



Participant Handbook

Sector
**Banking Financial Services
and Insurance (BFSI)**

Sub-Sector
Banking

Occupation
Financial Services



Reference ID: BSC/Q0901, Version 1.0
NSQF Level 4

**Accounts Executive
(Accounts Payable &
Receivables)**



Shri Narendra Modi
Prime Minister of India

“ Skilling is building a better India.
If we have to move India towards
development then Skill Development
should be our mission. ”



Certificate

COMPLIANCE TO QUALIFICATION PACK – NATIONAL OCCUPATIONAL STANDARDS

is hereby issued by the

BFSI SECTOR SKILL COUNCIL OF INDIA

for the

SKILLING CONTENT : PARTICIPANT HANDBOOK

Complying to National Occupational Standards of
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QP No. '**BSC/Q0001 NSQF Level 4**'

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Authorized Signatory
(BFSI Sector Skill Council of India)

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Symbols Used



Key Learning
Outcomes



Steps



Time



Tips



Notes



Unit
Objectives



Activity



Exercise



1. Introduction

- Unit 1.1 - What is Accountancy?
- Unit 1.2 - Books of Account
- Unit 1.3 - Fundamentals of Accounting
- Unit 1.4 - Introduction to Operating Cycle



Key Learning Outcomes

At the end of this module, you will be able to:

1. Explain and define accountancy
2. Learn about the branches of accounting
3. Identify the role of accountancy in an organization
4. Define books of account
5. Learn to record transactions in books of account
6. Explain double entry system of accounting
7. Know accounting rules
8. Explain the treatment of AR/AP accounting heads
9. Know impact of AR/AP on balance sheet
10. Define Operating Cycle
11. Find use of Operating Cycle in decision making for a company
12. Explain the importance of AR/AP account executive in the context of maintaining or improving Operating Cycle
13. Learn how to calculate operating cycle, accounting and financial numbers

Unit 1.1: Introduction to Accountancy

Unit Objectives

At the end of this unit, you will be able to:

- Explain and define accountancy or accounting and its importance in functioning of an organization.
- Learn about different branches of accounting and their scope in a company.
- Learn about the overall role of accountancy in an organization.
- Explain the need to have skilled professionals to manage receivables and payables, and roles of AR/AP accountant executive in managing receivables and payables effectively.

1.1.1 Accounting

In an organization, there are many departments or functions working to meet their own set of objectives. Collectively, all these departments come together to meet common goals of an organization. The finance department manages inflow and outflow of money. Accountancy or Accounting is a sub-department or sub-division which works under guidance from Finance department.

Primary Roles of Accounting

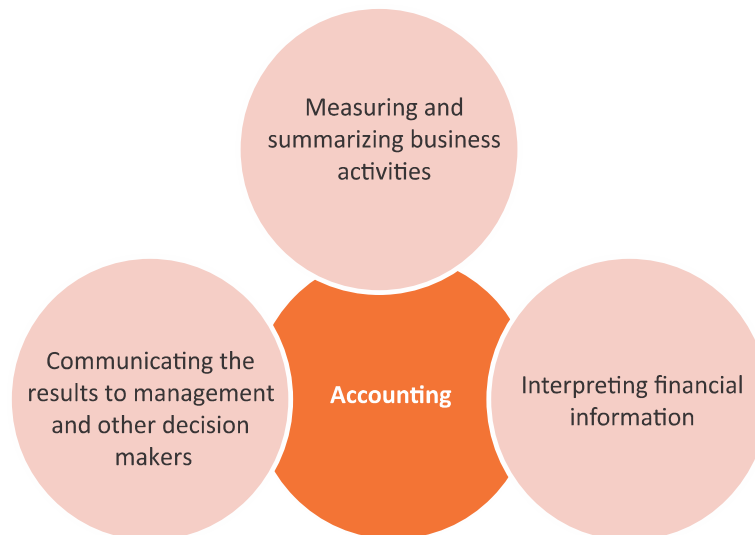


Figure 1.1.1

1.1.2 Who is an Accountant?



Figure 1.1.2

Accountants are persons who do accounting and carry out auditing or checking of a company's books and records.

1.1.3 Functioning of Accountancy

When accountants perform accounting work, they write in the books of account (ledgers) that belong to a company. Every time money is spent or earned, it is written in the ledger. Here is an example of what a ledger looks like:

FORMAT OF A LEDGER A/C

(Name of the Account)..... Ledger Folio No.....

Dr.

Cr.

Date	Particulars	Folio	Amount (Rs.)	Date	Particulars	Folio	Amount (Rs.)

Figure 1.1.3

The information in the ledger is used to prepare the company accounts monthly, quarterly (every three months) and annually. These annual accounts show what money the company has taken in the year and what it has spent this money on. It also shows if the company made a profit in the year, who owes the company money and those to whom the company owes money and any big expensive items the company has bought which they expect to use for a number of years.

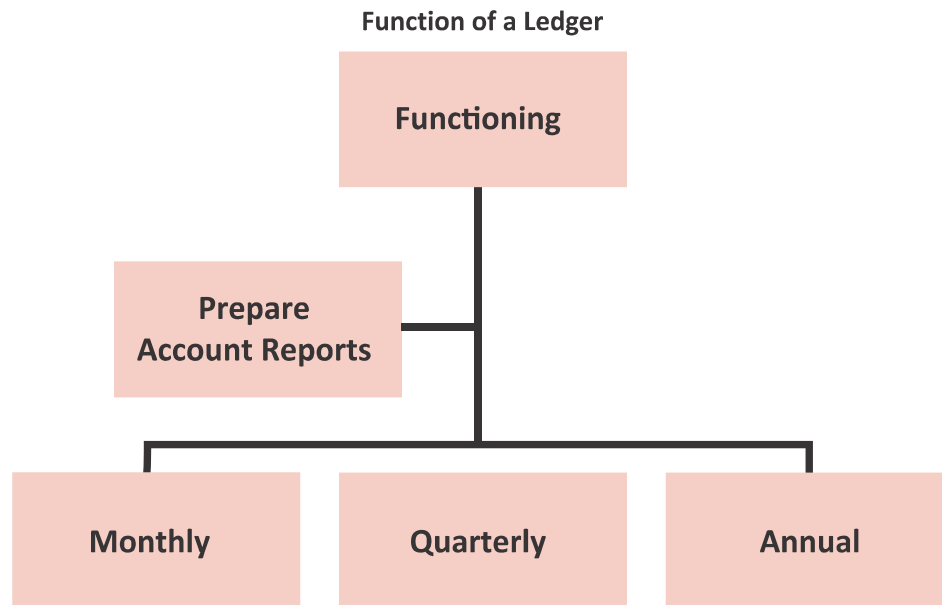


Figure 1.1.4

What Do Annual Reports Show?

These annual accounts are looked at by lenders, managers, investors, tax authorities (the people collect taxes for the Government), and other decision makers. Managers and investors look at the ledger and make decisions about how to spend money in the future. Lenders like Banks look at the accounts before they lend money to the company. Tax authorities look at them to check that the company is paying the correct amount of taxes.

Annual Report Show

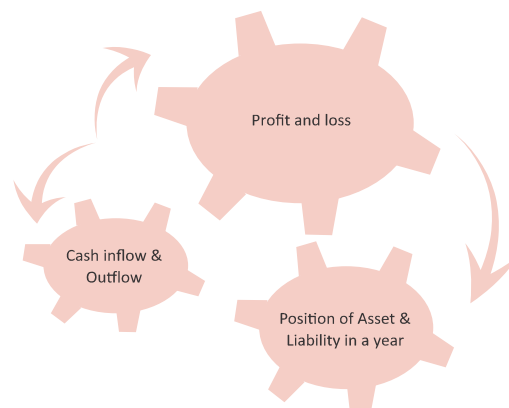


Figure 1.1.5

1.1.4 Branches of Accounting

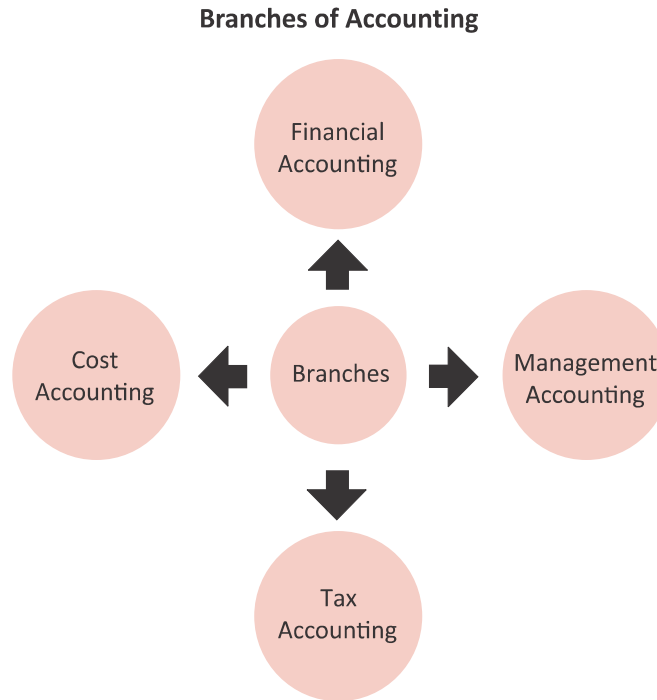


Figure 1.1.6

i Financial Accounting: Producing information for external use, usually in the form of financial statements that show a company's past performance and current position based on a set of standards and guidelines.

Examples:

- Profit & Loss Account
- Balance Sheet

ii Management Accounting: Produces information primarily for internal use by the company's management. It is more detailed than that produced for external use.

Examples:

- Financial Forecast
- Financial Planning

iii Cost Accounting: It is a branch of management accounting for application of various techniques to monitor and control costs. Its is more suited to manufacturing concerns.

Examples:

- Variance Analysis
- Unit Costing

iv Tax Accounting: Accounting for tax-related matters. It is governed by the tax rules prescribed by the tax laws of a jurisdiction.

Examples:

- Tax Return

1.1.5 Roles of Accountancy

Accountancy offers five primary roles for any organization:

Record keeping: Data is gathered from various sources, collated, organized, interpreted and communicated to the end users for an informed economic



Analysis purpose/decision making: All business and economically informed decision making is based on sound analysis of financial statement which is a product of Accountancy.



Prevention of fraud and recovery of fraud: Frauds can only be discovered and prevented in an environment where there is good internal control in place. This is done by keeping track of business events or transactions by a good accounting system.



Raising funds and loans: An organization or individual cannot get loan from financial institutions if it cannot present the financial state of affairs in an acceptable manner. Accounting has generally accepted formats, which financial institutions and banks use as a basis for measuring the risk of an enterprise.



Reputation and credit building: Reputation can be improved by establishing and operation sound accounting practices in an organization.



1.1.6 Roles of AR & AP Accounts Executive

Sales and purchases are the main chunk of financial transactions in an organization. Therefore, every big organization has a separate group of accountants or professionals who only serve Sales & Purchase or Receivables & Payables of the company.

Which of these are roles of an AR/AP Executive? Tick the right ones.

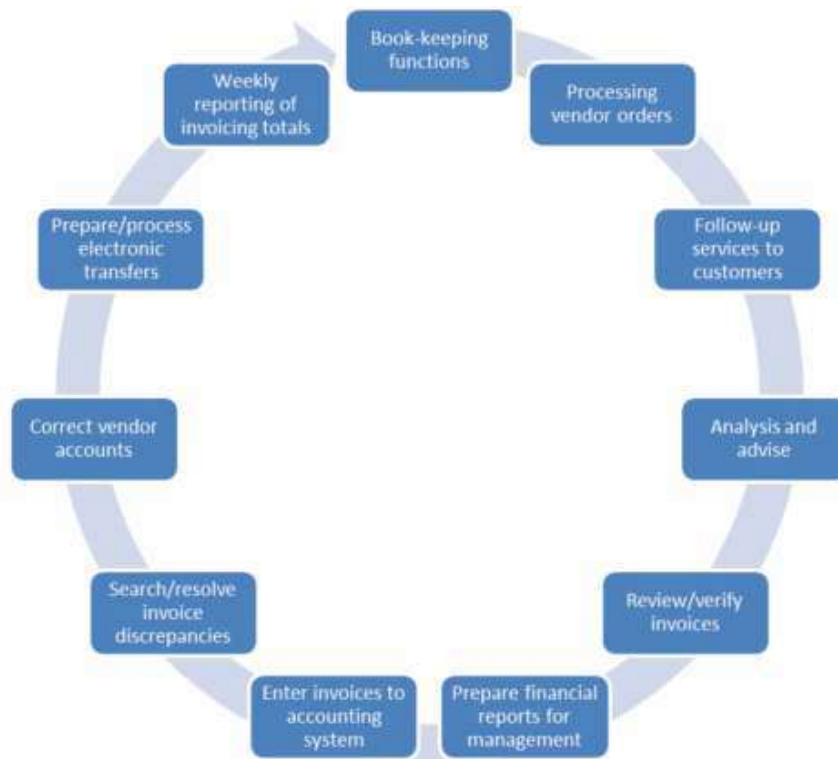
- | | |
|--|---|
| <input type="checkbox"/> Bookkeeping | <input type="checkbox"/> Interacting with vendors for schedules |
| <input type="checkbox"/> Approving vendors | <input type="checkbox"/> Follow-up customers for payments |
| <input type="checkbox"/> Advice on product development | <input type="checkbox"/> Enter invoices in accounting system |
| <input type="checkbox"/> Approve vendor invoices | <input type="checkbox"/> Report weekly cash receipts/payments |

Sales and Purchases are the main chunk of financial transactions in an organization. Therefore every big organization has a separate group of accountants or professionals who only serve Sales and Purchase or Receivables and Payables of the company. This group of accountants is known as Account-Receivables & Account-Payables Executives or sometimes also known as AR/AP professionals.

The role and responsibilities of an AR/AP account executive in an organisation are very wide. It ranges from recording AR/AP transactions to preparing financial reports for the decision support to the management. Following is to list roles and responsibilities of an AR/AP executive, however it may defer from organization to organization.

- Perform Book-keeping, General-ledger functions: AR/AP accountants maintain complete set of financial records, keep track of accounts and verify the accuracy of procedures adopted to perform Book keeping and general ledger functions.
- Interact with Vendors in processing orders: After placing any purchase order by the Organisation, they are responsible to interact with Vendors for timely execution of the Order.
- Initiate follow-up services to Customers: It is the responsibility of AR/AP professional to keep track of ageing of customer balances as per Company's credit policy and to make follow-up calls to customers who have crossed the allowed period of settling payment.
- Analysis and Advise: Executive may perform certain types of analysis using accounting or financial data that is used to assist in making business decisions, e.g. deciding which kinds of supplies to order form, what types of payment of bills to payroll, hence they execute and handle many intricate financial details on a daily basis.
- Review and verify Invoices: It is the responsibility of AR/AP professional to review the Invoices/Documents (both from Vendors and Customers).
- Prepare financial Reports and statements to the management: Prepare statements that may include monthly and annual accounts based upon the financial information related to Vendors/Customers, which is compiled and analysed.

- Enter and upload Invoices in accounting system.
- Search and resolve invoice discrepancies and issues.
- Reconcile Vendor balances and to make appropriate corrections in Vendor accounts.
- Prepare and process electronic transfers and payments to settle dues.
- Weekly reporting of invoicing totals / aging total / cash receipts or payments / invoice adjustment, etc.



Activity



Visit a company and study how they manage their accounts.
List below how good accountancy has helped them in raising funds or loans.

Notes



A large rectangular area with a thin orange border, containing 30 horizontal lines for writing notes.

Unit 1.2 Books Of Account

Key Learning Outcomes

At the end of this unit, you will be able to:

1. Define the books of account and Explain their key role in management of an organization.
2. Learn about different types of books of accounts and their uses in accountancy.
3. Define books of original and secondary entry and know their role in accounting.
4. Learn procedure of recording transactions in books of accounts.
5. Learn the procedure to record different types of transactions in books of account.

1.2.1 Definitions

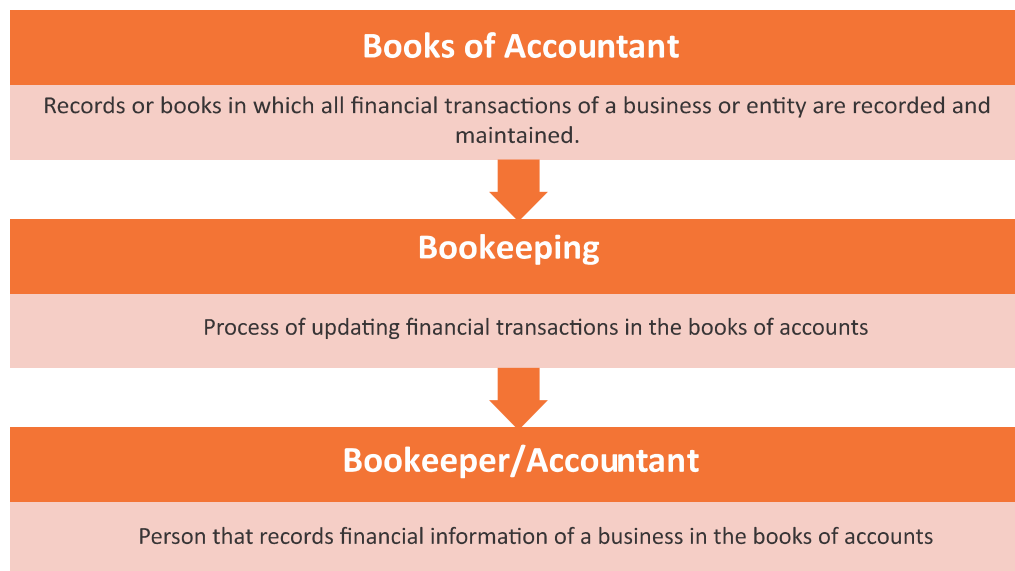


Figure 1.2.1

An accountant uses books of accounts to record events and transaction of the company. Till years back accountants used physical books to perform accounting. However, in the era of digitalization these physical books have been replaced with computers. Depending on types of transaction, an accountant uses appropriate accounting books to record the transaction.

Main accounting transactions in a business:



It is necessary to properly account and record these transactions in order to keep track of correct profits and loss.

Example

Mr. Mohan has paid Rs. 20,000 tax on purchase of raw material. If he does not properly account this transaction, his purchase value will be undervalued by Rs.20,000 and will ultimately affect his profit/loss. Therefore, it is important to regularly account all accounting transactions properly in books of accounts.

1.2.2 Types of Books of Accounts

There are two primary Books of Accounts:

1. Books of Original Entries

2. Books of Secondary Entries

Figure 1.2.2

Books of Original Entries

- General Journal
- Sales Journal/ Sales Book
- Purchase Journal/ Purchase Book
- Sales Return Journal/ Sale Return Book
- Purchase Return Journal/ Purchase Return Book
- Cash Receipts Journal
- Cash Payments Journal

Books of Secondary Entries

These are used to records transactions which have already been recorded in the books of original entries.

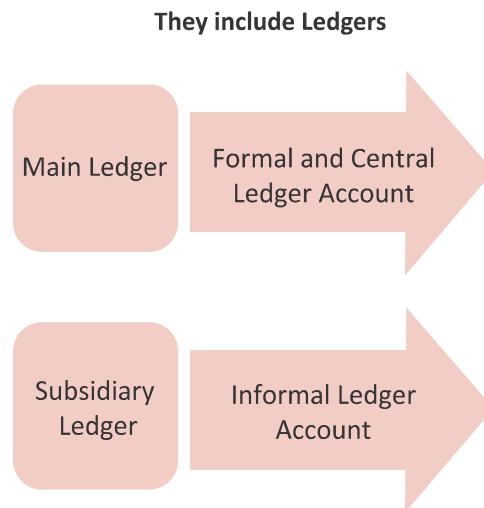


Figure 1.2.3

a) Main Ledger:

The formal and central ledger accounts of an organization. The balances of these ledger accounts are used to prepare the trial balance which is mostly used to prepare financial statements such as income statement and balance sheet.

Examples of main ledger accounts are debtor control account, creditor control account, building account, depreciation account, rent account, salary account, etc.

b) Subsidiary Ledger:

The informal ledger accounts of an organization. The balances of these ledger accounts are mostly NOT used to prepare the trial balance. Subsidiary ledger accounts are merely meant for keeping the record of a business's transactions. For example if a business needs the record each and every account receivable and account payable, then it would most likely maintain a set of subsidiary ledger accounts.

Examples of subsidiary ledger account, such as accounts receivables, accounts payables, and other ledger accounts to keep memorandum.

1.2.3 Pre-requisites to record transactions:

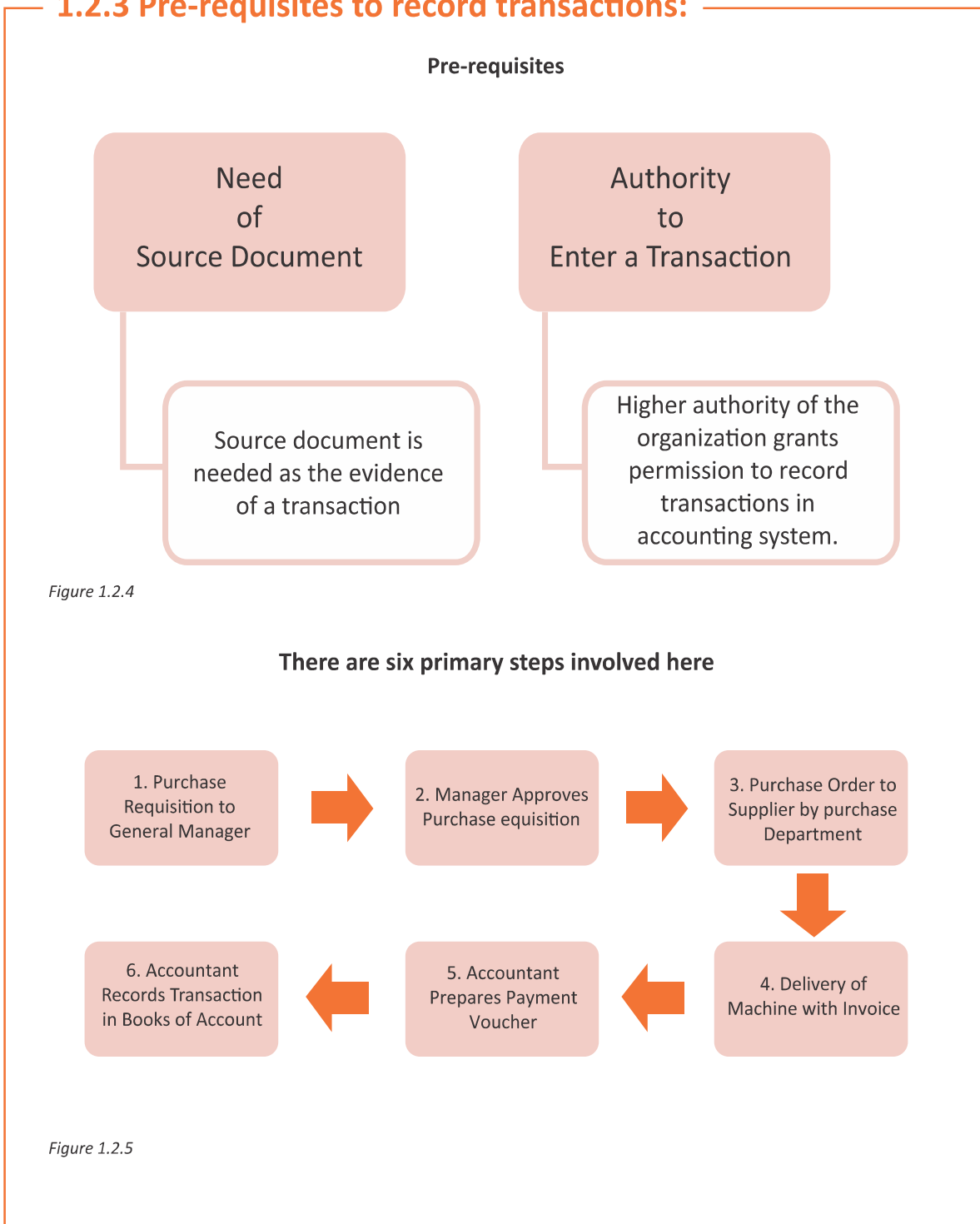


Figure 1.2.4

Figure 1.2.5

1.2.4 Recording in Books of Accounts

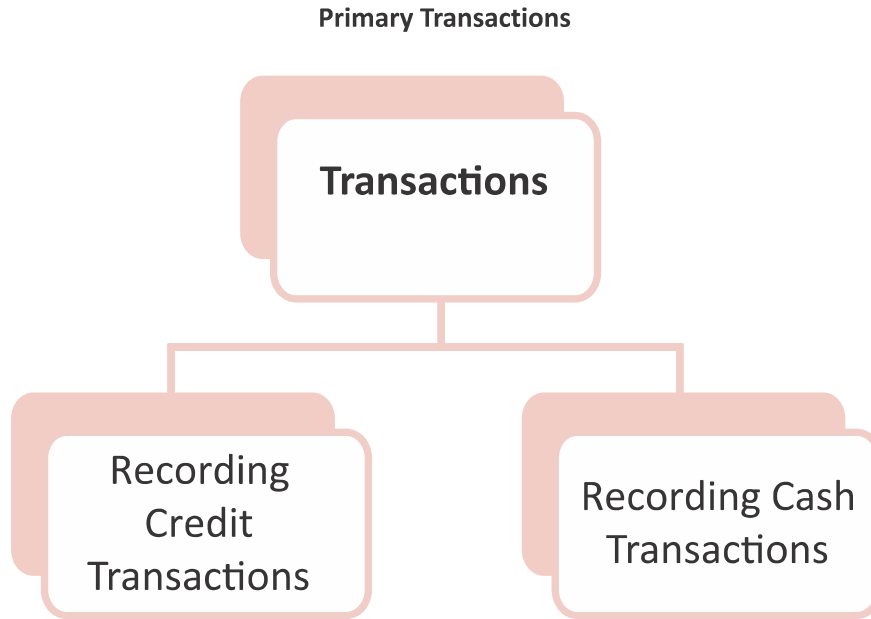


Figure 1.2.6

Transactions can be carried out in two ways

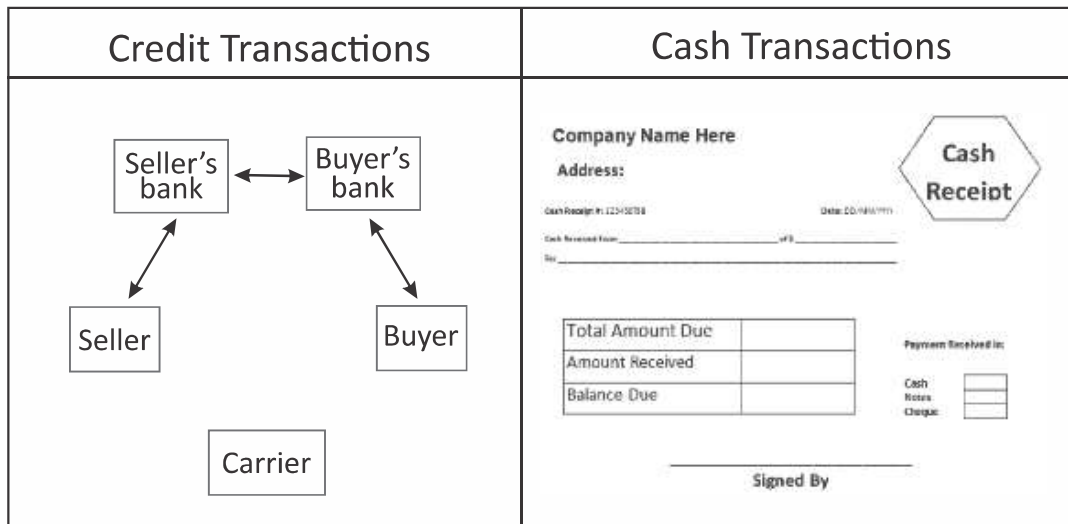


Figure 1.2.7

1.2.5 Recording Credit Transactions

Sales Journal/Sales Book

To record credit sales, you need these:

- Debit Debtor-Customer's name/description
- Credit Sales
- Standard Format of a Sales Journal

Columns in a Sales Journal:

Date	Invoice	Account Debited	Folio	Amount

1. Date is used to record the date of credit sale
2. Invoice is used to record the Invoice number issued
3. Customer Column is used to record the name of purchaser of goods/services
4. Folio records reference to sales ledger account
5. Amount records amount of credit sales

Purchase Journal/Purchase Book:

- Debit Purchases
- Credit Creditor-Supplier's name/description

Sales Return Journal/Sale Return Book:

To record credit sales return, you need these:

- Debit Sales return or return inward
- Credit Debtor-Customer's name/description

Purchase Return Journal or Purchase Return Book-

To record credit purchase return, you need these:

- Debit Creditor-Supplier's name/description
- Credit Purchases return or return outward.

Exercise

Record the below transactions of Unique Store in Sales Journal for the month of March 2015:

- March 1- Sold goods to Mr. X worth Rs 7,000 on credit invoice No. 550.
- March 21- Store sold goods to Mr. Y for Rs 10,000 on account and issued Invoice No. 551.

1.2.7 Recording Cash Transactions

Cash Receipt Journal

- To record all cash receipts

Debit Cash

- Credit Debtor or Account Receivable or any other account

Cash Payments Journal

- To record all cash payments
- Debit Creditor or Expenses or any other relevant account
- Credit Cash

Cash Book

- To record all cash transaction in one place
- Records the transactions related to cash and bank account

Here is the standard format of a Cash Book:

Date	Description	Folio	Dis.	Cash	Bank	Date	Description	Folio	Dis.	Cash	Bank

Activity 

“Record the following transactions...”

- Feb1- Paid rent by cash Rs 5000
- Feb2- Received cash Rs 4000 from ABC and discount allowed Rs 1000
- Feb7- Paid by cheque Rs 2000 to Mr. X and discount Rs 200
- Feb15- Purchased goods and paid by cheque Rs 10000
- Feb 20- Cash sales of Rs 4000 paid direct into bank account

Activity

Record following transactions of Jain Traders in Cash Book for the month of March 2015.

- March 1. Rent paid by cash Rs. 10,000
- March 2. Received cash Rs. 5000 from XYZ and discount allowed Rs. 1000
- March 7. Paid by cheque Rs. 2000 to Mr. M and discount is Rs. 500
- March 15. Purchased goods and paid by cheque Rs 20,000
- March 20. Cash sales of Rs. 5,000 paid direct into bank account



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Mumbai - 400001, India
Email: operations@bfsissc.com
Website: www.bfsissc.com
Phone: 022 - 22728748 / 22728866 / 22728965

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