

# Basic Accounting I

## Learning Area Overview



### Welcome to this learning area overview for Basic Accounting I, prepared by AAT.

In this overview we'll explain what Basic Accounting 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 others you've already studied, and those you'll study in the future.

### What you'll learn in Basic Accounting I

Basic Accounting I will give you an introduction to the double-entry bookkeeping system. You'll learn about recording financial transactions, and how you begin the process of showing how these build up in a business's accounting records.

The content is divided into two parts: knowledge and skills. Knowledge is what you have to understand, and skills are the things that you have to be able to do. You'll be tested on both aspects in a two-hour computer based assessment.

The "knowledge" part of Basic Accounting I involves understanding how all the components of the double-entry accounting system fit together.

The process begins with what are called the "books of prime entry", which is where you first enter transactions into the system. In Basic Accounting I you'll learn about the purpose, content and format of these books. You'll also come to know what a variety of different business documents are used for, and how the information they contain is recorded in the books of prime entry.



You'll find out about the different ways of coding items for use both in accounting systems and in various filing systems.

You'll also learn about the "accounting equation". This is one of the fundamental principles on which all double-entry accounting systems are built. As a result, it will be important for you to develop a thorough understanding of the relationship between three key elements:

- assets (the things that the business owns)
- liabilities (the things that the business owes)
- capital (what the business owes to the people who own it).

You'll get to see how businesses account differently for capital transactions and revenue transactions. Capital transactions relate to the long term, and include things like the purchase of property. Revenue transactions relate to the short term, such as the regular income that a business receives and the expenses associated with running a business.

The final topic in the knowledge part of Basic Accounting I concerns discounts. All businesses expect to have to offer customers discounts so that they'll buy from them. However, in this area you'll also learn about discounts offered by suppliers, which are a way of trying to gain customer loyalty.

Let's now turn our attention to skills, and look at some of the key accounting activities you'll learn in Basic Accounting I.

You'll learn how to prepare documents such as sales invoices. You'll also be expected to understand how to deal with documents you receive from suppliers, and how to process them. For example, you'll learn how to accurately enter documents from suppliers into the accounting system, and how to record receipts and payments for sales and purchase transactions.

Basic Accounting I also covers how you go about producing a trial balance, which is the main summary document showing the overall effect of all the transactions recorded over a certain period.

When the trial balance balances you can be fairly certain that the double-entry accounting has been done accurately. You'll soon learn that for any accountant, there's no better feeling than when the trial balance you're working on balances first time.

## How Basic Accounting I will help you in the workplace

The content of this learning area relates very closely to the activities that many accounting technicians will be doing in the workplace at this stage in their careers.

If you work for a firm of accountants, this learning area will give you a real understanding of your clients' accounting systems, and assist you enormously with any accounts preparation and tax work you need to do.

If you work in industry and commerce, or in the public sector, many of the skills used in Basic Accounting I will already be familiar to you. However, in this unit you'll get the chance to see many different aspects of a manual accounting system in operation, which is something few people in larger organisations get to experience due to the computerisation of most modern accounting systems.

So this unit is an excellent opportunity to build up a sound grasp of both "how" and "why" the double-entry bookkeeping system works in the way it does. You can then start to think about what's actually happening in the more complex computer based accounting systems that you're likely to see at work.

## How Basic Accounting I relates to other learning areas

In addition to Basic Accounting I, you'll need to take four other compulsory learning areas at level 2:

- Basic Accounting II
- Basic Costing
- Computerised Accounting
- Work Effectively in Accounting and Finance.

Students studying Basic Accounting I usually progress to Basic Accounting II, which is the other learning area at this level that covers bookkeeping and financial accounting. Basic Accounting II builds directly on the knowledge and skills you'll gain in Basic Accounting I.

Taken together, the Basic Accounting learning areas will provide you with a solid grounding in the core elements of basic bookkeeping and accounting.

The three other units you'll study at level 2 are not directly related to Basic Accounting I and II, but they do all share at least some degree of overlap in terms of knowledge and skills. Let's take a quick look at each of these now.

In Basic Costing, you'll learn that businesses need accounting systems to record the effects of financial transactions that have already taken place, and processes that can provide management with planning information so that they can keep track of the build-up of future costs.

To carry out the activities covered in Basic Accounting I, in many cases you'll need to use accounting software. Computerised Accounting is where you'll develop the skills you need to use this software, so you can think of it as a complement to what you'll learn while using manual systems in Basic Accounting I and II.

Finally, you'll also study Work Effectively in Accounting and Finance. This learning area encourages you to develop a range of transferable workplace skills that are essential for all finance professionals, regardless of whether you're working independently or as part of a team. It covers basic numeracy and literacy skills as well as interpersonal skills, and is designed to work alongside all of the other more technical learning areas at level 2.

Once you've achieved level 2, your next step will be to move on to level 3. At this level the knowledge and skills you've developed in Basic Accounting I and II are built on in Accounts Preparation I and Accounts Preparation II.

Beyond level 3 there's also a related learning area at level 4, called Financial Statements.

The learning areas at levels 3 and 4 are concerned with financial accounting – that is, the recording, summarising and reporting of financial transactions.

This is a key part of the AAT Accounting Qualification, and it all starts here with Basic Accounting I.

