



## Higher National Unit specification

### General information for centres

**Unit title:** Financial Accounting Statements: An Introduction

**Unit code:** F93K 34

**Unit purpose:** This Unit is designed to provide an understanding of the preparation of financial statements and will enable candidates to prepare basic financial accounting statements for internal use within a limited company. It is primarily intended for candidates who, whilst working in a non-accounting role, may find that their work involves dealing with accounting data.

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

- 1 Prepare an Income Statement and Statement of Financial Position and Statement of Changes in Equity for internal use in a limited company.
- 2 Prepare a draft Statement of Cash Flows for a limited company.

**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. However, candidates would normally be expected to have competence in numeracy skills at SCQF level 5 or similar qualification or experience.

**Core Skills:** There are opportunities to develop the Core Skill component of Using Number at SCQF level 5 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:** This Unit could be assessed by two separate assessments.

Assessment will be carried out under supervised conditions.

An exemplar instrument of assessment and marking guidelines have been produced to show the national standard of achievement required at SCQF level 7.

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

**Unit title:** Financial Accounting Statements: An Introduction

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

### **Outcome 1**

Prepare an Income Statement and Statement of Financial Position and Statement of Changes in Equity for internal use in a limited company

#### **Knowledge and/or Skills**

- ◆ Income Statement
- ◆ Statements of Financial Position and Statement of Changes in Equity
- ◆ Adjustments to the financial statements

#### **Evidence Requirements**

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can, from a trial balance for a limited company operating as a trader or manufacturer:

- ◆ prepare an Income Statement for internal use
- ◆ prepare a Statement of Financial Position and Statement of Changes in Equity for internal use
- ◆ incorporate a minimum of **six** different year end adjustments (appropriate to the type of business) into the accounts from the following: straight line depreciation; reducing balance depreciation; irrecoverable debts; allowance for irrecoverable debts; other payables; other receivables; closing inventory; debenture interest; Corporation tax; transfer to reserve; dividends

The evidence should be generated under supervised conditions with access restricted to a pro forma layout for the relevant set of financial statements only.

The figures must be accurate within a tolerance of three arithmetic or computational errors with a maximum of three errors of principle.

#### **Assessment Guidelines**

It is recommended that the assessment of this Outcome be completed within two hours.

The assessment could be presented as a trial balance, with six year end adjustments. From this information candidates should prepare an Income Statement and Statement of Financial Position and Statement of Changes in Equity using the given pro forma.

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

**Unit title:** Financial Accounting Statements: An Introduction

### **Outcome 2**

Prepare a draft Statement of Cash Flows for a limited company

#### **Knowledge and/or Skills**

- ◆ Statements of Cash Flows
- ◆ Depreciation of non-current assets

#### **Evidence Requirements**

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can, from the final accounts for two consecutive years of a limited company:

- ◆ prepare a Statement of Cash Flows
- ◆ show the correct treatment of depreciation of non-current assets

The evidence should be generated under supervised conditions with access restricted to a pro forma layout for the Statement of Cash Flows only.

The figures must be accurate within a tolerance of two arithmetic or computational errors with a maximum of one error of principle.

#### **Assessment Guidelines**

It is recommended that the assessment of this Outcome be completed within one hour.

The assessment could be presented as a case study where the financial statements of two consecutive years of a limited company are presented along with a note to the accounts relating to depreciation. From this information candidates should produce a Statement of Cash Flows using the pro forma given.

## Administrative Information

**Unit code:** F93K 34

**Unit title:** Financial Accounting Statements: An Introduction

**Superclass category:** AK

**Original date of publication:** August 2010

**Version:** 02 Aug 2015

### History of changes:

Version	Description of change	Date
02	Terminology and reference to financial statements revised to reflect requirements of FRS 102.	06/08/15

**Source:** SQA

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Additional copies of this Unit specification can be purchased from the Scottish Qualifications Authority. Please contact the Customer Contact Centre for further details, telephone 0845 279 1000.

## Higher National Unit specification: support notes

### Unit title: Financial Accounting Statements: An Introduction

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 likely to form part of a Group Award designed to provide candidates with a basic knowledge of the preparation of internal financial statements for a limited company. It may be offered as an optional Unit within a variety of HN frameworks. It is not suitable for candidates who wish to pursue a specialist accounting course.

This Unit provides candidates with an understanding of the preparation of financial statements and it may be of value to those working in commerce, government or industry who may find that their work involves dealing with accounting data.

There is no requirement for candidates to have knowledge of double entry book-keeping and it should be possible to deliver this Unit to candidates who have no prior knowledge of accounting. Although candidates are not assessed on fundamental accounting concepts it is recommended that these should be taught as this will aid candidates in the construction of financial statements and statement of cash flows.

**Outcome 1** introduces candidates to the preparation of financial statements for a limited company.

- ◆ Financial statements: Income Statement and Statement of Financial Position and Statement of Changes in Equity
- ◆ Adjustments: other payables, other receivables, depreciation (straight line and reducing balance), irrecoverable debts, allowance for irrecoverable debts, closing inventory, debenture interest, corporation tax, transfer to reserves, dividends
- ◆ Presentation and terminology used within financial statements in line with current practice and legislation

**Outcome 2** involves the preparation of statement of cash flows for limited companies.

- ◆ Statement of Cash Flows
- ◆ Depreciation of non-current assets
- ◆ Presentation and terminology used within financial statements in line with current practice and legislation

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

**Unit title:** Financial Accounting Statements: An Introduction

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

This Unit may be offered as an option within a variety of HN Group Awards and it is recommended that assessment be contextualised to take account of this. The Unit may be delivered at any time within the delivery and assessment schedule for the Group Award as it is unlikely to impact on other Units. However, it is recommended that this Unit be delivered prior to the HN Unit *Using Financial Accounting Statements* if this is also included in the Group Award structure.

The assessments for both Outcome 1 and 2 could be based around one case study.

For Outcome 1 the assessment could take the format of a trial balance of a limited company with relevant notes, where the candidate would produce an Income Statement and Statement of Financial Position and Statement of Changes in Equity from the information. The Outcome is assessed under supervised conditions with access only to a pro forma layout for the relevant set of accounts.

Outcome 2 should be assessed under supervised conditions with access to a pro forma for the Statement of Cash Flows only. Candidates could be presented with two consecutive years of financial information from which they should produce a statement of cash flows.

The assessment of Outcomes 1 and 2 should be undertaken separately.

During the delivery of this Unit it is recommended that candidates be made aware of the existence of current accounting standards and legislation.

#### *Opportunities for developing Core Skills*

The delivery and assessment of this Unit may contribute towards the Using Number component of the Core Skill *Numeracy* at SCQF level 5. Throughout the Unit the candidates apply a wide range of numerical skills to solve work related 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 evidence is generated under the assessment conditions specified for each Outcome.

Further advice can be found on SQA's website — [www.sqa.org.uk](http://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](http://www.sqa.org.uk/assessmentarrangements)

## General information for candidates

### **Unit title:** Financial Accounting Statements: An Introduction

This Unit is designed to introduce you to the financial statements of limited companies that operate as either traders or manufacturers. It is suitable for you if you have no previous accounting knowledge.

Outcome 1 covers the preparation of financial statements. The financial statements comprise of Income Statements and Statements of Financial Position and Statements of Changes in Equity and you will learn how to prepare and present these statements in accordance with current accounting standards and legislation. You will also learn how to deal with adjustments to the accounts including depreciation, other payables and other receivables.

In Outcome 2 you will learn how to draft a Statement of Cash Flows. Cash flow is important to any business and you will learn how to produce a Statement of Cash Flows for a limited company.

You will be assessed by two separate assessments. These will be carried out under supervised conditions but you will have access to pro forma layouts of the relevant accounts.

You may have opportunities to develop the Using Number component of the Core Skill of *Numeracy* in this Unit although there is no automatic certification of Core Skills or Core Skills components.