

-SQA- SCOTTISH QUALIFICATIONS AUTHORITY

HIGHER NATIONAL UNIT SPECIFICATION

GENERAL INFORMATION

-Unit Number- **6520606**
-Superclass- **AL**
-Title- **INTERNATIONAL FINANCING**

-DESCRIPTION-

GENERAL COMPETENCE FOR UNIT: Explaining the methods of financing international trade and the range of services available to importers and exporters.

OUTCOMES

1. explain exchange rates and their operation and usage;
2. explain the operation of the Eurocurrency markets and the various methods of settling international debt through banks;
3. explain the various terms of payment used in international trade;
4. explain the methods of financing export and import business.

CREDIT VALUE: 2 HN Credits

ACCESS STATEMENT: Access to this unit is at the discretion of the centre. However it would be beneficial if candidates had skills in accounting and economics.

This may be evidenced by possession of HN units 6430405 An Introduction to Financial Accounting and 6420605 The Macro-Economic Environment.

For further information contact: Committee and Administration Unit, SQA, Hanover House, 24 Douglas Street, Glasgow G2 7NQ.

Additional copies of this unit may be purchased from SQA (Sales and Despatch section). At the time of publication, the cost is £1.50 (minimum order £5.00).

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STATEMENT OF STANDARDS

UNIT NUMBER: 6520606

UNIT TITLE: INTERNATIONAL FINANCING

Acceptable performance in this unit will be the satisfactory achievement of the standards set out in this part of the specification. All sections of the statement of standards are mandatory and cannot be altered without reference to SQA.

OUTCOME

1. EXPLAIN EXCHANGE RATES AND THEIR OPERATION AND USAGE

PERFORMANCE CRITERIA

- (a) The definition of rates of exchange and their calculations are correct.
- (b) Buying and selling rates are clearly differentiated.
- (c) Descriptions of exchange risk in fixed forward and option forward exchange contracts are accurate.
- (d) Calculations of fixed forward and option forward rates using spot rates adjusting for premium or discount are accurate.
- (e) Descriptions of extensions to forward contracts and straight close outs are accurate.
- (f) Descriptions of currency options and traded options are accurate.

RANGE STATEMENT

Rates of exchange: currencies; spot; par; premium; discount.

Exchange risk: price differentials; price movements; exchange fluctuations.

Alternatives: currency call options; currency at spot; foreign currency accounts; invoicing in European currency unit (ECU); SDRs; using cross rates.

Extensions: contractual position; 'marked' limits; partial close out; early close out; default.

Currency options: reasons for options; terms; benefits.

EVIDENCE REQUIREMENTS

Written and/or oral evidence that the candidate can explain exchange rates and their operation and usage as specified in the performance criteria and range statement.

OUTCOME

2. EXPLAIN THE OPERATION OF THE EUROCURRENCY MARKETS AND THE VARIOUS METHODS OF SETTLING INTERNATIONAL DEBT THROUGH BANKS

PERFORMANCE CRITERIA

- (a) Descriptions of the operations of the Eurocurrency markets are clear and accurate.
- (b) Explanations of the purpose and functions of the European Monetary System and the ECU are accurate.
- (c) Descriptions of the book keeping involved in the transfer of funds between international departments of banks are accurate.
- (d) Descriptions of the different methods of settling international trade are accurate.

RANGE STATEMENT

Eurocurrency: Eurodollars; Eurodeutschmarks; Euroswiss Francs; Euroyen; Eurofrench Francs; Eurosterling; advantages; disadvantages; Eurobonds.

Bookkeeping: nostro accounts; vostro accounts; mirror accounts.

Methods of settlement: bank draft; main transfer; telegraphic transfer; Society for Worldwide International Financial Telecommunications (SWIFT).

EVIDENCE REQUIREMENTS

Written and/or oral evidence that the candidate can describe the Eurocurrency markets and the various methods of settling international debt as specified in the performance criteria and range statement.

OUTCOME

3. EXPLAIN THE VARIOUS TERMS OF PAYMENT USED IN INTERNATIONAL TRADE

PERFORMANCE CRITERIA

- (a) The basic terms of payment are clearly distinguished.

- (b) Explanations of terms of payment more suitable for the exporter and importer are accurate.
- (c) Descriptions of the operation of documentary collections are full and accurate.
- (d) Definitions of documentary credits are clear and accurate.

RANGE STATEMENT

Terms of payment: open account; payment in advance; documentary collections; documentary credits.

Documentary collection: Bill of Exchange; sight and term draft; collection order; shipping documents; inward documentary collections.

Documentary credit: types; features; benefits; credits for importers; transferable credits; back-to-back credits.

EVIDENCE REQUIREMENTS

Written and/or oral evidence that the candidate can describe the basic terms of payment used by the importer and exporter as specified in the performance criteria and range statement.

OUTCOME

- 4. EXPLAIN THE METHODS OF FINANCING EXPORT AND IMPORT BUSINESS

PERFORMANCE CRITERIA

- (a) Explanations of the use of various forms of short-term finance available to exporters and importers are clear and correct.
- (b) Explanations of the use of various forms of medium and long term finance available to exporters and importers are clear and correct.
- (c) Explanations of non-financial services available to importers and exporters are clear and correct.

RANGE STATEMENTS

Short-term finance: post-shipment; pre-shipment; bank facilities; negotiation; export factoring and invoice discounting.

Medium and long term: supplier credit; buyer credit; Export Credit Guarantee Department (ECGD); finance; pre-shipment finance.

Non-financial services: travel facilities; non-bank services; bonds; stand-by letters; countertrade.

EVIDENCE REQUIREMENTS

Written and/or oral evidence that the candidate can describe the methods of financing export and import business as specified in the performance criteria and range statement.

MERIT A candidate who achieves all performance criteria for all outcomes will be awarded a pass. A pass with merit may be awarded to a candidate who consistently achieves all or some of the following:

- (a) evidence of further reading;
- (b) logical presentation of work;
- (c) explanations and descriptions provide clarity of expression and relevancy.

ASSESSMENT

In order to achieve this unit, candidates are required to present sufficient evidence that they have met all the performance criteria for each outcome within the range specified. Details of these requirements are given for each outcome. The assessment instruments used should follow the general guidance offered by the SQA assessment model and an integrative approach to assessment is encouraged. (See references at the end of support notes).

Accurate records should be made of the assessment instruments used showing how evidence is generated for each outcome and giving marking schemes and/or checklists, etc. Records of candidates' achievements should be kept. These records will be available for external verification.

SPECIAL NEEDS

Proposals to modify outcomes, range statements or agreed assessment arrangements should be discussed in the first place with the external verifier.

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SUPPORT NOTES

UNIT NUMBER: 6520606

UNIT TITLE: INTERNATIONAL FINANCING

SUPPORT NOTES: This part of the unit specification is offered as guidance. None of the sections of the support notes is mandatory.

NOTIONAL DESIGN LENGTH: SQA allocates a notional design length to a unit on the basis of time estimated for achievement of the stated standards by a candidate whose starting point is as described in the access statement. The notional design length for this unit is 80 hours. The use of notional design length for programme design and timetabling is advisory only.

PURPOSE This unit has been designed as an introduction to international business and is suited to candidates intent on working in the financial services markets specialising in overseas investment or international trade settlement.

CONTENT/CONTEXT The candidate should achieve a level of competence required by retail financial institutions for employees entering the industry for the first time or working in the industry with limited knowledge of this area of expertise.

ASSESSMENT PROCEDURES Centres may use the instruments of assessment which are considered to be the most appropriate. Examples of instruments of assessment which could be used are:

- practical exercises
- restricted questions
- multiple response questions
- extended answer questions
- case studies
- projects
- assignment

PROGRESSION This unit contributes towards SQA Higher National Diploma in Financial Services.

REFERENCES

1. Guide to unit writing.
2. For a fuller discussion on assessment issues, please refer to SQA's Guide to Assessment.
3. Information for centres on SQA's operating procedures is contained in SQA's Guide to Procedures.
4. For details of other SQA publications, please consult SQA's publications list.

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