



Level II Certificate in Bookkeeping 2015/16 Syllabus for ICBUSA

Level II Certificate in Bookkeeping

Introduction

The Level II Certificate in Bookkeeping covers the basic principles of single and double entry bookkeeping and its application to business in both a manual and a computerized system.

Occupational Role: Assistant Bookkeeper

Upon completion of this qualification, candidates will be able to carry out the role of an employed assistant bookkeeper under supervision. They should be able to apply postings from the books of original entry and from source documents to the ledger accounts and produce an initial trial balance. They will also be able to set up a computerized bookkeeping system, enter details of all transactions and produce reports.

Pre requisites

No prior bookkeeping knowledge is assumed at this level but candidates must have basic numerical skills.

Qualification aims

On completion of this level of study a candidate will be able to:

- Understand the following areas of underpinning knowledge:
 - The importance of adhering to a code of professional ethics
 - The differences between the structure of different types of businesses
 - The importance of legislation that applies to bookkeepers
 - The basic elements of a contract
 - The accounting equation
 - The concept of reporting on a cash basis for income tax purposes
 - The concept of business entity, duality and historical cost
- Understand banking procedures, including the need for security
- Understand the purpose and range of business documents, and accurately prepare them
- Understand the purpose of, and make entries into, the ledgers and books of original entry including the use of control accounts
- Understand the process of dealing with and accounting for sales tax and use tax in the ledgers
- Understand the purpose and use of the two and three-column cash book, the analyzed cash book and the petty cash book
- Understand the purpose and use of the trial balance
- Understand when to open a suspense account
- Set up a business in a computerized system
- Process entries into nominal and subsidiary ledger accounts
- Print out reports as follows:
 - Trial balance
 - Audit trail
 - Nominal account transactions
 - Sales and purchase ledger transactions

Assessment and Grading

The testing of knowledge and skills for the qualification will comprise three online assessments, all of which are taken in the candidate's home or place of work. The first two will test manual knowledge of double entry bookkeeping to trial balance for a variety of types of businesses; the third will test the set up and data entry to trial balance using a

computerized system. The content of each assessment is listed below, together with the relevant weighting of each section within each examination.

Examination B1 – Basic double-entry bookkeeping to trial balance

An assessment completed at home or works which measures competency in the following areas:

- General knowledge of the basics concepts of bookkeeping (10% weighting)
 - Bookkeeping terms (assets, liabilities, etc.)
 - Banking terms, documents, and procedures
 - Understanding the major types of taxes which are paid by companies (sales taxes, federal/state income taxes, payroll taxes, excise taxes and other fees/duties)
- Calculation of business documents including calculation of sales tax (20% weighting)
- Entering transactions into the ledgers including the analyzed cash book, cash transactions, credit transactions, discounts, petty cash book, two column cash book and taxes including sales tax (40% weighting)
- Paying vendors and employees, as well as receiving payments from customers and owners/partners (20% weighting)
- Producing and explaining a trial balance (10% weighting)

Examination B2 – Further double entry bookkeeping to trial balance

An assessment completed at home or works which measures competency in the following areas:

- Underpinning knowledge (10% weighting)
 - ethics
 - legislation
 - types of businesses including simple cash based businesses
 - identifying sections of the ledger
 - accounting concepts
- Further double entry including the following (60% weighting)
 - Topics from paper 1
 - Day books and control accounts in a double-entry system
 - Writing off a bad debt
 - Entries to record transactions with owners (dividends, contributions/investments, distributions to partners etc.)
- Making and receiving payments (20% weighting)
 - Three column cash book
 - The analyzed cash book
- Production and explanation of a trial balance (10% weighting)

Examination B3 – Data entry to trial balance using a computerized accounts package

Home/place of work based test to include the use of a computerized accounting package to include:

- Recording of opening balances
- Entering cash and credit transactions with customers, vendors, and employees
- Producing a trial balance
- Producing reports for customers, vendors, bank, and the audit trail

The three assessments should be taken in the order listed above.

Each assessment will generate an accreditation notification. Successful candidates will need to pass all three assessments to gain the full qualification.

The full qualification will be graded at Distinction with Honors, Distinction, Merit or Pass

Because all assessments are taken at home or at the place of work, each test will be graded as follows:

Distinction	95 -100%
Merit	90 - 94%
Pass	85 - 89%
Fail	0 - 84%

Once all assessments have been successfully completed, a final certificate can be applied for which will be graded at Distinction with Honors, Distinction, Merit or Pass. Unit results will be aggregated. To achieve the relevant grade in the full qualification, the following aggregate marks must be achieved:

Distinction with Honors	295 points and above
Distinction	285 – 294 points
Merit	270 – 284 points
Pass	255 – 269 points

Level of Membership

Successful achievement at the full qualification will lead to the offer to upgrade to Associate Member of ICB and the award of the designators letters AICB.

Topic 1 - Underpinning Knowledge

Learning Outcome	Assessment Criteria
<p>1.1 Understand the importance of adhering to a code of Professional Ethics</p>	<p>Be able to:</p> <ul style="list-style-type: none"> • Explain why each of the following professional values is important to bookkeepers and why they should adhere to a code of ethics <ul style="list-style-type: none"> - Confidentiality - Security of data - Competency - Duty of care - Integrity • Understand the basics of a non-compete agreement, a non-disclosure agreement, and explain why many companies ask their employees and contractors to sign these documents.
<p>1.2 Understand the basic differences between the structures of different types of businesses</p>	<p>Be able to:</p> <ul style="list-style-type: none"> • Explain the basic structure and reasons for operating as one of the following types of businesses: <ul style="list-style-type: none"> - Sole Proprietor - Partnership - Limited Liability Company - Corporation - Limited Partnership - Not-for-Profit Organization • Understand and explain the basic principles behind income tax reporting of payments to sole proprietors, partnerships, and other unincorporated businesses. <ul style="list-style-type: none"> - Explain the types of payments which must be reported to the Internal Revenue Service on 1099-series forms - Know the form used to request and obtain Federal income tax reporting information from unincorporated vendors, partnerships, and individuals (W-9)
<p>1.3 Understand the importance of legislation that applies to bookkeepers</p>	<p>Be able to:</p> <ul style="list-style-type: none"> • Understand the basics of major federal legislation affecting bookkeepers such as: <ul style="list-style-type: none"> - The thresholds for cash transaction reporting requirements under Federal anti-money laundering laws - Laws that may regulate how you must store, transmit, and utilize confidential information - HIPAA (health care providers and related data) - Gramm-Leach-Bliley (banks and other financial institutions) - FERPA and COPPA (educational institutions) - State privacy breach notification statutes - IRS Circular 230 (tax preparers) - The requirement for timely remittance and reporting of FICA, Medicare, and income taxes, as well as retirement plan contributions, insurance

	<p>copayments, and other funds withheld from employee paychecks</p> <ul style="list-style-type: none"> - The requirements for timely remittance and reporting of sales taxes to state and local departments of revenue - Requirements for companies accepting credit cards promulgated by a coalition of financial companies, credit card issuers, and credit card processors called the Payment Card Industry (PCI) - An overview of the possible personal legal, financial, and professional consequences of not complying with these statutes
<p>1.4 Understand the basic elements of a contract</p>	<p>Be able to:</p> <ul style="list-style-type: none"> • Understand the basic elements of a contract (e.g. offer, acceptance and consideration) • Decide whether a contract exists, given certain circumstances • Explain the role of a Notary Public recognized by a state in legal documents in the United States.
<p>1.5 Understand the basic elements of the Uniform Commercial Code</p>	<p>Be able to:</p> <ul style="list-style-type: none"> • Explain how to apply the Uniform Commercial Code (UCC), a standardized state law adopted by all 50 states to harmonize the laws related to sales and other commercial transactions. • Describe the type of property usually covered by the requirements of the UCC (personal property) and the type usually not covered (real property/real estate). • Explain how the UCC simplifies business transactions between two parties, and describe the kinds of assumptions it places on such transactions. <ul style="list-style-type: none"> ○ The Code helps consumers have a standardized set of assumptions when they enter into a contract for goods or services with a merchant. It makes it possible for the two parties to resolve disputes where they agreed to a transaction and one or more major details were omitted. ○ Some examples of such details might be price, delivery date, who pays for shipping of goods from seller to buyer, how nonconforming goods are handled, and other problem areas associated with transactions. • Explain how the UCC affects the transfer of many kinds of transactions in financial instruments such as checks, promissory notes, electronic funds transfers, letters of credit, warehouse receipts, bills of lading, bankers' acceptances, investment securities, and security interests on personal property. • Name the two major groups of actors described in the UCC provisions dealing with sales (merchants and consumers) and explain the differences in how each are treated under the Code. <ul style="list-style-type: none"> ○ Consumers are generally protected in transactions under the Code and are treated as "innocent participants" in most transactions.

	<ul style="list-style-type: none"> ○ Merchants are generally treated as “experts”, and are held responsible for problems associated with sales transactions under the Code.
1.6 Understand the Accounting Equation	<p>Be able to:</p> <ul style="list-style-type: none"> • Show an understanding of the terms Assets, Liabilities, and Equity. (Note that Owners Equity is used in corporations, Partners Capital is used in partnerships, Members Equity is used in limited liability companies, and other specialized terms are used in non-profit organizations and state & local governmental entities.) • State the Accounting Equation, and be able to identify the normal balance of each account type as well as an example of an account which would be included in each type. • Explain how the Accounting Equation relates to a double-entry bookkeeping system. • Explain how a single-entry system is different from a double entry system, and describe some of the weaknesses of a single-entry system as compared to a double-entry system.
1.7 Understand the concept of reporting on a cash basis for income tax purposes	<p>Be able to:</p> <ul style="list-style-type: none"> • Explain when the use of a cash based system is sufficient for small businesses to enable them to correctly report income and expenditure for state and federal income tax purposes.
1.8 Identify the various methods of payments and receipts to and from a bank account	<p>Be able to:</p> <ul style="list-style-type: none"> • Identify the different types of receipts and payments available through banks and other financial institutions including: <ul style="list-style-type: none"> - cash - checks - drafts - bankers' acceptances - direct deposits/debits (also known as ACH transactions) - wire transfers - NACHA - credit and debit cards and the related merchant accounts - PayPal, Dwolla, and other online methods
1.9 Understand the need for bank security	<p>Be able to:</p> <ul style="list-style-type: none"> • Describe the various forms of security that relate to the different forms of payments including: <ul style="list-style-type: none"> - PIN numbers - online passwords - telephone banking passwords - two factor authentication - dual signatures - payment value limits
1.10 Understand the basic accounting concepts	<p>Be able to:</p> <ul style="list-style-type: none"> • Explain the concepts of: <ul style="list-style-type: none"> - business entity - double entry accounting - historic cost

<p>1.11 Understand the major bases of accounting used to record transactions and prepare financial statements</p>	<p>Be able to explain the major bases of accounting used in the United States, and list a primary user of each:</p> <ul style="list-style-type: none"> • Generally accepted accounting principles in the United States (GAAP) • International financial reporting standards (IFRS) • Cash basis • Income tax basis
<p>1.12 Know the proper names and purposes of the basic financial statements</p>	<p>Be able to describe and explain the basic financial statements of a for-profit business. These include:</p> <ul style="list-style-type: none"> • The Balance Sheet, which presents the financial position of a company or legal entity at a particular date, including its assets, its liabilities, and the equity of its owners. • The Income Statement (nicknamed a “profit and loss report” by some software packages), which presents the financial results of the business operations for a period of time. • The Statement of Changes in Shareholders Equity summarizes the investment/liquidation of funds by the owner, as well as any dividends paid, return of capital, or other distributions the owners, as well as the increase or decrease in shareholders’ equity associated with the net income or loss for the current period as reported on the income statement. • The Statement of Cash Flows summarizes the flows of cash and cash equivalents (e.g. cash and short term investments) of a business into those accounts related to its operations, its investments in assets, and its transactions with owners or lenders to finance the business. Each of the transaction types are reported in a separate section of the statement of Cash Flows, as follows: <ul style="list-style-type: none"> ○ Cash flows from operating activities ○ Cash flows from investing activities ○ Cash flows from financing activities

Topic 2 – Business Documents

Learning Outcome	Assessment Criteria
<p>2.1 Understand the purpose of major types of business documents.</p>	<p>Be able to:</p> <ul style="list-style-type: none"> • Explain the purpose and flow of documents between seller and buyer for both cash and credit transactions including: <ul style="list-style-type: none"> - quotation (also called estimate) - sales order - purchase order - packing slip - invoice - credit memo - return merchandise authorization (RMA) - remittance advice - statement - cash receipts • For each of the documents above, explain the typical journal entry (e.g. debit and credit transaction) used to record the transaction in the general ledger. <ul style="list-style-type: none"> - Example: invoices are typically recorded as follows: <ul style="list-style-type: none"> • Dr Accounts receivable (or cash) • Cr Sales (or other revenue account) • Understand the importance of verifying and storing relevant source documents so books can be examined by others. • Explain the action to be taken where no source document exists.
<p>2.2 Understand the need to accurately prepare business documents for goods supplied</p>	<p>Be able to:</p> <ul style="list-style-type: none"> • Accurately prepare invoices and credit memos including the treatment of sales tax and cash discounts. • Ensure that these are correctly authorized. • Ensure that they are correctly coded, where applicable. • Know the meaning of “FOB” on purchase orders, sales orders, bills of lading, and invoices, and be able to describe the impact of this location on the delivery costs associated with goods in a commercial transaction. • Prepare periodic statements for customers. • Describe the meaning of common trade credit terms, including “COD”, “Net 30”, “Net 45”, and “2% 10/Net 30”.
<p>2.3 Understand the need to check business documents received</p>	<p>Be able to:</p> <ul style="list-style-type: none"> • Compare details from supplier invoices and credit memos with relevant documents. • Check calculations on supplier invoices and credit memos including treatment of sales tax and discount received. • Correctly code invoices and credit memos to the proper general ledger accounts. • Identify and resolve discrepancies between documents and accounting records. • Identify and explain when and why authorization may be required to process such documents.

Topic 3 - Ledger Accounts and The Division Of The Ledger

Learning Outcome	Assessment Criteria
<p>3.1 Understand the purpose of, and make entries into, the ledger accounts</p>	<p>Be able to:</p> <ul style="list-style-type: none"> • Understand the divisions of the ledger. • Enter invoices and credit notes into the appropriate ledger accounts: <ul style="list-style-type: none"> - sales journal - purchase journal - main/nominal/general ledger • Explain the following about 1099-MISC reporting: <ul style="list-style-type: none"> - major groups and types of payments that are subject to 1099-MISC reporting (individuals/sole proprietors, partnerships, and other unincorporated entities), - the threshold for reporting payments for services to individuals, partnerships, or unincorporated entities (payments of more than \$600 in the course of a single calendar year), and - the form used to collect the required Federal income tax reporting data from your vendors (IRS Form W-9) • Record incoming funds and related transactions into the general ledger and subledgers, including: <ul style="list-style-type: none"> - income from sales and supply of services - cash receipts from capital invested - cash received or disbursed for loans - sale of capital items and reporting of any related gain or loss - donations to non-profit organizations receivables from credit card sales • Record expenditures and other disbursements of funds into the ledgers including: <ul style="list-style-type: none"> - both capital and revenue expenditure - the treatment of wages and salaries - the draws of a sole proprietor or partner via draw accounts - withdrawal of funds by a director of a company (salary, dividends, loans) via a director's loan account - transactions which were reported on expense reports or company credit cards at or around the end of the period • Close the revenue and expense accounts to the retained earnings account and/or partner/member capital accounts at the end of an accounting period. • Post relevant figures from the books of original entry into the ledgers. • Post opening balances for a new company. • Write off of a bad debt including the treatment of sales tax.
<p>3.2 Use a set of control accounts in the ledgers</p>	<p>Be able to:</p> <ul style="list-style-type: none"> • Understand the use of control accounts in a double entry system and in accounting computer software applications.

	<ul style="list-style-type: none">• Understand the role of supplier and customer accounts as memorandum accounts when using control accounts• Enter transactions into control accounts from the relevant books of original entry
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Topic 4 – Books Of Original Entry

Learning Outcome	Assessment Criteria
4.1 Understand the purpose of, and make entries into, the books of original entry	<p>Be able to:</p> <ul style="list-style-type: none">• Explain how the books of original entry integrate with the ledgers.• Enter invoices and credit memos into books of original entry and prepare the:<ul style="list-style-type: none">- sales journal- sales returns journal- purchases journal- purchase returns journal• Prepare an opening journal entry for a business.• Define “batch” and “real time” systems, and explain the difference between them.• Prepare a journal entry to record purchase of a fixed asset.• Explain why books of original entry were originally used, why are not used in most computerized accounting software packages, and describe how the concepts of these books are still used when you periodically record transactions from another application (e.g. a point of sale system).

Topic 5 – Accounting For Sales Tax

Learning Outcome	Assessment Criteria
<p>5.1 Understand the general rules for the types of transactions and payers subject to sales tax</p>	<p>Be able to:</p> <ul style="list-style-type: none"> • Explain how sales tax is calculated (usually, but not always) on sales of goods to end users. Some states also charge sales tax on services and intangible assets (computer software, digital music, etc.). • List common assets which are exempt from sales tax in most states: <ul style="list-style-type: none"> - groceries and uncooked food for personal use - prescription medications - real estate transactions - Financial transactions (bank charges, purchase or sale of financial assets like stocks, bonds, etc.) - items for resale to others • List the types of organizations which are exempt from sales and use tax in many states: <ul style="list-style-type: none"> - Churches and non-profit organizations - State, local, and federal government - Manufacturers and distributors are generally not required to pay sales tax on items purchased for resale to others
<p>5.2 Understand the similarities and differences between sales tax and use tax</p>	<p>Be able to:</p> <ul style="list-style-type: none"> • Explain the difference in sales tax and use tax (e.g. sales tax is charged by a merchant adding the tax and remitting it in a taxable sale of a taxable item to a taxable customer. Use tax is reported by the end user when they purchase an item and do not pay sales tax on the item and the user plans to use in a specific jurisdiction).
<p>5.3 Understand the process for remitting, and reporting sales tax to state and local authorities</p>	<p>Be able to:</p> <ul style="list-style-type: none"> • Explain the difference between remitting and reporting sales tax to state and local authorities, and know which of the two (remitting vs. reporting) is likely to occur more frequently than the other. • Describe the possible personal civil liabilities and criminal penalties for bookkeepers and accountants who file fraudulent returns or collect but do not remit sales taxes to the government.

Topic 6 – Making and Receiving Payments

Learning Outcome	Assessment Criteria
6.1 Understand the use of a cash ledger	Be able to: <ul style="list-style-type: none"> • Understand when the cash basis of accounting and the related single ledger can be used to record amounts for sole proprietors, small businesses, and partnerships. • Record cash receipts and disbursements into a categorized and subtotaled ledger of cash transactions.
6.2 Understand the purpose and need to record petty cash	Be able to: <ul style="list-style-type: none"> • Explain the purpose of the imprest system. • Prepare petty cash vouchers. • Seek authorization for a petty cash payment. • Code the expenditure to the proper account and cost center. • Record the transactions in the petty cash account and retain supporting documentation like receipts. • Balance off and restore the imprest amount when the balance is depleted. • Post the transaction summary to the proper general ledger accounts and explain what happens to the receipts and other supporting documentation.
6.3 Understand the purpose and use of a cash receipts and disbursements ledger	Be able to: <ul style="list-style-type: none"> • Accurately record cash receipts and disbursements in a two column ledger. • Accurately records receipts and payments in a three column ledger including the treatment of cash discount allowed and received. • Balance off cash and bank columns and bring down balances. • Complete the double entry to main and subsidiary ledgers.

Topic 7 – Trial Balance

Learning Outcome	Assessment Criteria
7.1 Understand the purpose and use of the trial balance.	Be able to: <ul style="list-style-type: none">• Prepare a trial balance from the ledger accounts.• Understand what to do if the trial balance does not balance.• Open a suspense account where applicable to account for any imbalance.

Topic 8 – Use A Computerized Accounting Package

Learning Outcome	Assessment Criteria
8.1 Health and Safety	<p>Be able to:</p> <ul style="list-style-type: none"> • Demonstrate an awareness of the health and safety issues of using computer systems: <ul style="list-style-type: none"> - ergonomics - lighting - ventilation
8.2 Business Set Up	<p>Be able to:</p> <ul style="list-style-type: none"> • Name at least three accounting software packages/ services which you have personally used with sample data. • Access the software and help the client subscribe online or install on a local computer. • Set up the details for a new business to include: <ul style="list-style-type: none"> – name, address, start-up date, prepare first draft of sales tax/payroll tax registration forms for review – product lines (sales) and related items in the software package – research sales tax rates at each location and create sales tax items to accrue sales tax on taxable items – set up customer and supplier accounts in sales and purchase ledger with details of name, address, credit limit and opening balances where appropriate – extract reports with all appropriate details on paper or in PDF format – set up accounts to record income and expenditure items and use a common account numbering scheme – set up pro forma statements for producing sales invoices, credit notes and other documentation
8.3 Processing Nominal Ledger and Subsidiary Ledger Accounts	<p>Be able to:</p> <ul style="list-style-type: none"> • Create entries to record transactions in the appropriate ledger accounts (by use of coding) for: <ul style="list-style-type: none"> – credit sales and returns (including trade and cash discount) – credit purchases and returns – supplier invoices for goods and services other than purchases – cash sales and cash purchases – payment of supplier invoices (vendors/payables) for purchases, and other goods and services – receipts from customers (receivables) – accounting treatment of entries relating to payroll – accounting treatment of bad debts – treatment of petty cash – sale of fixed assets

8.4 Generate reports	<p>Be able to:</p> <ul style="list-style-type: none"> • Generate, interpret, and print out the following reports: <ul style="list-style-type: none"> – trial balance – income statement and balance sheet – audit trail – nominal account transactions – bank account transactions – sales and purchase ledger transactions
8.5 Non-financial performance measures	<p>Be able to:</p> <ul style="list-style-type: none"> • Define the term “key performance indicators” (KPIs) and explain the following: <ul style="list-style-type: none"> – How they are similar to accounting measures of performance – How many KPIs like sales orders, sales pipeline, and sales backlog report management information reflect change earlier than many accounting measures, which require the sale to be completed before it is reported • Explain the concept of budgeting and describe why we prepare budgets. Provide detail on how they are used to help the owners/shareholders, the officers, and the board of directors evaluate the performance of a business.

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