

## Higher National Unit Specification

### General information for centres

**Unit title:** Management: Managing Financial Resources

**Unit code:** DV89 34

**Unit purpose:** This Unit provides the underpinning knowledge and financial skills which managers need in order to interpret financial information and to make recommendations based on financial data.

On completion of the Unit the candidate should be able to:

- 1 Assess the performance and financial position of a business.
- 2 Evaluate the financial information needs of stakeholders.
- 3 Recommend sources of finance for specified purposes.

**Credit points and level:** 1 HN Credit at SCQF level 7: (8 SCQF credit points at SCQF level 7\*)

*\*SCQF credit points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF credit points at an SCQF level. There are 12 SCQF levels, ranging from Access 1 to Doctorates.*

**Recommended prior knowledge and skills:** Access to this Unit is at the discretion of the centre, but it would be beneficial if the candidate had competence in Numeracy and Communications Skills.

**Core Skills:** There are opportunities to develop the Core Skill of Numeracy at SCQF level 6 in this Unit, although there is no automatic certification of Core Skills or Core Skills components.

**Context for delivery:** If this Unit is delivered as part of a Group Award, it is recommended that it should be taught and assessed within the subject area of the Group Award to which it contributes.

**Assessment:** It is recommended that this Unit be assessed holistically. The single assessment could take the form of:

- ◆ the production of a set of financial statements, in published format using centre produced pro formas, which conform with International Accounting Standards
- ◆ a report which analysis the financial statements produced, identifies the needs of external stakeholders and recommends sources of new finance

This holistic approach will allow for the opportunity to develop a single extended response to cover the Evidence Requirements of all three Outcomes.

## **Higher National Unit specification: statement of standards**

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The sections of the Unit stating the Outcomes, knowledge and/or skills, and Evidence Requirements are mandatory.

Where evidence for Outcomes is assessed on a sample basis, the whole of the content listed in the knowledge and/or skills section must be taught and available for assessment. Candidates should not know in advance the items on which they will be assessed and different items should be sampled on each assessment occasion.

### **Outcome 1**

Assess the performance and financial position of a business

#### **Knowledge and/or skills**

- ◆ The concepts and standards underpinning the preparation of financial statements
- ◆ Profit and Loss Account
- ◆ Balance Sheet
- ◆ Cash flow statement
- ◆ Accounting ratios

#### **Evidence Requirements**

Candidates will need to provide evidence to cover all knowledge and/or skills items to show that they can assess the performance and financial position of a business. Their assessment must:

- ◆ using a suitable pro forma, correctly identify the major inflows and outflows of cash for a business
- ◆ using a suitable pro forma, correctly complete a profit and loss account and a balance sheet that conform to international standards
- ◆ accurately calculate six key accounting ratios covering the areas of profitability, liquidity, efficiency and capital structure for a business
- ◆ evaluate the performance of a business, taking into account the information contained in the financial statements produced and the ratios calculated

#### **Assessment guidelines**

The assessment of this Outcome can be combined with Outcomes 2 and 3, details of which are given at Outcome 3.

## **Higher National Unit specification: statement of standards (cont)**

**Unit title:** Management: Managing Financial Resources

### **Outcome 2**

Evaluate the financial information needs of stakeholders

#### **Knowledge and/or skills**

- ◆ Stakeholders
- ◆ Purposes for which the stakeholders require financial information
- ◆ Sources of relevant financial information
- ◆ Limitations of sources of financial information

#### **Evidence Requirements**

Candidates will need to provide evidence to cover all knowledge and/or skills items by showing that they can, with reference to a particular situation, evaluate financial information provided to relevant stakeholders. This information should cover 3 different stakeholders and:

- ◆ Evaluate the purpose for which each stakeholder requires information
- ◆ Explain four possible sources of financial information for each stakeholder
- ◆ Take account of the affects that limitations of the sources of information have on the information provided
- ◆ Explain the limitations of each source of financial information for each stakeholder
- ◆ Provide valid reasons to explain why these limitations arise

#### **Assessment guidelines**

The assessment of this Outcome can be combined with Outcomes 1 and 3, details of which are given at Outcome 3.

### **Outcome 3**

Recommend sources of finance for specified purposes

#### **Knowledge and/or skills**

- ◆ Sources of finance employed by a business
- ◆ Short, medium and long term finance
- ◆ Different characteristics of equity and loan capital
- ◆ Different costs associated with alternative sources of finance

#### **Evidence Requirements**

Candidates will need to provide evidence to cover all knowledge and/or skills items by showing that they can, with reference to a particular situation, make recommendations for further sources of finance for specified purposes (working capital requirements and fixed asset investment) and in accordance with good financial management. The recommendations should:

## **Higher National Unit specification: statement of standards (cont)**

### **Unit title:** Management: Managing Financial Resources

- ◆ meet the purpose for which an entity requires additional sources of finance
- ◆ explain accurately the characteristics of three possible sources of finance
- ◆ examine the sources of finance currently employed by the entity through a review of its balance sheet, including both equity and loan capital
- ◆ correctly categorise each source of finance into short, medium and long term
- ◆ include a valid explanation of the costs associated with each source of finance recommended
- ◆ include a valid explanation of the costs of funding working capital

### **Assessment guidelines**

It is recommended that this Unit be assessed holistically over the 3 Outcomes, using an integrated case study. There should be scope to complete a set of financial statements, using centre produced pro formas, in published format, and in accordance with International Accounting Standards. The financial statements shall comprise: Cash Flow, Profit and Loss Account and Balance Sheet from data provided by the centre.

An accompanying report explains why stakeholders require financial information, where that information may be obtained and explains the limitations of financial information. The report, in the region of 1,200 words, provides an opportunity for candidates to assess the financial performance and to make a recommendation regarding the most appropriate source of new finance for a specific venture being proposed by the management of the business. The assessment could be undertaken under open-book conditions and arrangements should be in place to ensure the authenticity of work produced.

## **Administrative Information**

<b>Unit code:</b>	DV89 34
<b>Unit title:</b>	Management: Managing Financial Resources
<b>Superclass category:</b>	AK
<b>Date of publication:</b>	August 2005
<b>Version:</b>	01
<b>Source:</b>	SQA

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## **Higher National Unit specification: support notes**

### **Unit title: Management: Managing Financial Resources**

This part of the Unit specification is offered as guidance. The support notes are not mandatory.

While the exact time allocated to this Unit is at the discretion of the centre, the notional design length is 40 hours.

### **Guidance on the content and context for this Unit**

This Unit is an optional Unit within the HN Management Group Award.

The aim of the Unit is to provide candidates with an understanding of the use of Financial Accounting information within a business organisation and it should be of value to those working in commerce, government, voluntary sector or industry who may find their work involves them in dealing with such Financial Accounting data.

The Unit is designed to give candidates a basic understanding of the content and use of Financial Accounting information by stakeholders.

The focus in Outcome 1 is on the financial statements (Cash Flow Statement, Profit and Loss Account and Balance Sheet) and how they assist in assessing the performance and financial position of a business. There is no requirement for candidates to have a detailed knowledge of double entry bookkeeping. Candidates are to be assessed on their understanding of fundamental accounting concepts and conventions as an aid to their understanding of the construction uses and limitations of financial statements, as they appear in published format and in accordance with International Accounting Standards. Candidates should be asked to complete standard pro formas created to mirror those in use by business.

Candidates should be provided with sufficient information to enable construction of the financial statements, perhaps with the use of Trial Balance and supporting guidance notes. There is no requirement for candidates to produce notes to financial statements they have produced. Candidates should have explained the purpose, and limitations, of financial ratio analysis, together with the means of calculating six ratios. Centres should ensure that comparative 'industry' and environmental (for example; inflation and industry growth figures) data is available to allow candidates the opportunity of comparing and contrasting the performance of the business with that of the industry.

Outcome 2 requires candidates to evaluate the financial information needs of stakeholders. Candidates should be aware that the stakeholder groups to be reviewed include: Shareholders, Lenders, Suppliers, Customers, Employees, the Government. The main sources of stakeholder information should be reviewed with regard to its veracity and usefulness, namely: Annual Report, Published Financial Statements, Trade and Agency data, Newspaper and Journal articles and Business press releases.

## **Higher National Unit specification: support notes (cont)**

### **Unit title: Management: Managing Financial Resources**

For Outcome 3, specific financial instruments should be used. For example, trade credit, bank overdraft, factoring (invoice discounting), bank loan, leasing, hire purchase, debentures, mortgages, bonds, regional selective assistance, ordinary share capital, preference share capital and retained earnings. Candidates must be aware of the distinction between the revenue and capital nature of funds and be aware of the respective benefits and costs associated with each type of finance. Candidates should be made aware of the financial risk (debt servicing and dividend policy) associated with the type of finance together with the rewards (potential or real) to the providers of such finance. Candidates should also receive an understanding of the financial markets, their regulation and institutions.

### **Guidance on the delivery and assessment of this Unit**

It is envisaged that the Unit will be delivered through lecturer — mediated discussion, the provision of appropriate examples and case studies, and by reading appropriate Financial Accounting texts. The appropriate use of examples can help to keep the Unit relevant to candidates especially if they relate to organisations with which they are familiar.

The Unit aims to merge theory and practice with the focus being on the practical aspects of Managing Financial Resources. In so doing candidates should be encouraged to apply appropriate models and draw conclusions from this. The conclusions will cover the relevant theory, limitations of the theory resulting in candidates developing their analytical skills whilst adopting an evaluative style of reasoning.

Assessment work should be based on case studies of real organisations issued to candidates. Where the candidate is directed to gather information, the case study should ideally be based on an organisation that the candidate is familiar with, or one about which the candidate can easily gather data.

#### ***Opportunities for developing Core Skills***

Candidates will have opportunities to develop the Core Skill of Numeracy at SCQF level 6.

Candidates will have many opportunities to enhance skills in numerical, statistical and graphic data as they assess organisational performance and financial position by interpreting the financial accounting statements and study areas of profitability, liquidity, efficiency and capital structure. Accuracy in sustained complex calculations and presentation of data should be supported by access to appropriate technology.

### **Open learning**

If this Unit is delivered by open or distance learning methods, additional resources will be required for candidate support, assessment and quality assurance. For further information and advice please refer to the SQA guide: *Assessment and Quality Assurance for Open and Distance Learning* (A1030, February 2001).

## **Higher National Unit specification: support notes (cont)**

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### **Candidates with additional support needs**

This Unit specification is intended to ensure that there are no artificial barriers to learning or assessment. The additional support needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments or considering alternative Outcomes for Units. For information on these, please refer to the SQA document *Guidance on Alternative Assessment Arrangements for Candidates with Disabilities and/or Additional Support Needs*, which is available on SQA's website: [www.sqa.org.uk](http://www.sqa.org.uk).

## **General information for candidates**

### **Unit title: Management: Managing Financial Resources**

This Unit is designed to provide you with an understanding of the use of Financial Accounting information by the stakeholders of an organisation. You will learn the purpose of an organisation's Annual Report, which contains reports by Directors, Chief Executive and Auditor and the primary Financial Statements: Cash Flow statement, Profit and Loss Account and Balance Sheet. In addition, the Unit also considers the key users of Financial Accounting information and the various sources of finance available to an organisation. You will develop skills to enable you to analyse and compare both the overall performance and the financial position of a business.

It is recommended that the Unit is assessed using one instrument of assessment. This is based upon a hypothetical business where you will be asked to create the Cash Flow Statement, Profit and Loss Account and Balance Sheet, using pro formas provided by your centre. As well as these financial statements, you will be asked to analyse the performance of the business, comparing it with industry and environmental indicators. Finally, you will be asked to recommend a suitable source of finance for the business, taking account of the relative advantages and disadvantages of each alternative source. It is likely that your report will be approximately 1,200 words. You will be asked to display some computational skills, as well as those of reasoning and evaluation.