

Higher National Unit Specification

General information for centres

Unit title: Investment

Unit code: DE5P 35

Unit purpose: This Unit is designed to allow candidates to apply investment theories and data to given situations. It will examine theoretical and practical aspects of investment and will enable the candidate to prepare for further study at a higher level. The Unit is relevant to those who are preparing for a career in the financial services industry with a view to employment in banking, insurance, pensions, collective investment companies or the Stock Exchange. It is also suitable for those who have some limited knowledge or who may have a particular interest in the subject material.

On completion of the Unit candidates should be able to:

1. Apply the principles and theories relating to investment in bond markets.
2. Examine the use of shares as part of a company's capital structure.
3. Interpret the performance of shares in given situations.
4. Examine additional options for investment available to investors.

Credit value: 2 HN Credits at SCQF level 8: (16 SCQF credit points at SCQF level 8*)

**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 the unit is at the discretion of the Centre, however it is preferred that candidates have good written communication and numerical skills. These may be demonstrated by the achievement of core skill Communication at Intermediate 2 level, or by possession of Standard Grade English, or a suitable NC module, and core skill Using Numbers at Intermediate 2 level by possession of a relevant Unit or module.

Core skills: There may be opportunities to gather evidence towards core skills in this Unit, although there is no automatic certification of core skills or core skills components.

Context for delivery: This Unit is included in the framework of a number of HNC and HND group awards. It is recommended that it should be taught and assessed within the context of the particular group award to which it contributes.

General information for centres (cont)

Assessment: It is preferred that this Unit be assessed by an instrument of assessment that would require candidates to answer questions based on a case study relating to a pension scenario. It is expected that the assessment should not normally take the average candidate more than two hours to complete.

If you wish to use a different assessment mode, you may wish to seek prior moderation of the assessment instrument(s) you intend to use. Please note candidates must achieve all of the minimum evidence specified for each Outcome in order to pass the Unit.

An exemplar instrument of assessment and marking guideline has been provided to indicate the national standard of achievement required at SCQF level 8.

Higher National Unit specification: statement of standards

Unit title: Investment

Unit code: DE5P 35

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

Apply the principles and theories relating to investment in bond markets.

Knowledge and/or skills

- Use of government or corporate bonds
- Types of government or corporate bonds
- Procedures for purchasing or selling government or corporate bonds
- Calculating costs of purchasing government bonds
- Calculating yields from government bonds

Evidence requirements

Each knowledge and skill is matched by a corresponding evidence requirement.

To ensure that a candidate has successfully achieved the standard required of each of the knowledge and skills listed above the corresponding evidence requirement from the list below should be met.

Evidence for the knowledge and skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a written report or in response to a specific question or questions. Each candidate will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome and accurate calculations relating to bonds.

The sample must comprise of **two** of the knowledge and skills with a different sample of knowledge and skills being used each time the Outcome is assessed. **It is a requirement that one of the items sampled require the candidate to complete calculations.**

Higher National Unit specification: statement of standards (cont)

Unit title: Investment

Candidates must provide a satisfactory response to the theoretical question. Up to one minor error may be allowed in calculations.

Where an item is sampled, a candidate's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing that the candidate is able to:

- Identify situations where a government or a company would choose to issue bonds, with a clear explanation of the advantages and disadvantages of doing so
- Summarise the main features of one from each of a choice of **two** government bonds and **two** corporate bonds
- Summarise the procedures for buying or selling bonds either from the viewpoint of the investor or from the viewpoint of the market maker
- Apply arithmetical principles to calculate the cost of buying or selling **two** government bonds **from a choice of three** examples using the Accrued Interest Scheme – other costs such as brokerage fees should be ignored
- Apply arithmetical principles to **two** redemption yields **from a choice of three** government bonds
- Summarise the methods used to repay either a government bond or a corporate bond

Assessment guidelines

Evidence could be derived from a case study with questions relating to the items being sampled.

It is suggested that the assessment of this Outcome be combined with other Outcomes as part of a larger assessment and that a copy of the case study, when used, be given to candidates 7-10 days before the assessment opportunity. Candidates may bring a copy of the case study to the assessment but may not bring any other material.

A sample of a case study has been produced as part of the exemplars.

Outcome 2

Examine the use of shares as part of a company's capital structure.

Knowledge and/or skills

- Use of shares as part of the capital structure of a company
- Types of shares issued by companies
- Rights applicable to shareholders
- Operation of the new issues markets of the London Stock Exchange
- Use of rights and bonus issues
- Calculating of rights and bonus issues
- Operation of the secondary market of the London Stock Exchange

Higher National Unit specification: statement of standards (cont)

Unit title: Investment

- Procedures for purchase and sale of stocks and shares
- Theory of acquisitions and mergers

Evidence requirements

Each knowledge and skill is matched by a corresponding evidence requirement.

To ensure that a candidate has successfully achieved the standard required of each of the knowledge and skills listed above the corresponding evidence requirement from the list below should be met.

Evidence for the knowledge and skills in the Outcome will be provided in a sample basis. This evidence may be presented as part of a written report, or in response to a specific question or questions. Each candidate will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome, and show accurate calculations where required.

The sample must comprise of **two** of the knowledge and skills with a different combination of knowledge and skills used each time the Outcome is assessed.

Candidates must provide satisfactory responses to theoretical questions. Where the knowledge and/or skills item sampled includes calculations up to one minor error may be allowed in the calculations.

Where an item is sampled, a candidate's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing the candidate is able to:

- Explain the use of shares as part of the capital structure of a company
- Summarise the features of at least two categories of share capital issued by a company
- Summarise four or more rights applicable to shareholders
- Explain at least two methods of issuing shares on the primary market of the London Stock Exchange
- Explain the effect of bonus issues on the capital structure of a company
- Calculate rights price
- Summarise the operation of two or more of the parties that operate in the Stock Exchange
- Summarise the procedures for buying or selling shares on the Stock Exchange
- Explain the purpose of acquisition or merger

Higher National Unit specification: statement of standards (cont)

Unit title: Investment

Assessment guidelines

Evidence could be derived from a case study with questions relating to the items being sampled.

It is suggested that the assessment of this Outcome be combined with other Outcomes as part of a larger assessment and that a copy of the case study, when used, be given to candidates 7-10 days before the assessment opportunity. Candidates may bring a copy of the case study to the assessment but may not bring any other material.

A sample of a case study has been produced as part of the exemplars.

Outcome 3

Interpret the performance of shares in given situations.

Knowledge and/or skills

- Theory of fundamental analysis as a method of share interpretation
- Calculating accounting and investment data and ratios
- Interpreting accounting and investment data and ratios in given situations
- Theory of technical analysis as a method of share interpretation
- Development of investment theories
- Interpreting of stock indices
- Sources of information available to investors and analysts

Evidence requirements

Each knowledge and skill is matched by a corresponding evidence requirement.

To ensure that a candidate has successfully achieved the standard required of each of the knowledge and skills listed above the corresponding evidence requirement from the list below should be met.

Evidence for the knowledge and skills in the Outcome will be provided in a sample basis. This evidence may be presented as part of a written report, or in response to a specific question or questions. Each candidate will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome, and show accurate calculations where required.

The sample must comprise of **two** of the knowledge and skills with a different combination of knowledge and skills used each time the Outcome is assessed.

Candidates must provide satisfactory responses to theoretical questions. Where the knowledge and/or skills item sampled includes calculations up to one minor error may be allowed in the calculations.

Higher National Unit specification: statement of standards (cont)

Unit title: Investment

Where an item is sampled, a candidate's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing the candidate is able to:

- Interpret financial data as a guide to share performance
- Calculate accounting or investment ratios
- Interpret accounting or investment ratios
- Use graphs to interpret share information
- Summarise one or more recognised investment theories
- Interpret Stock Exchange index information
- Identify four sources of investor information other than company accounts

Assessment guidelines

Evidence could be derived from a case study with questions relating to the items being sampled.

It is suggested that the assessment of this Outcome be combined with other Outcomes as part of a larger assessment and that a copy of the case study, when used, be given to candidates 7-10 days before the assessment opportunity. Candidates may bring a copy of the case study to the assessment but may not bring any other material.

A sample of a case study has been produced as part of the exemplars.

Outcome 4

Examine additional options for investment available to investors

Knowledge and/or Skills:

- Role and function of managed investment funds
- Benefits and drawbacks of investing in property
- Benefits and drawbacks of investing overseas
- Benefits and drawbacks of investing in chattels
- Benefits and drawbacks of investing in pensions
- Benefits and drawbacks of investing in insurance based products
- Taxation implications relating to investment
- Risks attached to investment
- Importance of portfolio planning

Evidence Requirements:

Each knowledge and skill is matched by a corresponding evidence requirement.

Higher National Unit specification: statement of standards (cont)

Unit title: Investment

To ensure that a candidate has successfully achieved the standard required of each of the knowledge and skills listed above the corresponding evidence requirement from the list below should be met.

Evidence for the knowledge and skills in the Outcome will be provided in a sample basis. This evidence may be presented as part of a written report, or in response to a specific question or questions. Each candidate will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome, and show accurate calculations where required.

The sample must comprise of **one** of the knowledge and skills with a different combination of knowledge and skills used each time the Outcome is assessed.

Candidates must provide a satisfactory response to the theoretical question.

Where an item is sampled, a candidate's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing the candidate is able to:

- Explain the role or function of at least one type of managed fund
- Explain the benefits and drawbacks of investing in property
- Explain the benefits and drawbacks of investing overseas
- Explain the benefits and drawbacks of investing in chattels
- Explain the benefits and drawbacks of investing in pensions
- Explain the benefits and drawbacks of investing in insurance linked products
- Explain the tax implications of investing as a basic or high rate taxpayer
- Explain the risks that investors may face in, and the methods of reducing the risks of, investment planning
- Summarise the importance of careful portfolio planning

Assessment guidelines:

Evidence could be derived from a case study with questions relating to the items being sampled.

It is suggested that the assessment of this Outcome be combined with other Outcomes as part of a larger assessment and that a copy of the case study, when used, be given to candidates 7-10 days before the assessment opportunity. Candidates may bring a copy of the case study to the assessment but may not bring any other material.

A sample of a case study has been produced as part of the exemplars.

Administrative Information

Unit code:	DE5P 35
Unit title:	Investment
Superclass category:	AL
Date of publication:	January 2015
Version:	02
Source:	SQA

History of changes to Unit

Version	Description of change	Date
02	Deletion of 'It is a requirement that one of the items sampled require the candidate to complete calculations' from Evidence Requirements for Outcomes 2 and 3.	19/01/15

© Scottish Qualifications Authority 2004

This publication may be reproduced in whole or in part for educational purposes provided that no profit is derived from reproduction and that, if reproduced in part, the source is acknowledged.

Additional copies of this Unit specification can be purchased from the Scottish Qualifications Authority. The cost for each Unit specification is £2.50. (A handling charge of £1.95 will apply to all orders for priced items.)

Higher National Unit specification: support notes

Unit title: Investment

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 80 hours.

Guidance on the content and context for this Unit

Outcome 1 examines the operation and use of fixed interest securities as investments.

Candidates should become familiar with relevant terminology and should make use of this.

It is expected that centres will cover the following topics:

- Government securities: rationale for issue; coupon and redemption; yields; maturities; index-linked; new issues; methods and costs of purchase and sale; role of the DMO; role of the Bank of England; Central Gilts Office
- Company fixed interest securities: types of fixed interest securities; yields; deep discounting; use of sinking funds for repayment; benefits to company and investor; bond values; impact of interest rates on prices

Outcome 2 examines the use of share capital within companies and examines the types of shares issues, the rights these confer on shareholders and the impact of new and future issues. It also examines the operation of the stock market and the methods used for trading shares.

Candidates should become familiar with relevant terminology and should make use of this.

It is expected that centres will cover the following topics:

- Rationale for share issue
- Formation of companies
- Rights and duties of shareholders
- Company meetings
- Classification of equities: classes of ordinary shares; classes of preference shares
- Methods of new issues: offer for sale; introduction; private placing
- Rights and bonus issues: impact on balance sheet; impact on prices; split of rights; use of the provisional allotment letter
- Parties operating on the Stock Markets: broker/dealer; market maker; inter-dealer brokers; stock exchange money brokers
- Procedures for buying and selling shares
- Use of contract notes
- Settlement procedures
- Rationale for takeover and merger

Higher National Unit specification: support notes (cont)

Unit title: Investment

Outcome 3 looks at the use of financial accounting statements and company information as a means of interpreting current and future share performance. It also considers the use of technical analysis, examines investment theories and looks at sources of information available to shareholders and analysts.

Candidates should become familiar with relevant terminology and should make use of this.

It is expected that centres will cover the following topics:

- Fundamental analysis: earnings and dividends returns (yields and ratios) and forecasts; prediction of future share prices; analysis of company accounts
- Technical analysis: use of charts; how to spot trends; hatch system; efficient market hypothesis
- Stock indices: FTSE30; FTSE100; FTSE250; All Share; Techmark
- Sources of information: newspapers; magazines; television programmes; internet

Outcome 4 examines a range of investment products and services.

Candidates should become familiar with relevant terminology and should make use of this.

It is expected that centres will cover the following topics:

- Managed funds: features, advantages and disadvantages of Unit trusts; investment trusts; open ended investment companies
- Property: advantages and disadvantages of investing in residential property, leasing property, commercial property, overseas property
- Investing overseas: opportunities and risks
- Chattels: antiques; jewellery; vintage cars; collections
- Pensions: features of employer run schemes; personal pensions; additional contributions; state second pensions; stakeholders
- Insurance linked products: endowments including Unit linked; single premium policies; bonds; property bonds; managed bonds; annuities
- Tax implications: income tax on savings and investment; capital gains tax; inheritance tax; tax free products; methods of reducing tax liabilities
- Portfolio planning: fact finding; diversification; attitudes to investment; trustees holding portfolios

Higher National Unit specification: support notes (cont)

Unit title: Investment

Guidance on the delivery and assessment of this Unit

Each Outcome requires a minimum number of knowledge and skills to be assessed. Some Outcomes will require more evidence than others. This may be due to the fact some knowledge and skills require less depth of understanding and therefore may require the candidate to produce less evidence. In some Outcomes calculations are an essential part of the evidence and should be assessed on each occasion. Centres should pay particular attention to the assessment requirements for each Outcome.

The Unit is primarily intended to prepare candidates for careers in the industry related to giving investment advice or providing administrative assistance to advisers. It will also assist candidates in preparing for regulatory examinations. The Unit is not intended to be a substitute for, nor does it provide exemption from, the regulatory examinations. The Unit provides only the required knowledge and skills needed

Open learning

If this Unit is delivered by open or distance learning methods, additional planning and resources may be required for candidate support, assessment and quality assurance.

For information on normal open learning arrangements, please refer to the SQA guide *Assessment and Quality Assurance of Open and Distance Learning* (SQA, 2000).

Special needs

This Unit specification is intended to ensure that there are no artificial barriers to learning or assessment. Special needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments or considering special alternative Outcomes for Units. For information on these, please refer to the SQA document *Guidance on Special Assessment Arrangements* (SQA, 2001).

General information for candidates

Unit title: Investment

This Unit is designed to introduce you to some complex issues relating to Investment theory and practice.

You will be expected to cover four main areas of investment:

- Fixed interest securities
- Share capital
- Interpretation of financial data
- Investment products and services

You are likely to be asked to complete an assessment that includes a number of questions that are based on a given case study. You will receive a copy of the case study in advance of the assessment but you will not be given prior notice of the questions, nor will you be allowed to bring any material with you to the assessment.

You will need to complete all tasks to the required standard before achieving a pass in the Unit.