



Higher National Unit specification: general information

Unit title: Human Resource Management: An Introduction to Finance

Unit code: H1XN 34

Superclass: AK

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Unit purpose

This Unit is designed to enable candidates to develop the knowledge and skills to apply basic financial principles required for the Human Resource function. It provides candidates with the underpinning knowledge and practical skills to interpret financial data, to produce related reports and carry out the basic tasks to prepare wages and salaries.

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

- 1 Carry out basic manual payroll processes.
- 2 Report on budget variances for a HR department.
- 3 Analyse the profitability and liquidity of an organisation and the efficiency of its HR department.

Recommended prior knowledge and skills

Candidates would normally be expected to have competence in communication skills at SCQF Level 5 or equivalent qualifications or experience.

Credit points and level

1 Higher National Unit 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.*

General information (cont)

Core Skills

Opportunities to develop aspects of Core Skills are highlighted in the Support Notes of this Unit specification.

There is no automatic certification of Core Skills or Core Skill components in this Unit.

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.

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

Carry out basic manual payroll processes.

Knowledge and/or skills

- ◆ Wages and salaries
- ◆ HM Revenue and Customs forms: P11, P45, P14/60
- ◆ HM Revenue and Customs tables: Tables A: Pay Adjustment Tables; National Insurance Tables A and J; Taxable Pay Tables: Manual Method
- ◆ Calculation and recording of basic rate taxation on P11
- ◆ Recording of National Insurance contributions on P11

Evidence Requirements

Candidates will need evidence to demonstrate their knowledge and skills by showing that they can:

- ◆ Enter company and employee details on a P11
- ◆ Enter cumulative NI, pay and tax information on a P11
- ◆ Complete a P11 for an employee on a weekly wage for one week, entering NI and tax details accurately
- ◆ Complete a P11 for an employee on a monthly salary for one month, entering NI and tax details accurately
- ◆ Complete a P45 for a leaver
- ◆ Complete a P14/60 for an employee

The assessment for Outcome 1 should be an unseen practical task carried out under closed-book, supervised conditions. The candidates should be provided with relevant HMRC tables and forms. Candidates must adhere to current legislation regarding statutory deductions from pay.

Higher National Unit specification: statement of standards (cont)

Unit title: Human Resource Management: An Introduction to Finance

Outcome 2

Report on budget variances for a HR department.

Knowledge and/or skills

- ◆ Typical costs for a HR department
- ◆ Variance reports
- ◆ Comment on variances
- ◆ Recommendations for action by management to reduce variances

Evidence Requirements

Evidence Requirements for Outcome 2 are combined with those for Outcome 3.

Outcome 3

Analyse the profitability and liquidity of an organisation and the efficiency of its HR department.

Knowledge and/or skills

- ◆ Format of company accounts for internal use
- ◆ Departmental expenses
- ◆ Calculation of profitability ratios
- ◆ Calculation of liquidity ratio
- ◆ Calculation of efficiency ratios for the HR department

Evidence Requirements for Outcomes 2 and 3

Candidates will need evidence to demonstrate their knowledge and skills by showing that they can prepare two management reports:

- ◆ The first report will analyse budget variances for an HR department, explaining the variances. This will include both favourable and adverse variances
- ◆ include recommendations for future actions by management to improve the situation where appropriate

Higher National Unit specification: statement of standards (cont)

Unit title: Human Resource Management: An Introduction to Finance

The second report will analyse the profitability and liquidity of an organisation and the efficiency of its HR department and make recommendations for action by management.

This will include:

- ◆ Calculation of at least three profitability ratios
- ◆ Calculation of liquidity ratio: current ratio
- ◆ Calculation of at least four efficiency ratios relevant to the HR department
- ◆ Comment on changes in the profitability, liquidity and efficiency ratios and recommendations for improvement where applicable

The assessment for Outcomes 2 and 3 should be unseen. Assessment evidence should be created under supervised conditions but candidates may use course materials and their own notes to help them. Spreadsheets may be used to aid the calculation of ratios.

Higher National Unit specification: support notes

Unit title: Human Resource Management: An Introduction to Finance

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 designed to give Human Resource Management candidates an introduction to finance in relation to the Human Resource function. In Outcome 1 the aim is to give candidates an awareness of basic manual payroll procedures. In Outcome 2 candidates are introduced to a typical HR department cost variance report with accompanying background information which they will use to analyse the cause of any variances and make recommendations for action by management. In Outcome 3 candidates will learn about the layout of a profit and loss account and balance sheet for internal use, calculate profitability ratios and a liquidity ratio for the organisation and calculate efficiency ratios for the HR department. They will then report on their findings and make recommendations for management action.

Guidance on the delivery of this Unit

This is a practical Unit and should be delivered and assessed using practical exercises and assessments.

In Outcome 1 candidates will prepare two P11 forms, one P45 and one P14/60.

For Outcome 2, candidates should be given a variance report containing details of budgeted and actual costs and variances for the month and year to date for a HR department. They should also be given background information on activities affecting the department's costs. Candidates are not required to calculate the variances themselves but to use the information to prepare a report and recommendations for action.

The following highlight typical costs incurred by an HR department:

- ◆ salaries
- ◆ wages
- ◆ utilities
- ◆ postage and stationery costs
- ◆ legal fees
- ◆ payroll bureau costs
- ◆ recruitments costs
- ◆ consultancy fees
- ◆ software costs

Variance reports should include month and year to date, adverse and favourable.

Higher National Unit specification: support notes (cont)

Unit title: Human Resource Management: An Introduction to Finance

For Outcome 3, candidates should be given profit and loss accounts and balance sheets for internal use for two consecutive years. The expenses should be sufficiently detailed to allow the calculation of the specified ratios.

Departmental expenses should include: salaries and wages; agency staff costs, etc.

The following ratios should be covered:

- ◆ Profitability ratios:
 - gross profit %
 - net profit %
 - return on capital employed %
- ◆ Liquidity ratio:
 - current ratio
- ◆ Efficiency ratios:
 - cost of HR function as % of company running costs
 - cost of HR function per FTE employee
 - ratio of total FTE employees to HR FTE employees
 - agency staff costs as % of total pay costs

Guidance on the assessment of this Unit

Outcome 1

It is recommended that the assessment for this Outcome be carried out separately from Outcomes 2 and 3. The details of two employees from the same organisation, one weekly paid and the other monthly paid, should be used to create the two P11 forms required. One of these employee's details should then be used to complete a P45. The other employee's details should be used for the P14/60. More than one assessment instrument should be created, to allow for re-sitting of the NI and tax elements of the assessment.

Where candidates complete the NI and or tax incorrectly for the week or month, they should be required to re-sit the incorrect element(s) using a different instrument of assessment. Other errors may be remediated.

No specific time limit is necessary and assessors should use their judgement to decide on a suitable time allowance for the assessment.

Higher National Unit specification: support notes (cont)

Unit title: Human Resource Management: An Introduction to Finance

Outcomes 2 and 3

These Outcomes may be assessed either together or separately, depending on the time available for each assessment event. Reports may be written, oral or signed but records must be kept of oral or signed reports, either by means of note-taking by the assessor or a scribe, or by videoing the report.

The assessment for Outcomes 2 and 3 should be unseen. Assessment evidence should be created under supervised conditions but candidates may use course materials and their own notes to help them. Spreadsheets may be used to aid the calculation of ratios. Reports may be handwritten or word processed. One incorrect ratio calculation for either one or both years is allowable, provided that the comments agree with the ratio as calculated. If more than one ratio is incorrect, then the calculations should be remediated and the report amended accordingly. Errors in reports may be remediated. The candidate should include at least three recommendations for action by management in each report.

No specific time limit is necessary and assessors should use their judgement to decide on a suitable time allowance for each assessment.

Online and Distance Learning

There are opportunities for Online and Distance Learning and Assessment of this Unit.

It is possible to co-ordinate a learning and teaching/assessment programme through a Virtual Learning Environment (VLE) which would allow geographically dispersed candidates to initiate, develop and maintain contact with each other. However, Outcomes 1, 2 and 3 require assessments to be carried out under supervised conditions, so centres would need to make arrangements for the supervision of assessments.

Centres which wish to use Information and Communication Technology (ICT) must ensure that the national standard is applied to all candidate evidence and that conditions of assessment as specified in the Evidence Requirements are met, regardless of the mode of gathering evidence. Further advice is available in *SQA Guidelines on Online Assessment for Further Education (AA1641, March 2003)* or latest issue if this version is superseded

Higher National Unit specification: support notes (cont)

Unit title: Human Resource Management: An Introduction to Finance

Opportunities for developing Core Skills

Candidates are able to develop Core Skills in this Unit at SCQF level 6 as noted below.

Communication: Reading and Writing

Outcomes 2 and 3 provide candidates with the opportunity to read, understand and evaluate complex written communication and to produce well structured written communication on complex topics.

Information and Communication Technology

IT skills could be developed in Outcomes 2 and 3 through the use of ICT, specifically spreadsheet and word processing software.

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

History of changes to Unit

Version	Description of change	Date

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General information for candidates

Unit title: Human Resource Management: An Introduction to Finance

This Unit is designed to give you an introduction to finance in relation to the Human Resource function.

In Outcome 1 the aim is to give you an awareness of basic manual payroll procedures for both weekly paid and monthly paid employees. You will learn to complete HM Revenue and Customs documentation, including forms P11, P45 and P14/60. You will be assessed by means of a practical task under supervised conditions, with access to necessary HM Revenue and Customs tables.

In Outcome 2 you will be introduced to a typical Human Resource department cost variance report with accompanying background information which you will use to analyse the cause of any variances and make recommendations for action by management. You will be assessed by means of a report prepared under open-book, supervised conditions.

In Outcome 3 you will learn about the layout of a profit and loss account and balance sheet for use within an organisation, calculate profitability ratios and a liquidity ratio for the organisation and calculate efficiency ratios for the Human Resource department. You will then report on your findings and make recommendations for action by management. You will be assessed by means of a report prepared under open-book, supervised conditions.

You may have the opportunity to develop Core Skills in this Unit at SCQF level 6 as noted below.

Communication: Reading and Writing

Outcomes 2 and 3 provide you with the opportunity to read, understand and evaluate complex written communication and to produce well structured written communication on complex topics.

Using information technology

Your IT skills may be developed in Outcomes 2 and 3 through the use of ICT, specifically spreadsheet and word processing software.