### SESSION PLAN

**COURSE:** ABE Level 2 Award in Setting Up Your Own Business

**ELEMENT:** Element 4 – Business finance and recordkeeping

## **LEARNING OUTCOME 5**

**Understand the requirements for accurate financial recordkeeping (Weighting 20%)**

5.1 Develop a recordkeeping process indicating relevant accounting source documents for a business proposition, taking into account local accounting practice

**NUMBER OF SESSIONS:** Two - approximately four hours in total

**SESSION TOPICS:** Session 1: The purpose of recordkeeping and accounting source documents

Session 2: Basic single entry bookkeeping

**Note to tutors: This is the recommended session plan for Learning Outcome 5 of Element 4 of the ABE Level 2 Award in Setting Up Your Own Business. You should follow the plan, using the resources (referenced as ‘slides’ here) and activities provided. It is important to enhance all sessions with local examples and case studies, involving the learners ACTIVELY wherever possible.**

### SESSION 1: The purpose of recordkeeping and accounting source documents (1-2 hours)

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| **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** |
| Introduction to session and learning outcomes | Learning outcomes 5.1  **RESOURCE Element 4 LO5 – Requirements of accurate recordkeeping.pptx** | 1-3 |  |  |
| The purpose of recordkeeping | Explain how recordkeeping is required to:   * Meet legal obligations within local region for taxation * Establish good practice and discipline in recordkeeping * Inform business planning and aid business decision making * Provide financial controls to control costs and minimise unnecessary expenditure and waste | 4-5 | As a class, discuss the reasons why accurate recordkeeping may contribute to a business’ success. |  |
| The needs for accurate recordkeeping | Using the outcomes from the previous learners’ activity, explain the need for accurate recordkeeping.   * Records all income and expenditure so a profit or loss can be calculated * Take all expenses into consideration when assessing tax liability * Controls costs and reduces unnecessary expenditure * Aids business planning through greater understanding of business strengths and weaknesses * Provides evidence of business viability for loans and grants | 6 |  |  |
| Accounting source documents | Outline the main accounting source documents used in business:  **Cash sales** – a till roll from a cash register balanced each day with the cash in the till minus any float  **Credit purchases and sales** – may create documents such as:   * Estimates * Quotes * Delivery notes * Invoices * Receipts * Credit notes * Remittance advice * Statements   Gather together examples of accounting source documentation used in businesses locally and distribute copies to the learners to compare. | 7-9 | Learners should carry out a comparison of examples of accounting source documentation provided by the tutor. |  |
| Explain how some or all of these documents may be used depending on the nature of the business |  | Learners should complete the formative assessment individually. | Activity 1- Element 4 – LO5 - Understanding invoices - Part One |
| Types of accounting source documents | Explain the purpose and use of the following types of accounting source documents   * Estimates versus quotes * Delivery notes and credit notes * Invoice, receipts and remittance advices | 10-12 | Learners should complete the formative assessment individually.  Learners should complete the formative assessment individually. | Activity 1- Element 4 – LO5 - Credit notes - Part Two  Activity 1- Element 4 – LO5 Preparing Invoices - Part Three |
| The flow of documents | Outline the flow of documents between a customer and a supplier | 13 | In small groups, learners should draw up a flow chart that shows the flow of all the following documents between a supplier and a customer:   * Credit notes * Invoices * Statements * Remittance advice * Receipts * Delivery notes * Estimates and Quotes |  |
| Other accounting documentation | Explain other accounting documentation that may be used in some businesses:   * Statements – periodic summary of transactions between a supplier and a customer * Petty cash vouchers – used to record minor cash transactions from a float * General expenses – records of regular payments by direct debit or bank transfer shown on bank statements | 14 |  |  |
|  |  | Learners should complete the formative assessment individually. | Activity 1- Element 4 – LO5 - Statements of account - Part Four |
| Review of session and learning outcomes |  |  |  |  |

### SESSION 2: Basic single entry bookkeeping (1-2 hours)

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| **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative assessment** |
| Introduction to session and learning outcomes | Learning outcome 5.1 | 15 |  |  |
| Introduction to basic single entry bookkeeping | Explain how many small businesses engage the services of an accountant to prepare end of year final accounts for taxation purposes however the business owner has a responsibility to maintain accurate records of business transactions as previously discussed in session 1. | 16 | Discuss as a group the learners’ confidence in bookkeeping skills.  In small groups, list the transactions that are likely to require recording in everyday business activities. Such responses may include but are not exclusively:   * Cash sales * Credit sales * Cash purchases * Credit purchases * Return of goods to a supplier * Deposits to the bank * Withdrawals from the bank * Direct debits and bank transfers to and from the bank account   Feedback group responses and collate a class list. |  |
| Simple bookkeeping system | Outline the components of a simple bookkeeping system   * A weekly record of financial transactions including receipts and payments totalled at the end of the week * A file for keeping documents together before they are entered into the record keeping system * A file for keeping all transaction documentation that has been entered into the record keeping system. * A storage box to keep all records together as the year goes by to hand over to an accountant and archive at the end of the year. | 17 | Research free, downloadable spreadsheets for small businesses to use to maintain their accounts: Some suggested websites include:  <http://www.beginner-bookkeeping.com/single-entry-bookkeeping>  <https://www.smartsheet.com/top-excel-accounting-templates>  <https://www.smartsheet.com/top-excel-accounting-templates> |  |
| Maintaining weekly records | Using the tables provided on the slides, outline the various elements of the following records:   * Recording sales and other receipts * Recording money paid into the bank * Recording payments made for business stock * Recording payments for items other than stock   Demonstrate how totals are reached at the end of each week. | 18-21 |  |  |
| The Manual cash book | Explain the purpose of a cash book to records:   * **Cash transactions** – all receipts in cash and most payments made in cash except for very small amounts which may be handled via a petty cash book if available. * **Bank transactions** –all receipts by cheque, credit or debit card or payments of cash into the bank and all payments made by cheque or withdrawal of cash from the bank. | 22 |  |  |
| Outline the key elements of the cash book layout using the example on slide 23 | 23 | Learners should complete the formative assessment individually. | Activity 2: Element 4 – Basic single entry bookkeeping – Part One |
| Indicate how the **cash in hand** and **bank balance** totals should match the amount of money held in a cash book or cash register and the amount shown on a bank statement respectively. | 24 |  |  |
| Bank reconciliation | Explain the purpose and need for bank reconciliation as:   * verifying the amounts and transactions shown on a bank statement with those shown in a cash book * identifying any fraudulent activity, unauthorised cash transactions or incorrect recordkeeping | 25 |  |  |
| Outline the process of reconciling a bank statement using the cash book extract shown on slide 26 | 26 |  |  |
| Explain the reason for unmatched items:   * Cheques or withdrawals made and entered onto the cashbook but that have not yet been banked by a third party. * Payments received and recorded in your cashbook but which were not deposited into the bank account before the statement end date. * Bank fees or interest which only become apparent on receipt of a bank statement. * Any other unidentified items will should be investigated and necessary adjustments | 27 |  |  |
| Show how adjustments are made for these unmatched items on the bank reconciliation statement | 28 | Learners should complete the formative assessment individually. | Activity 2: Element 4 – Bank reconciliation – Part One |
| Review of session and learning outcomes |  |  |  |  |

## **LEARNING OUTCOME 6**

**Demonstrate an awareness of the financial obligations of self-employment in the local environment (Weighting 20%)**

6.1 Outline the legal and financial obligations of self-employment in the local environment

**NUMBER OF SESSIONS:** One - approximately one hour in total

**SESSION TOPICS:** Session 1: Financial obligations of self-employment

**Note to tutors: This is the recommended session plan for Learning Outcome 6 of Element 4 of the ABE Level 2 Award in Setting Up Your Own Business. You should follow the plan, using the resources (referenced as ‘slides’ here) and activities provided. It is important to enhance all sessions with local examples and case studies, involving the learners ACTIVELY wherever possible.**

### SESSION 1: Financial obligations of self-employment (1 hours)

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| **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** |
| Introduction to session and learning outcomes | Learning outcomes 6.1  **RESOURCE Element 4 LO6 – Financial obligations of self-employment.pptx** | 1-3 | In small groups, learners should research the specific financial obligations for self-employment in own country. Feedback finding to the whole class. |  |
| Financial obligations of self-employment | Compare learners’ finding from the previous activity and explain the general financial obligations of a self-employed person to meet local taxation requirements as follows.   * Prepare accounts based on accounting records. These may be prepared by you or an accountant. * Complete and submit a tax return for reporting business profits and losses and identifying any tax liability. * Pay tax on time. * Keep accounting records for a specified period of time (usually seven years). * Notify the tax collection department if your self-employment status changes. | 4-6 | In small groups, learners should consider the general financial obligations in the context of the taxation requirements in own country and research specific details in terms of:   * Personal tax liability and personal allowances * Current tax rates * Submission dates for self-assessment * Payments dates for any tax liability * Any other relevant information relating to taxation and self-assessment |  |
| Review of session and learning outcomes |  | 7 |  |  |