

Accounts Preparation I

Learning Area Overview



Welcome to this learning area overview for Accounts Preparation I, prepared by AAT.

In this overview we'll explain what Accounts Preparation I is all about, and how it fits into the bigger picture of the AAT Accounting Qualification.

We'll explore the main topics you can expect to cover, and how the knowledge and skills you'll pick up will be of practical use to you in the workplace.

Finally, we'll explain how this learning area relates to the others you've already studied, and those you'll study in the future.

What you'll learn in Accounts Preparation I

One of the most important topics in Accounts Preparation I concerns accounting for fixed assets. You'll learn how to record both the purchase and disposal of fixed assets.

Certain types of business rely heavily on fixed assets, such as manufacturing and retail businesses. For organisations like this it's very important to accurately record the movements in the different types of fixed assets they own.

You'll learn how to calculate and record the depreciation on fixed assets using at least two different methods.

One of the topics you covered at level 2 was producing a trial balance. Here, you'll further develop your understanding of this subject by looking at some of the more complicated year-end accounts adjustments. These include making adjustments for closing stock, accrued and prepaid expenses and income, and then showing how these are incorporated into an extended trial balance.

Sometimes, of course, if entries are not made correctly the extended trial balance will not balance. Suspense accounts allow you to deal with inaccuracies that arise in an extended trial balance, and this is another topic you'll cover in this learning area.

Accounts Preparation I also deals with accounting for problem debtors, as customers who cannot or will not pay what they owe are a major headache for many businesses.

There are basically two types of problem debtors:

- those who management know definitely will not pay what they owe
- those who management suspect may not end up paying what they owe.

The "will not pay" debtors are known as irrecoverable debts, while the "may not pay" debtors are referred to as doubtful debts. The two types of problem debtors are accounted for differently, and you'll learn how to account for each.

A major benefit of a double-entry bookkeeping system is being able to carry out independent checks on different parts of the system at particular points in time. You may already be familiar with bank and control account reconciliations from what you've seen in the workplace. In Accounts Preparation I you'll learn how the various reconciliations are prepared.

You'll also see how reconciliations help accounts preparers identify discrepancies and provide them with a mechanism to resolve the problems that can occur.



The last major area you'll encounter in this unit is to do with basic accounting principles and concepts.

By this stage in your accounting studies you'll have seen quite a lot about **how** various items should be accounted for. This learning area sets these different accounting treatments against the bigger picture, and explains **why** different items are accounted for in the way they are.

You'll also become familiar with the underlying reasons for putting together a set of financial statements in the first place.

How Accounts Preparation I will help you in the workplace

Although Accounts Preparation I is obviously going to be most relevant to those people currently working in a financial accounting role, many AAT members have at least some degree of exposure to bookkeeping and accounts preparation as part of their job.

Building on the Basic Accounting modules you covered at level 2, you'll find that Accounts Preparation I helps to broaden your knowledge of practical accounting, especially in the areas of accounting for fixed assets, dealing with various accounting adjustments and preparing an extended trial balance.

For many people these areas are ones they're increasingly likely to encounter in the workplace. As a result the Accounts Preparation I learning area should give you an excellent opportunity to demonstrate to your employer that you really understand what is involved in the accounting for these topics.

Equally importantly, you'll be able to show that you're building your accounting knowledge and skills, thereby reinforcing your value as a member of staff.

How Accounts Preparation I relates to other learning areas

In addition to Accounts Preparation I, you'll need to take six other compulsory learning areas at this level. These are:

- Accounts Preparation II
- Cash Management
- Costs and Revenues
- Indirect Tax
- Professional Ethics in Accounting and Finance
- Spreadsheet Software.

The logical progression from Accounts Preparation I is to Accounts Preparation II, which is the other learning area at this level that covers bookkeeping and financial accounting. Accounts Preparation II concentrates on producing final accounts.

Although none of the other learning areas you study at level 3 are directly related to Accounts Preparation I, several of them have some degree of overlap in terms of knowledge and skills.

Cash Management introduces the principles of managing cash balances to ensure the ongoing liquidity of a business. This learning area focuses on preparing cash budgets, and helps you understand the different options available to businesses for raising additional finance and investing surplus cash. Cash budgets are a form of accounting statement and, although they're prepared in a different way to financial accounts, they do rely on key elements of bookkeeping.

Costs and Revenues builds directly on the Basic Costing learning area at level 2. The emphasis at level 3 is on being able to understand how organisations use cost and revenue information for decision making purposes. You'll learn that businesses need accounting processes in place that can provide management with planning information to help monitor the build up of product and service costs.

Spreadsheet Software tests your ability to use software applications that record data in particular formats. In the majority of instances the data analysed will be financial information extracted from an organisation's accounting records.

There are two financial accounting assessments at each of level 2 and 3. There is just one at level 4 – Financial Statements – which will be the culmination of all that you've learned about bookkeeping and financial accounting, and focuses in particular on company accounts.

