



Higher National Unit specification

General information for centres

Unit title: Management Accounting for Planning and Control

Unit code: F82H 35

Unit purpose: This Unit is designed to enable candidates to understand and apply accepted management accounting techniques to support the management processes of planning and control. It also introduces candidates to the role of financial management in the evaluation of working capital.

This Unit is primarily intended for candidates who wish to take up a career or further study in management accounting. It is also relevant to those with appropriate work experience and who wish to formalise their accounting skills.

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

- 1 Prepare cost statements using costing techniques to allocate and apportion overheads
- 2 Apply working capital management techniques
- 3 Use variance analysis to reconcile budgeted profit with actual profit

Credit points and level: 1 HN credit at SCQF level 8: (8 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 this Unit is at the discretion of the centre. However, candidates would normally be expected to have some knowledge and skill in cost and management accounting. This could be demonstrated by achievement of the HN Units *F7JR 34: Cost Accounting* and *F7JS 34: Management Accounting Using Information Technology*, or similar qualifications or experience.

Core Skills: Achievement of this Unit gives automatic certification of the following:

- ◆ Using Number at SCQF level 6
- ◆ Critical Thinking at SCQF level 6

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.

General information for centres (cont)

Assessment: This Unit could be assessed by three separate assessments.

An exemplar instrument of assessment and marking guidelines have been produced to show the national standard of achievement required at SCQF level 8.

Since the Using Number and Critical Thinking Core Skills components at SCQF level 6 are embedded in this Unit, it is strongly recommended that you follow the assessment guidelines given. If you wish to use a different assessment model, you should seek prior verification of the assessment instrument(s) you intend to use to ensure that the Core Skill is still covered.

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.

Outcome 1

Prepare cost statements using costing techniques to allocate and apportion overheads

Knowledge and/or Skills

- ◆ Costing techniques:
 - Absorption costing
 - Activity based costing
- ◆ Cost Statements

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- Prepare cost statements for **two** products using both absorption costing and activity based costing techniques.
- Justify the treatment of overheads for each technique.
- Describe activity based costing and its potential advantages.

The evidence should be generated under closed book supervised conditions.

Figures must be accurate within a tolerance of two arithmetic or computational errors, with a maximum of two errors of principle. The narrative on the treatment of overheads and description of activity based costing should be accurate within a tolerance of two errors.

Assessment Guidelines

It is recommended that the assessment of this Outcome be completed within one and a half hours.

The information for the cost statements could be presented as standard cost data for the products together with sufficient data on hours and possible cost drivers to allow for the calculation of overheads on both an absorption costing approach and an activity based costing approach.

Candidates may produce evidence using **blank** spreadsheets.

Higher National Unit specification: statement of standards (cont)

Unit title: Management Accounting for Planning and Control

Outcome 2

Apply working capital management techniques

Knowledge and/or Skills

- ◆ Working capital cycle and constituents
- ◆ Cash forecast
- ◆ Working capital management techniques

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- ◆ Apply working capital techniques to produce a clear cash forecast incorporating cash and credit sales and one other inflow, cash and credit purchases and four other outflows, correctly dealing with depreciation.
- ◆ Recommend uses for cash surpluses and plans for cash deficits.
- ◆ Describe the constituents of working capital making reference to inventory, trade receivables, trade payables, cash and overdraft and how they interact within the working capital cycle.
- ◆ Make recommendations on the management of working capital.
- ◆ Calculate the cost of settlement discount.

The evidence should be generated under supervised conditions with access restricted to formulae only. The formula sheet should be issued by the assessor at the assessment event.

Figures must be accurate within a tolerance of two arithmetic or computational errors, with a maximum of two errors of principle. The recommendations and description of working capital constituents should be accurate within a tolerance of two errors.

Assessment Guidelines

It is recommended that the assessment of this Outcome be completed within one and a half hours.

The information for the working capital management report could be presented in a case study format with working capital ratios already calculated together with industry averages provided for comparison purposes.

Candidates may produce evidence using **blank** spreadsheets.

Higher National Unit specification: statement of standards (cont)

Unit title: Management Accounting for Planning and Control

Outcome 3

Use variance analysis to reconcile budgeted profit with actual profit

Knowledge and/or Skills

- ◆ Variance analysis
- ◆ Profits: budgeted, actual
- ◆ Reconciliation of budgeted to actual profits

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- ◆ Calculate the following sub-variances, showing all workings:
 - Sales margin: volume; mix; price
 - Contribution: volume; mix; price
 - Material: yield; mix; price
 - Labour: efficiency; idle time; overtime; rate
 - Fixed overheads: efficiency, capacity and expenditure
- ◆ Reconcile budgeted profit to actual profit

The evidence should be generated under supervised conditions with access restricted to formulae only. The formula sheet should be issued by the assessor at the assessment event.

Figures must be accurate within a tolerance of four arithmetic or computational errors, with a maximum of four errors of principle.

In addition, candidates will need to provide evidence to show that they can:

- ◆ Analyse the sub-variances, indicating the interrelationships which may exist and provide possible reasons for, and solutions to, the problems highlighted.

The evidence should be generated under open book supervised conditions.

Assessment Guidelines

It is recommended that the assessment be split into two parts. Part 1 should assess the first two Evidence Requirements and be completed within two hours; Part 2 should assess the third Evidence Requirement and be completed within one hour.

The information for the calculation of the variances could be presented as standard cost and budgeted data together with the actual results of two products for a typical budget period.

Candidates may produce evidence using **blank** spreadsheets.

It is recommended that Part 1 of the assessment be marked prior to candidates undertaking Part 2 of the assessment. Assessors should ensure the security and confidentiality of all evidence and although Part 2 of the assessment is open book all assessment evidence should be retained under supervised conditions at all times.

Administrative Information

Unit code:	F82H 35
Unit title:	Management Accounting for Planning and Control
Superclass category:	AK
Original date of publication:	August 2010
Version:	03 (July 2013)

History of changes:

Version	Description of change	Date
04	Terminology and reference to financial statements revised to reflect requirements of FRS 102.	31/03/16
03	Error tolerance for all Outcomes revised. Assessment conditions for Outcome 3 amended.	23/07/13
02	Assessment Guidelines revised to include “Candidates may produce evidence using blank spreadsheets”	14/06/12

Source: SQA

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Higher National Unit specification: support notes

Unit title: Management Accounting for Planning and Control

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 primarily intended for candidates who expect to take up a career or further study in management accounting. It is also relevant to those with appropriate work experience and who wish to formalise their accounting skills.

For those candidates who complete this Unit as part of the HNC/HND Accounting Group Award there may be opportunities to gain exemptions from a number of professional bodies. Centres should contact the relevant professional bodies to ascertain their current exemption policies.

Outcome 1 looks at preparing cost statements using appropriate costing techniques to allocate and apportion overheads.

- ◆ Preparation of cost statements using traditional absorption costing and Activity Based Costing (ABC)
- ◆ Justification of a range of cost drivers using a variety of overheads
- ◆ Justification of the use of cost drivers and the advantages of ABC may be related to the costs calculated or as a standalone report

Outcome 2 covers the application of working capital management techniques.

- ◆ In the Cash Forecast candidates could be exposed to a range of considerations including non-cash flow items such as depreciation, by including a variety of incomes and expenditures.
- ◆ Recommendations for use of surpluses and plans for dealing with cash deficits may relate to the prepared cash forecast or be presented as a standalone report.
- ◆ The working capital cycle could be drawn in graphical format with an explanation of how the elements, ie cash, inventory, trade receivables and trade payables interact.
- ◆ Working capital techniques may be considered by the calculation of working capital ratios or by comparing given ratios with industry averages.

Outcome 3 covers the reconciliation of the budgeted profit with actual profit using variance analysis.

- ◆ Production of budgetary control statement to show the reconciliation of budgeted with actual profit.
- ◆ Candidates could use any format to calculate variances as long as workings are included.

Higher National Unit specification: support notes (cont)

Guidance on the delivery and assessment of this Unit

This Unit is likely to form part of a Group Award designed to provide candidates with the knowledge and skills for further study or employment within a management accounting environment.

Where this Unit is being delivered as part of the HND Accounting Group Award, it is recommended that the Unit be delivered in the second year of the Group Award and after the HN Units *F7JR 34: Cost Accounting* and *F7JS 34: Management Accounting Using Information Technology*.

While each Outcome is standalone, and could be taught discretely, it is beneficial for candidates to gain an understanding of overhead absorption before the preparation of the budgetary control report. It is therefore recommended that Outcome 1 is taught and assessed before Outcome 3. Outcomes 2 and 3, however, should be delivered and assessed on a standalone basis. For Outcome 3 a scenario containing a minimum of two products requiring a minimum of two materials may be used.

It is recommended that all Outcomes should be assessed separately as there is little scope for integration of assessments in this Unit due to the diverse nature of the Outcomes.

Candidates may produce assessment evidence using blank spreadsheets.

Opportunities for developing Core Skills

The achievement of this Unit gives automatic certification of the Using Number component of the Core Skill of *Numeracy* at SCQF level 6 and the Critical Thinking component of the Core Skill of *Problem Solving* at SCQF level 6. Throughout all three Outcomes of this Unit, the candidates apply a wide range of numerical skills to solve practical problems. Candidates may evaluate the problems and explain, summarise, draw conclusions or devise a strategy to deal with the problems.

Open learning

This Unit could be delivered by distance learning. However, it would require planning by the centre to ensure the authenticity of candidate evidence. Arrangements would have to be made to ensure that the evidence is generated under the assessment conditions specified for each Outcome.

Further advice can be found on SQA's website – www.sqa.org.uk

Disabled candidates and/or those with additional support needs

The additional support needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments, or considering whether any reasonable adjustments may be required. Further advice can be found on our website

www.sqa.org.uk/assessmentarrangements

General information for candidates

Unit title: Management Accounting for Planning and Control

This Unit is designed to enable you to understand and apply accepted management accounting techniques to support the management processes of planning and control.

In Outcome 1 you will build on your knowledge of costing techniques to enable you to apply absorption costing and activity based costing technique to allocate and apportion overheads.

Outcome 2 introduces you to financial management techniques which will enable you to plan and control working capital. You will learn how cash is used in an organisation, and how it is generated, as well as the importance of the timing of these flows.

In Outcome 3 you will calculate a comprehensive set of variances, analyse them and make suggestions as to their possible causes as well as recommendations for their correction.

Each Outcome may be assessed separately. The assessments will be carried out under supervised conditions.

You will have opportunities to develop components within the Core Skills of *Numeracy* and *Problem Solving* in this Unit. Achievement of this Unit gives automatic certification of Using Number at SCQF level 6 and Critical Thinking at SCQF level 6.