

Next Generation Higher National Unit Specification

Bookkeeping and Payroll Applications (SCQF level 7)

Unit code: J7BN 47
SCQF level: 7 (16 SCQF credit points)
Valid from: session 2023–24

Prototype unit specification for use in pilot delivery only (version 1.0) May 2023

This unit specification provides detailed information about the unit to ensure consistent and transparent assessment year on year.

This unit specification is for teachers and lecturers and contains all the mandatory information required to deliver and assess the unit.

The information in this unit specification may be reproduced in support of SQA qualifications only on a non-commercial basis. If it is reproduced, SQA must be clearly acknowledged as the source. If it is to be reproduced for any other purpose, written permission must be obtained from permissions@sqa.org.uk.

This edition: May 2023 (version 1.0)

© Scottish Qualifications Authority 2023

Unit purpose

This unit equips learners to use accounting software packages for processing financial transactions and preparing accounting reports for small and medium-sized businesses (SMEs), and payroll software packages to process payroll. They learn how to set up the company details and process day-to-day and period-end transactions to prepare accounting records and financial statements. They also learn to use payroll software to record payroll information for new starts, current employees and leavers, following current legislation.

Entry to the unit is at your centre's discretion. Before learners start the unit, they should have some prior knowledge and skills in double-entry bookkeeping and financial accounting.

The unit is suitable for learners who are considering a career or further learning in bookkeeping or accounting. It would be of interest to learners who wish to gain experience in using accounting software packages, or those with work experience who wish to formalise their bookkeeping qualifications.

Learners who complete the unit can progress to entry level accounting or finance roles or to accounting professional qualifications.

Unit outcomes

Learners who complete this unit can:

- 1 use an accounting software package effectively to set up and amend company, customer, and supplier details and process financial transactions
- 2 use an accounting software package to process control functions, period-end entries and reports
- 3 use a payroll software package to process payroll entries for a business

Evidence requirements

You must teach the outcomes in numerical order. This allows natural progression through the unit and reflects real-world business practices.

You must assess this unit:

- ◆ using relevant accounting and payroll software packages
- ◆ under open-book, supervised conditions

To achieve the unit, learners need a minimum mark of 70% for each outcome.

Outcome 1

Learners must show they can use accounting software to:

- ◆ set up:
 - a new company, including company details and financial year
 - a minimum of four customer and four supplier accounts
 - two nominal ledger accounts (from new asset, new liability, new source of income or new expense accounts) and incorporate these into the appropriate section of the final account structure
- ◆ amend:
 - the company details
 - two customer records
 - two supplier records
 - one nominal ledger
- ◆ process transactions relating to three customer and three supplier accounts (including VAT standard-rated, zero-rated and exempt supplies):
 - twelve sales invoices
 - twelve purchase invoices
 - two sales credit notes
 - two purchase credit notes

- ◆ process payments issued (transactions to include standard-rated, zero-rated and exempt supplies and transactions outwith the scope of VAT), including:
 - five to payables for payment of amount due after returns and discounts have been deducted
 - five for payment of expenses
 - two for purchase of non-current assets
- ◆ process payments received, including:
 - three from receivables for receipt of amount due after returns and discount have been deducted
 - two for other income
 - one loan
- ◆ process:
 - two transactions incorporating discount allowed
 - two transactions incorporating discount received
- ◆ process (transactions to include standard-rated, zero-rated and exempt supplies and transactions outwith the scope of VAT):
 - three cash receipts
 - three cash payments
- ◆ set up and process two recurring entries for direct debits or standing orders
- ◆ write off a receivables account as an irrecoverable debt
- ◆ record details of two new non-current assets in either the non-current asset register or by using journal entries, including:
 - one straight-line depreciation
 - one reducing balance depreciation
- ◆ enter payroll journals

Outcome 2

Learners must show they can use accounting software to:

- ◆ carry out a bank reconciliation for the company
- ◆ correct two errors using the software's error-correction functions
- ◆ delete obsolete records for one customer and one supplier
- ◆ set up and process:
 - year-end adjustments for two accrued expenses and two prepaid expenses
 - two charges for depreciation of non-current assets (one straight-line, one reducing balance)
- ◆ process the appropriate journal entries for opening and closing inventory values
- ◆ produce and print financial statements for an SME, including:
 - income statement
 - statement of financial position
 - VAT return

- ◆ produce the following reports:
 - aged receivables analysis
 - receivables reminder letter
 - customer address list
 - supplier address list
 - nominal ledger code list
 - non-current asset list

Outcome 3

Learners must show they can use payroll software to:

- ◆ set up the company details, including pension and holiday schemes
- ◆ create records for four employees:
 - three weekly paid
 - one monthly paid
- ◆ process records for an additional two new starts (one with a P45 and one without) and one leaver
- ◆ process pay for months 11 and 12 (weeks 45 to 52), including:
 - the pay elements of basic pay, overtime, commission and bonus
 - statutory deductions, student loan deduction or salary sacrifice
- ◆ process records for one employee who has either a tax code or NI code change
- ◆ process statutory payments, including:
 - Statutory Sick Pay (SSP)
 - a minimum of one from: Statutory Maternity Pay (SMP), Statutory Paternity Pay (SPP), Statutory Adoption Pay (SAP)
- ◆ calculate timesheet information for weekly paid employees and complete a gross pay summary
- ◆ produce pay advices:
 - BACS (or equivalent)
 - payslips
 - payroll summary
- ◆ produce a P45 and P60s

Knowledge and skills

The following table shows the knowledge and skills covered by the unit outcomes:

Knowledge	Skills
<p>Outcome 1 Learners should understand how to use an accounting software package to:</p> <ul style="list-style-type: none"> ◆ set up accounting records ◆ amend accounting records ◆ process financial transactions 	<p>Outcome 1 Learners can use an accounting software package to:</p> <ul style="list-style-type: none"> ◆ set up: <ul style="list-style-type: none"> — company details — customer and supplier records — nominal ledger accounts — financial year ◆ amend: <ul style="list-style-type: none"> — company details — customer and supplier records — nominal ledger accounts ◆ process financial transactions relating to: <ul style="list-style-type: none"> — VAT categories — receivables invoices and credit notes — payables invoices and credit notes — purchase of non-current assets — receipt of loan — payments issued and received — discounts allowed and received — cash receipts and cash payments — recurring entries — irrecoverable debt write-off — payroll journals

Knowledge	Skills
<p>Outcome 2 Learners should understand how to use an accounting software package to:</p> <ul style="list-style-type: none"> ◆ perform control functions ◆ incorporate year-end adjustments and produce financial statements for an SME ◆ produce a range of accounting reports 	<p>Outcome 2 Learners can use an accounting software package to:</p> <ul style="list-style-type: none"> ◆ carry out bank reconciliation ◆ correct errors in transactions ◆ delete obsolete records ◆ account for the following year-end adjustments: <ul style="list-style-type: none"> — accruals — prepayments — depreciation — inventory journals ◆ prepare: <ul style="list-style-type: none"> — income statements — statement of financial positions — VAT returns ◆ produce the following reports: <ul style="list-style-type: none"> — aged receivables analysis — receivables reminder letter — customer address list — supplier address list — nominal ledger code list — non-current asset list

Knowledge	Skills
<p>Outcome 3 Learners should understand how to:</p> <ul style="list-style-type: none"> ◆ process payroll using a payroll software package 	<p>Outcome 3 Learners can use a payroll software package to:</p> <ul style="list-style-type: none"> ◆ set up a company and create records for employees with and without P45s, including pension and holiday schemes ◆ process records for one new start and one leaver ◆ process statutory payments, including: <ul style="list-style-type: none"> — Statutory Sick Pay (SSP) — a minimum of one from Statutory Maternity Pay (SMP), Statutory Paternity Pay (SPP), Statutory Adoption Pay (SAP) ◆ process pay, including: <ul style="list-style-type: none"> — the pay elements of basic pay, overtime, commission, and bonus — statutory deductions, student loan deduction or salary sacrifice ◆ change a tax code or NI code for one employee ◆ calculate timesheet information for weekly paid employees and complete a gross pay summary ◆ produce payroll documents including P45s and P60s

Meta-skills

Throughout the unit, learners develop meta-skills to enhance their employability in the accounting sector.

Self-management

This meta-skill includes:

- ◆ focusing: receiving more information than necessary to complete the task and identifying and filtering out non-essential information
- ◆ adapting: dealing with unfamiliar situations and building resilience

Social intelligence

This meta-skill includes:

- ◆ communicating:
 - receiving, understanding, processing and communicating data in the format recipients need
 - receiving, understanding and processing information relevant to the business, concepts and legislation

Innovation

This meta-skill includes:

- ◆ information sourcing: filtering resources and information to find information relevant to an issue or topic

Literacies

Learners develop core skills in the following literacies.

Numeracy

Learners develop the key skills in this profession by performing accounting calculations and working with percentages and formulae.

Communication

Learners develop communication skills by providing advice and communicating accounting information.

NextGen: HN published prototype unit specification for use in pilot delivery only (version 1.0)
May 2023

Digital

Learners develop digital skills and computer literacy by using information and communications technology (ICT).

Delivery of unit

The unit is an optional unit in the Higher National Certificate (HNC) in Accounting.

You can deliver it on a stand-alone basis, or you can integrate teaching by showing learners how to use the software for this unit and for elements of the Financial Accounting Principles (SCQF level 7) unit at the same time. However, you must not integrate assessment.

The notional time for delivery and assessment is 80 hours. The amount of time you allocate to each outcome is at your discretion.

Additional guidance

The guidance in this section is not mandatory.

Approaches to assessment

Use an accounting software package effectively to set up and amend company, customer, and supplier details and process financial transactions (outcome 1), and

Use an accounting software package to process control functions, period-end entries and reports (outcome 2)

You can use a holistic approach to assessment by using a single case study to assess outcomes 1 and 2.

If you do not use a single assessment for outcomes 1 and 2, to avoid consequential errors you should either:

- ◆ give learners a file with completed entries from outcome 1
- or
- ◆ not penalise them for recurring entries if they use their own files

You can give learners:

- ◆ access to software manuals, help menus and any other course materials during the assessment
- ◆ information required to set up a business in the software for a new client who is at the start of trading
- ◆ financial transactions for one month to process

You can batch the financial transactions, for example:

- ◆ invoices sent out last month
- ◆ invoices received last month
- ◆ credit notes sent out
- ◆ credit notes received
- ◆ receipts issued
- ◆ receipts received
- ◆ other transactions

Invoices and credit notes should cover the range of VAT categories.

The amounts issued to payable and received from receivable should be the appropriate amount after a credit note and cash discount is applied so that learners have to process discounts allowed and received.

NextGen: HN published prototype unit specification for use in pilot delivery only (version 1.0)
May 2023

Two of the payments could be for the purchase of new non-current assets. Learners should differentiate between the gross and net amount of the asset when entering it in the non-current asset register or journal entries. They can then depreciate one asset using the straight-line method and one asset using the reducing-balance method.

You could ask learners to:

- ◆ set up, for example, recurring entries for the payment of direct debits and standing orders
- ◆ write off a receivable account
- ◆ process the journal entry to record the closing inventory valuation at the month end

At the end of the assessment, you could:

- ◆ tell the learners that some of the transactions entered earlier in the assessment have errors in them
- ◆ ask the learners to correct these errors using the functions available in the software

Use a payroll software package to process payroll entries for a business (outcome 3)

You can assess outcome 3 using a case study that requires learners to:

- ◆ set up the company details and pay records
- ◆ process the payroll for the last two months of the year
- ◆ produce printouts as required

Equality and inclusion

This unit is designed to be as fair and as accessible as possible with no unnecessary barriers to learning or assessment.

You should take into account the needs of individual learners when planning learning experiences, selecting assessment methods or considering alternative evidence.

Guidance on assessment arrangements for disabled learners and/or those with additional support needs is available on the assessment arrangements web page:

www.sqa.org.uk/assessmentarrangements.

Information for learners

Bookkeeping and Payroll Applications (SCQF level 7)

This information explains:

- ◆ what the unit is about
- ◆ what you should know or be able to do before you start
- ◆ what you need to do during the unit
- ◆ opportunities for further learning and employment

Unit information

This unit equips you to process financial transactions using accounting and payroll software packages. You may already be familiar with the double-entry bookkeeping system and be able to post business transactions manually. The unit equips you to process these same transactions using software, rather than posting manually.

The unit has two main areas, bookkeeping and payroll transactions.

Outcomes 1 and 2 cover bookkeeping transactions. Outcome 3 covers payroll transactions.

Use an accounting software package effectively to set up and amend company, customer, and supplier details and process financial transactions (outcome 1), and

Use an accounting software package to process control functions, period-end entries and reports (outcome 2)

In these outcomes, you learn how to:

- ◆ set up new records and amend existing records
- ◆ use the accounting software's coding system
- ◆ amend the financial statements structure when you introduce new accounts into the nominal ledger — you also become familiar with a range of reports relating to each of these ledgers
- ◆ process the major financial transactions that occur daily in most small and medium-sized businesses (SMEs)
- ◆ batch data and use batch totals for checking purposes
- ◆ enter non-current assets either in a non-current asset register or through journal entries
- ◆ set up and process recurring entries through the bank account
- ◆ write off a debt as an irrecoverable debt for standing orders and direct debits
- ◆ analyse debts by age
- ◆ 'chase' debts by sending out appropriate letters to overdue receivables
- ◆ set up and process the month-end adjustments
- ◆ produce the financial statements for the business, including the income statement and the statement of financial position
- ◆ process month-end adjustments for accruals, prepayments and depreciation

NextGen: HN published prototype unit specification for use in pilot delivery only (version 1.0)
May 2023

- ◆ prepare inventory journals, which you use to produce financial statements that give a true and fair view of the profit earned by or the loss incurred by the business. You normally do this for one month, but you also produce figures for the year to date
- ◆ produce a variety of reports for a business

Use a payroll software package to process payroll entries for a business (outcome 3)

In this outcome, you:

- ◆ develop the necessary knowledge and skills to process payroll using software, including:
 - creating employee records and pay elements
 - processing payroll for employees
- ◆ become familiar with the basic payroll reports available in the software, including:
 - pay advices
 - HMRC documentation
 - BACS payment reporting
- ◆ end-of-year documentation
- ◆ learn how to correct errors using the software and securely manage and store data within the protocols of the software
- ◆ understand why it is important to report real-time information to HMRC

For all outcomes, you are assessed under open-book, supervised conditions, with access to relevant reference materials.

Meta-skills

Throughout the unit you develop meta-skills to enhance your employability in the accounting sector.

Meta-skills include self-management, social intelligence and innovation.

Administrative information

Published: May 2023 (version 1.0)

Superclass: CC

History of changes

Version	Description of change	Date

Note: please check [SQA's website](#) to ensure you are using the most up-to-date version of this document.