



AAT

Financial Accounting: Preparing Financial Statements

Pocket Notes

These Pocket Notes support study for the following AAT qualifications:

AAT Level 3 Diploma in Accounting

AAT Level 3 Certificate in Bookkeeping

AAT Diploma in Accounting at SCQF Level 7



Contents

	Study text chapter	Page Number
A guide to the assessment		1
Chapter 1 Double-entry bookkeeping.....	1	5
Chapter 2 Accounting for VAT and payroll.....	2	17
Chapter 3 Capital and revenue expenditure.....	3	25
Chapter 4 Depreciation	4	31
Chapter 5 Disposal of capital assets	5	41
Chapter 6 Extended trial balance – an introduction	6	51
Chapter 7 Underlying accounting principles.....	7	55
Chapter 8 Accounting for inventory	8	61
Chapter 9 Irrecoverable and doubtful debts	9	69
Chapter 10 Control account reconciliations	10	81
Chapter 11 Bank reconciliations.....	11	95
Chapter 12 Accruals and prepayments	12	97
Chapter 13 Suspense accounts and errors.....	13	107
Chapter 14 Extended trial balance – in action	14	117
Chapter 15 Sole trader accounts.....	15	131

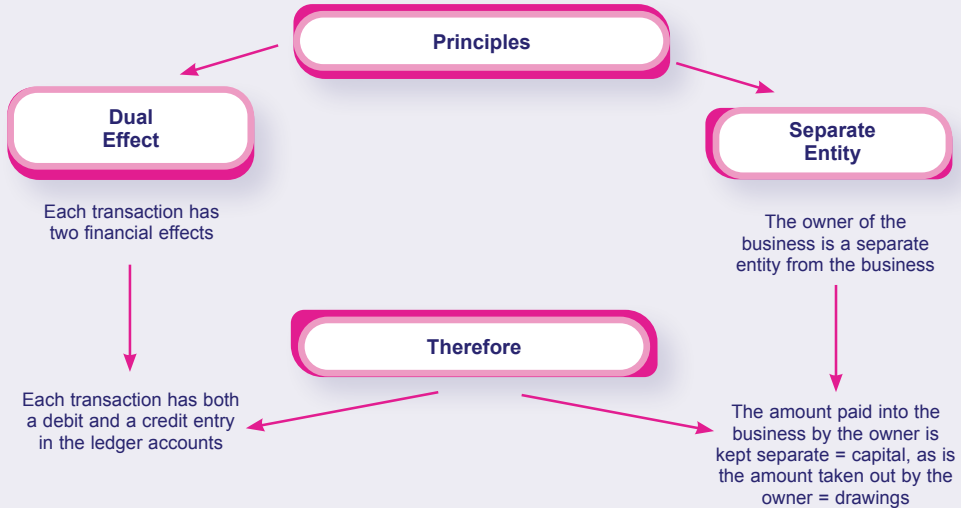
chapter

1

Double-entry bookkeeping

- Principles of double-entry bookkeeping.
- Accounting equation.
- Ledger accounts.
- General rules of double-entry bookkeeping.
- Accounting for cash transactions.
- Accounting for credit transactions.
- Balancing ledger accounts.
- Preparing a trial balance.

Principles of double-entry bookkeeping



Accounting equation

$$\text{Assets} - \text{Liabilities} = \text{Capital}$$

Terminology

Asset

Something owned
by the business

Liability

Something owed
by the business

Capital

Amount the owner
has invested in the
business

Receivable

Someone who
owes the business
money

Payable

Someone the
business owes
money to

Ledger accounts

Typical ledger account:

Title of account					
Date	Narrative	£	Date	Narrative	£
	Debit side	x		Credit side	x

The dual effect means that every transaction is recorded as a debit in one account and a credit in another account.

Key question – which account is the debit entry to and which account is the credit entry to?

General rules of double-entry bookkeeping

Ledger account	
Debit	Credit
Money in	Money out
Increase in asset	Increase in liability
Decrease in liability	Decrease in asset
Increase in expense	Increase in income



You are viewing a sample

Interested in the full version?