

5.1 Select relevant, accurate and timely information and present it effectively

Students need to be able to:

- Prepare reports with recommendations
- Liaise with debt collection agencies and solicitors
- Analyse, recommend and justify action to management for a given scenario
- Make recommendations with supporting calculations and assess the impact on liquidity.

5.2 Evaluate recommendations for write-offs and provisions

Students need to be able to:

- Justify and calculate write-offs and provisions
- Analyse the impact on cash flow
- Apply professional ethics
- Calculate VAT implications.

Delivering this unit

This unit has the following links across the AAT Level 4 Professional Diploma in Accounting.

Unit name	Content links	Suggested order of delivery
Financial Statements of Limited Companies	It links with Financial Statements of Limited Companies and, ideally, should be taken after or in conjunction with that unit.	Students should study the financial accounting unit first

Links to standards

This unit links with the following National Occupational Standards (NOS) for Accountancy and Finance:

- TM-2 Grant and control credit.

It also links with the Level 4 Apprenticeship Standard: Professional Accounting / Tax Technician

- Accounting
- Ethical Standards.

Test specification for this unit assessment

Assessment method	Marking type	Duration of exam
Computer based assessment	Partially computer / partially human marked	2.5 hours

Learning outcomes	Weighting
Analyse relevant legislation and contract law impacting the credit control environment	15%
Critically analyse information from a variety of sources to assess credit risk and grant credit in compliance with organisational policies and procedures	45%
3. Evaluate a range of techniques to collect debts	15%
Critically evaluate credit control in line with organisational policies and procedures	15%
5. Present advice and recommendations to management on the credit control system	10%
Total	100%

AQ2016 - Synoptic Test Specification

Please refer to the latest Guidance Note on the AAT website for specific legislation/rates that apply to the current assessments.

Assessment type	Marking type	Duration of exam
Computer based synoptic assessment	Partially computer/ partially human marked	3 hours

1 Assessment objectives

Assessment objective 1	Demonstrate an understanding of the roles and responsibilities of the accounting function within an organisation and examine ways of preventing and detecting fraud and systemic weaknesses.
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Related learning objectives	Accounting Systems and Controls LO1 Demonstrate an understanding of the role and responsibilities of the accounting function within an organisation LO2 Evaluate internal control systems
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Assessment objective 2	Evaluate budgetary reporting; its effectiveness in controlling and improving organisational performance
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Related learning objectives	Accounting Systems and Controls
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LO1
Demonstrate an understanding of the role and responsibilities of the accounting function within an organisation

Decision and Control

LO1 Analyse a range of costing techniques to support the management accounting function of an organisation

LO2 Calculate and use standard costing to improve performance

LO2 Evaluate internal control systems

LO3 Evaluate an organisation's accounting system and underpinning procedures

Management Accounting: Budgeting

LO3
Demonstrate how budgeting can improve organisational performance
Management Accounting:

Assessment objective 3 Evaluate an organisation's accounting control systems and procedures.

Related learning objectives Accounting Systems and Controls

LO2 Evaluate internal control systems

LO3 Evaluate an organisation's accounting system and underpinning procedures

Assessment objective 4 Analyse an organisation's decision making and control using management accounting tools.

Related learning objectives Accounting Systems and Controls

LO1 Demonstrate an understanding of the role and responsibilities of the accounting function within an organisation

LO2 Evaluate internal control systems

LO3 Evaluate an organisation's accounting system and underpinning procedures

LO4 Analyse recommendations made to improve an organisation's accounting system

Management Accounting: Decision and Control

LO2 Calculate and use standard costing to improve performance

LO4 Use appropriate financial and non-financial performance techniques to aid decision making

LO5 Evaluate a range of cost management techniques to enhance value and aid decision making

Assessment objective 5 Analyse an organisation's decision making and control using ratio analysis.

Related learning objectives

Accounting Systems and Controls

LO1 Demonstrate an understanding of the role and responsibilities of the accounting function within an organisation

LO2 Evaluate internal control systems

LO4 Analyse recommendations made to improve an organisation's accounting system

Financial Statements of Limited Companies

LO1 Demonstrate an understanding of the reporting frameworks and ethical principles that underpin financial reporting

LO5 Interpret financial statements using ratio analysis

Management Accounting: Decision and Control

LO4 Use appropriate financial and non-financial performance techniques to aid decision making

Assessment objective 6 Analyse the internal controls of an organisation and make recommendations.

Related learning objectives

Accounting Systems and Controls

LO1 Demonstrate an understanding of the role and responsibilities of the accounting function within an organisation

LO2 Evaluate internal control systems

LO3 Evaluate an organisation's accounting system and underpinning procedures

LO4 Analyse recommendations made to improve an organisation's accounting system

Financial Statements of Limited Companies

LO1 Demonstrate an understanding of the reporting frameworks and ethical principles that underpin financial reporting

Management Accounting: Budgeting

LO3 Demonstrate how budgeting can improve organisational performance Management Accounting: Decision and Control

LO4 Use appropriate financial and non-financial performance techniques to aid decision making

LO5 Evaluate a range of cost management techniques to enhance value and aid decision making

2 Summary

Assessment objective	Weighting
AO1	10%
Demonstrate an understanding of the roles and responsibilities of the accounting function within an organisation and examine ways of preventing and detecting fraud and systemic weaknesses.	
AO2	20%
Evaluate budgetary reporting; its effectiveness in controlling and improving organisational performance	
AO3	15%
Evaluate an organisation's accounting control systems and procedures.	
AO4	20%
Analyse an organisation's decision making and control using management accounting tools.	
AO5	20%
Analyse an organisation's decision making and control using ratio analysis.	
AO6	15%
Analyse the internal controls of an organisation and make recommendations.	
Total	100%

AQ2016 - Developing AAT Qualifications

1 Staff requirements

AAT requires all staff delivering AAT qualifications, including tutors, assessors and verifiers to be professionally competent to do so.

If a training provider wishes to claim recognition of prior learning (RPL) for a student, then staff must hold assessor/verifier (A/V) units, Training, Assessment and Quality Assurance (TAQA) certification, or equivalent.

For more information on assessing RPL and the role and qualifications required for assessors and/or Internal Verifiers, please refer to the AAT Code of Practice for Training Providers and AAT Guidance for Training Providers documents on the AAT website.

2 Training provider and assessment venue approval

Training providers must be approved by AAT to offer these qualifications. To apply to become an AAT approved training provider, email trainingproviders@aat.org.uk with the following information:

- Full name of organisation
- Full postal address including postcode
- Landline telephone number
- Website address - this must be a live, fully functioning website
- Other awarding bodies organisation is accredited with.

When AAT has received this information, an account manager will set up a meeting, and discuss the criteria needed for approval. Training providers offering full time funded provision to 16-19-year-old students will be required to confirm that they are providing employer engagement for those students.

Only applications that meet AAT's high standards will be approved.

Existing training providers who wish to offer the qualification(s) should contact qualityassurance@aat.org.uk to obtain the additional approval application form.

To apply to become an AAT approved assessment venue, email assessment.operations@aat.org.uk with the following information:

- The full address of the proposed venue
- Any experience in administering computer based assessments

AAT will evaluate whether a venue meets the minimum hardware and software requirements, is a suitable environment for delivering assessments and has the staff to run assessments successfully. One of the AAT assessment team may visit a centre before approval is granted.

AAT doesn't approve venues on a permanent basis and may review a venue's status at any time. If a venue's status changes, the venue administrator will be notified in writing.

3 Quality assurance

AAT monitors training providers to ensure their continued compliance with the AAT approval criteria, the *AAT Code of Practice for Training Providers* and appropriate regulatory requirements. Within the United Kingdom, our qualifications are regulated by the Office of the Qualifications and Examinations Regulator (Ofqual) in England and Northern Ireland, by the Scottish Qualifications Authority (SQA) in Scotland and by Qualifications Wales in Wales.

All training providers have an allocated point of contact, and from time to time will be visited by AAT to ensure that quality standards are being met. The frequency of visits will depend on a number of factors and will not necessarily occur on an annual basis. If a centre has been delivering assessments using RPL as an assessment method, AAT may also ask for particular information and/or documents to be made available so that a remote verification activity might be conducted rather than a physical visit.

Training providers will receive an annual report form AAT identifying any actions that are to be addressed.

AAT may apply an action plan with deadlines and/or a sanction where training providers do not meet the requirements set out in the *Code of Practice for Training Providers* or the *Centre Agreement*.

Sanctions will be applied at training provider level and will take the following form:

- Level 1 Action plan imposed
- Level 2 Suspension of the right to claim certification
- Level 3 Suspension of the right to register students and claim certification

Where AAT considers that there is an irretrievable breakdown in the management and quality assurance of the delivery of specified qualifications, AAT will withdraw training provider approval.

4 Recruiting students

Training providers are expected to carry out an initial assessment of students to determine if they are on the most appropriate qualification, and that they are on the correct level.

AAT reserves the right to ask for evidence that students' development needs are matched against the requirements of the qualification and that an agreed individual delivery plan is established.

[AQ2016 - Equality and diversity](#)

AAT firmly believes in equality of opportunity for all who participate in its qualifications.

We aim to ensure that:

1. Our qualifications are free from barriers that restrict access and progression
2. Our qualifications are attainable by all who can demonstrate the required standard by whatever means
3. Our qualifications and publications are free from discriminatory practices or stereotypes with regard to gender, race, age, creed or sexual orientation
4. Assessment tasks and study opportunities are sufficiently varied and flexible to ensure that no particular group of students or would-be students are placed at any disadvantage
5. All reasonable adjustments are made to cater for the individual requirements of students
6. Assessments are valid and reliable to ensure that all students receive impartial treatment.

We do this in the following ways.

1. Considering issues of diversity and equality as part of the development process.
2. Avoiding the creation of barriers that might disadvantage those students who share one or more of the protected characteristics.
3. Consultation with students (or their representatives)
4. Collection of data for monitoring and evaluation.
5. Provision of additional information on [the AAT website](#).

1 Reasonable adjustments and special consideration

'Reasonable adjustment' is the term used for any special arrangement that is needed to enable disabled or temporarily incapacitated students to do their best in an assessment. A common example would be extra time for a dyslexic student.

'Special consideration' is the term used to describe the process by which a student's script is reassessed after it has been taken due to her/him suffering an illness, traumatic accident or major and unpredictable life event at, or shortly before, the time of assessment.

In most cases the training provider may make the decision to grant adjustments, for example granting extra time up to and including one third of the available time as published for that assessment.

In the event of a more significant adjustment training providers will need to contact AAT as outlined in the Reasonable Adjustment Policy on the AAT website.

The required forms and more details are available in 'Guidance on the Application of Reasonable Adjustments and Special Consideration in AAT assessments', available on the AAT website.

AQ2016 - Support for Training Providers

1 Centre Support team

The Centre Support team is dedicated to helping training providers with the daily running of AAT qualifications. The team also offers new training providers one to one support to help them get their AAT qualifications up and running.

Phone: +44 (0)203 3735 2443

Email: centre.support@aat.org.uk

2 Regional Account Manager (RAM)

Each training provider has their own Regional Account Manager (RAM) assigned to support them once they have been approved as an AAT training provider. RAMs help provide links to local employers, and visit regularly to keep training providers up to date on qualification developments, apprenticeships and possible commercial opportunities.

3 Weekly email update from AAT - *SummingUp*

Every Friday morning, *SummingUp* shares all the latest news from AAT including:

- Technical updates
- Qualification developments
- Upcoming events
- New e-learning materials

- The latest marketing materials available.

4 Events for training providers

Tutors have the opportunity to attend a number of events throughout the year. There are three types of tutor events:

Annual conference

The annual training provider conference is a chance to get together, network and share ideas. The two-day conference includes:

- Topical workshops
- A networking dinner on the first evening
- The opportunity to learn about new developments from AAT.

Network meetings

At these events held around the UK, training providers can raise queries, share best practice and ideas with AAT and other training providers. These events:

- Cover a wide range of topics
- Keep tutors up to date on the latest issues
- Provide relevant and cost effective CPD.

Technical events (tutor-to-tutor sessions)

These events, free of charge to training providers, cover a range of our qualifications and assessment areas. Experienced and high performing training providers share their experiences, tips and techniques with attendees to help others improve their achievement rates.

5 Tutor talk forum

All AAT Approved training providers have access to Tutor talk, where tutors can contribute to the online conversation about a wide range of AAT issues. Tutors will receive:

- Unlimited user logins for all AAT tutors
- Email updates on posts they're interested in.

6 Online support resources

In order to help AAT tutors successfully deliver AAT qualifications, a range of support materials are offered across all of our qualifications such as:

- Interactive PDFs
- Recorded webinars
- Videos
- Podcasts
- Training materials
- Quiz questions across all AAT units
- Content queries.

All tutor support materials can be found on the AAT website

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