

ACCOUNTING
(Higher)

First Edition – Published 2004

National Course Specification

ACCOUNTING (Higher)

COURSE CODE C209 12

COURSE STRUCTURE

This Course has two mandatory Units as follows:

DF47 12	<i>Financial Accounting (Higher)</i>	<i>1.5 credits (60 hours)</i>
DF4T 12	<i>Management Accounting (Higher)</i>	<i>1.5 credits (60 hours)</i>

All Courses include 40 hours over and above the 120 hours for the Units. This may be used for induction, extending the range of learning and teaching approaches, support, consolidation, integration of learning and preparation for external assessment.

RECOMMENDED ENTRY

While entry is at the discretion of the centre, candidates do not need any previous knowledge or experience of the subject. However, candidates' will normally be expected to have attained one of the following or equivalent:

- ◆ Standard Grade Accounting and Finance at Credit level
- ◆ Intermediate 2 Accounting
- ◆ The Units of *Financial Accounting* (Intermediate 2) and *Management Accounting* (Intermediate 2)

PROGRESSION

This Course or its Units may provide progression to:

- ◆ Advanced Higher Accounting
- ◆ Higher National programmes
- ◆ Higher education programmes
- ◆ training or employment

Administrative Information

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National Course Specification: (cont)

ACCOUNTING (Higher)

CORE SKILLS

This course gives automatic certification of the following:

Core Skills components for the Course	Using Numbers	Intermediate 2
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CREDIT VALUE

The Higher Course in Accounting is allocated 24 SCQF credit points at SCQF level 6.

SCQF points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification is allocated a number of SCQF credit points at an SCQF level. There are 12 SCQF levels, ranging from Access 1 to Doctorates.

National Course Specification: Course Details

ACCOUNTING (Higher)

RATIONALE AND AIMS

Rationale

Business and enterprise are at the heart of national growth and development and this is reflected in the important place of business education in the curriculum. This provision offers opportunities for individuals to develop the crucial skills and knowledge which allows them to access, understand and contribute to the dynamic and complex business and information environment.

The study of accounting at Higher develops the ability to identify, calculate, evaluate and communicate financial and management accounting information and to allow informed judgements and decisions to be made. The use of a variety of contexts, concentrating on the aspects of input, processing and output, helps develop skills of handling information, interpretation, analysis and evaluation. The Course methodology encourages candidates to think logically and to apply accounting principles in a consistent and effective manner, thus developing their problem-solving, communication and decision-making skills.

The Course structure is designed to allow candidates to gain a knowledge and understanding of both financial and management accounting.

Financial accounting enables candidates to understand how entrepreneurial and non-profit making organisations are structured, financed, managed and controlled. It will enable candidates develop the ability and knowledge required to prepare financial statements and the skills necessary to analyse and evaluate business performance.

The study of management accounting will enable candidates to understand the significance and need for classifying and controlling costs, to develop skills in budgeting and to prepare a range of cost statements for a variety of different production and service concerns. It will also develop the skills and techniques which permit candidates to analyse prospective projects, evaluate a range of options and make informed decisions using break-even analysis and marginal costing techniques.

The increasing use of information technology has had a major impact on the accounting procedures of organisations. The Course structure and teaching methodologies offers candidates an opportunity to develop their information technology skills and apply them within business contexts.

The study of accounting will enable candidates to develop financial life skills. The Course helps to prepare candidates to meet the present demands of the modern world, and to prepare them for the future, whether they are considering making financial investments or running their own business. The increasing demands for candidates to experience enterprise activities throughout education makes accounting an ideal subject for study and will help develop the key skills of recording, preparing, reporting, analysing, costing, controlling and decision-making necessary to assist in the development of enterprise activities.

The increasing use of business concepts in a range of organisations has necessitated a greater awareness and understanding of financial information among a wider range of users and stakeholders. This includes the wider community, such as consumers of local authority services, employees, investors, and those involved in non-profit making organisations. The study of accounting at this level will enable candidates to have a basic understanding of the main types of published accounting information.

National Course Specification: Course details (cont)

ACCOUNTING (Higher)

Whatever the career pathway or progression route chosen, Accounting can provide a valuable experience in which to develop skills and enhance an individual's effectiveness.

Aims

The aims of the Course are to build on the knowledge, understanding, information handling skills and practical abilities gained in Standard Grade Accounting and Finance or Intermediate 2 Accounting and are to:

develop an understanding of:

- ◆ the principles and practice of financial accounting and management accounting by studying these areas in a range of contexts
- ◆ the rationale for, and application of, various accounting practices and conventions
- ◆ the structure, finance, ownership, management and control of a range of organisations

develop the skills:

- ◆ of recording, analysing and reporting necessary for the monitoring and evaluation of the performance of a business or enterprise activity
- ◆ and techniques relevant to accounting, which will equip users for entry into the world of business
- ◆ of accuracy, precision and problem solving when preparing accounting records, analysing accounting information and communicating findings
- ◆ to prepare, use and interpret accounting information in relation to exercising control, analysing performance, making decisions and solving problems
- ◆ to understand and comment on the financial information published by a range of organisations

promote and encourage:

- ◆ an understanding of accounting as a means of presenting and communicating information to stakeholders
- ◆ a systematic approach to problem solving
- ◆ the use and application of information technology across the Course content

and to provide a basis for further study.

The Accounting Courses have been designed in a hierarchical structure. The commonality between the Courses at Intermediate 2 and Higher is such that the Unit Specifications contain common Outcomes. However, it is important to distinguish between the levels. This has been achieved in four ways:

- ◆ at Higher, the greater breadth and depth of content is reflected in the additional Outcomes and Performance Criteria compared to Intermediate 2
- ◆ at Higher there is also a more extensive range of content and more demanding evidence requirements than at Intermediate 2
- ◆ at Higher there is a greater emphasis on the integration of topics
- ◆ at Higher there is an increased emphasis on applying decision making in more complex contexts.

National Course Specification: Course details (cont)

ACCOUNTING (Higher)

COURSE CONTENT

The Course content has been organised in two Units: *Financial Accounting* and *Management Accounting*.

All of the Course content will be subject to sampling in the external Course assessment.

Where candidates undertake the Course without previous accounting knowledge (see recommended entry statement), a preliminary induction course may be beneficial.

Role of the Financial Accountant	Duties, scope and responsibilities of the Financial Accountant. Differentiate between the role of the Financial and Management Accountant.
Correction of errors in ledger accounts	Purpose and limitation of a trial balance. Adjustments of profit after correction of errors. NB: Suspense account will not be required.
Features of ownership, funding, liability, management and control	Sole traders, partnerships, private limited, public limited companies and non-profit making organisations. Identification of and justification of sources of finance. Funding sources available to organisations: <ul style="list-style-type: none">◆ internal sources — retained profits, share premium, tighter credit control, reduction in stock levels, sale of assets◆ external sources — ordinary, preference and cumulative preference share capital, fully paid, issued at par and a premium, loan capital, debentures, bank overdraft, leasing, factoring, venture capital, hire purchase, mortgage, government grants, loan◆ non-profit making organisations — accumulated fund, surplus, loans, life membership fees, levies Justification of sources of finance and organisational structure. Documents involved in the formation of business organisations: <ul style="list-style-type: none">◆ partnership agreement*◆ Memorandum of Association and Articles of Association for plc. *Awareness of the main principles of the current partnership legislation

National Course Specification: Course details (cont)

ACCOUNTING (Higher)

Financial Accounting (Higher)

<p>Manufacturing Accounts</p>	<p>Preparation of manufacturing account to include:</p> <ul style="list-style-type: none"> ◆ Cost of direct materials consumed ◆ Factory direct costs ◆ Prime costs ◆ Factory indirect costs/overheads including warehouse expenses ◆ Apportionment of expenses between factory, warehouse and administration ◆ Work in progress valued at total cost ◆ Factory cost of finished goods produced; transfer to trading account at factory cost and at market cost of output ◆ Calculation of manufacturing profit/loss and transfer to profit and loss account ◆ Calculation of cost per unit
<p>Financial statements and balance sheets for all business organisations</p>	<p>Partnership, private limited company, public limited company and non-profit making organisation.</p> <p>Revenue and capital expenditure and income.</p> <p>Preparation of trading, profit and loss and appropriation, accounts in accordance with current accounting practice.</p> <p>Adjustments for:</p> <ul style="list-style-type: none"> ◆ provisions for depreciation: straight line, reducing/diminishing balance and revaluation methods ◆ provision for doubtful debts ◆ prepayments and accruals at end of the year ◆ interest on loans or debenture interest ◆ adjustment of depreciation and calculation of profit or loss on sale of asset ◆ preliminary and issue expenses ◆ corporation tax ◆ adjustment of final account figures for correction of errors <p>Profit and loss and appropriation accounts for partners to include:</p> <ul style="list-style-type: none"> ◆ treatment of interest on partner's loan ◆ partnership salary ◆ interest on capital ◆ interest on drawings ◆ transfer to reserves ◆ share of residual profits/loss <p>Current accounts updated taking account of appropriations of profit, drawings and interest on a partner's loan.</p>

National Course Specification: Course details (cont)

ACCOUNTING (Higher)

Financial Accounting (Higher) (cont)

(cont)	<p>For plcs to include the treatment of:</p> <ul style="list-style-type: none"> ◆ incomes from investments ◆ corporation tax ◆ payment of dividends to ordinary and preference shareholders ◆ treatment of interim and final dividends, including the adjustment of dividends for issue of new shares — bonus and rights issues ◆ retained profits <p>Preparation of balance sheets in line with current accounting practice.</p>
Financial statements and balance sheets for all business organisations	<p>Financed by section of balance sheets to include:</p> <ul style="list-style-type: none"> ◆ For partnerships: <ul style="list-style-type: none"> – current and capital account balances for partnerships at end of financial year ◆ For plc <ul style="list-style-type: none"> – capital and revenue reserves including ordinary and preference shares, share premium, revaluation reserves, retained profits <p>NB: Candidates are not required to have specialist knowledge of provisions for corporation tax, VAT or dividends.</p>
Admission of new partner	<p>Admission of new partner:</p> <ul style="list-style-type: none"> ◆ features of a partnership agreement and reasons for admitting a new partner ◆ treatment of the revaluation of assets ◆ treatment of goodwill ◆ introduction of additional capital from existing partners ◆ introduction of capital or fixed assets by new partner ◆ treatment of partnership loans ◆ calculation of new profit sharing ratios
Final Accounts of non-profit making organisations	<p>Calculation of accumulated fund.</p> <p>Receipts and payments account.</p> <p>Income statements from fund raising activities — club trading account, raffles, levies etc.</p> <p>Income and Expenditure Account to include:</p> <ul style="list-style-type: none"> ◆ incomes and profits — subscriptions adjusted for accruals and prepayments at start and end of year

	<ul style="list-style-type: none"> ◆ prepayments and accruals at start and end of year ◆ provision for depreciation of fixed assets using straight line, reducing/diminishing balance, revaluation methods, profit and loss on asset disposal ◆ treatment of life membership fees ◆ calculation of surplus or deficit <p>Preparation of balance sheet in line with current accounting practice:</p> <ul style="list-style-type: none"> ◆ Financed by section of balance sheets to include calculation of closing accumulated fund balance
Accounting Ratios	<p>Understanding the use made of accounting ratios by stakeholders and other interested parties.</p> <p>Calculation and interpretation of ratios:</p> <p>Profitability Ratios</p> <ul style="list-style-type: none"> ◆ gross profit ratio ◆ net profit ratio ◆ mark-up ◆ return on capital employed <p>Liquidity Ratios</p> <ul style="list-style-type: none"> ◆ current ratio ◆ acid test ratio <p>Efficiency Ratios</p> <ul style="list-style-type: none"> ◆ expense ratio (individual or total) ◆ rate of stock turnover ◆ average stock ◆ debtors' collection period ◆ creditors' payment period ◆ fixed asset turnover <p>Inter-firm and intra-firm evaluation of business performance.</p> <p>Use of accounting ratios to prepare forecast trading and profit and loss accounts and balance sheets.</p>
Financial Accounting Regulations	<p>Knowledge of Statements of Principles — Qualitative. Characteristics (formerly concepts and conventions). Awareness of the role of SSAPs and FRSs.</p> <p>NB: Detailed knowledge of individual SSAPs and FRS statements is not required.</p>

NB The content of the lower levels underpins this award.

National Course Specification: Course details (cont)

ACCOUNTING (Higher)

Management Accounting (Higher)

Role of the Management Accountant	Duties, scope and responsibilities of the Management Accountant. Differentiation between the role of the Financial and Management Accountant.
Classification and calculation of costs	<p>Identification and significance of fixed, variable and semi-variable costs and direct and indirect costs.</p> <p>Recording and calculation of costs of materials, labour and overheads.</p> <ul style="list-style-type: none"> ◆ Standard procedures and documentation for controlling stock wage and overhead costs. ◆ Stocktaking provision. ◆ Preparation of stock record cards, bin cards. ◆ Valuing issue of stock at First In First Out (FIFO), Last In Last Out (LIFO) and Average Cost (AVCO). ◆ Calculation of maximum, minimum and re-order quantities, EFTPOS. <p>Wage costs, time sheets, clock cards, manual and electronic. Calculation of wages: time rate, piece rate, bonus rate and overtime.</p> <p>Overhead Analysis Statement: allocation, apportionment and re-apportionment of service cost centres and calculation and application of absorption rates:</p> <ul style="list-style-type: none"> ◆ allocation - figures given ◆ apportionment calculated using floor area, number of employees, value of fixed assets, labour hours, machine hours, metered consumption, Kilowatt (Kw) hours and apportion costs to production and services cost centres where the basis of apportionment is given ◆ absorption rates calculated using the following: direct labour hours, machine hours, percentage of direct wages, output units, percentage of prime cost, percentage of direct materials ◆ calculation of over/under absorbed overheads including semi-variable costs ◆ distinguish between costs centres and cost units, production and service cost centres.

National Course Specification: Course details (cont)

ACCOUNTING (Higher)

Management Accounting (Higher) (cont)

<p>Preparation of cost statements and accounts</p>	<p>Job cost statements which include:</p> <ul style="list-style-type: none"> ◆ calculation of direct and indirect costs ◆ calculation of profit using mark-up and margin ◆ calculation of invoice price <p>Service cost statements involving:</p> <ul style="list-style-type: none"> ◆ calculation of direct and indirect costs ◆ calculation of service cost unit ◆ calculation of profit per unit ◆ calculation of charge per cost unit <p>Process costing accounts involving:</p> <ul style="list-style-type: none"> ◆ calculation of normal and abnormal loss through waste or spoilage ◆ calculation of scrap value of normal loss ◆ calculation of cost per unit of normal output and abnormal loss ◆ treatment of work in progress ◆ transfer to next process or finished goods <p>Candidates should be able to explain the theory relating to job service, and process costing.</p>
<p>Marginal costing and decision making</p>	<p>Classification of costs into variable/direct and fixed/indirect.</p> <p>Use of break-even analysis techniques including:</p> <ul style="list-style-type: none"> ◆ application, assumptions and limitations of break-even analysis techniques ◆ unit or total calculation, in units and/or £ value, of the following: <ul style="list-style-type: none"> – contribution – break-even point – margin of safety – profit/volume ratio – effects of changes in fixed and/or variable costs on profit and break-even point – projected profits at different levels of output – output required for projected profits ◆ application of profit/volume ratio ◆ decision-making using break-even analysis ◆ profit maximisation where limiting factor applies ◆ make or buy decisions, retain or close department/factory, accept or reject special orders ◆ significance and treatment of opportunity cost

National Course Specification: Course details (cont)

ACCOUNTING (Higher)

Management Accounting (Higher) (cont)

Budgeting	<p>Theory for budgetary control. Benefits of budgeting — control, motivation, co-ordination of budgets, communication and planning.</p> <p>Preparation of budgets for:</p> <ul style="list-style-type: none">◆ sales, production, cash <p>In preparing all budgets, account should be taken of the following:</p> <ul style="list-style-type: none">◆ time delays in receiving from debtors or paying creditors◆ trade and cash discount◆ bad debts◆ pre-payment or delay in annual and/or regular amounts <p>Planning for shortfalls/surpluses. Make decisions based on budgets.</p>
Information Technology and Accounting	<p>Awareness of uses of information technology in accounting.</p> <p>Benefits and justifications for using information technology including advantages and disadvantages.</p> <p>Awareness of accounting software packages.</p>
Use of spreadsheets	<p>The use of spreadsheets throughout this Course is encouraged. One topic from this Unit will be assessed internally using spreadsheets.</p> <p>Candidates should be able to use the following formulae:</p> <ul style="list-style-type: none">◆ add◆ subtract◆ multiply◆ divide◆ percentage◆ sum◆ copy relatively◆ copy absolutely◆ if statements <p>Produce printouts with the following displayed:</p> <ul style="list-style-type: none">◆ gridlines◆ row reference◆ column reference

NB. The content of the lower levels underpins this award.

National Course Specification: Course details (cont)

ACCOUNTING (Higher)

ASSESSMENT

Assessment purpose

To achieve the Course award the candidate must pass the Units as well as the Course assessment. The candidate's grade is based on the Course assessment.

Assessment objectives

The key objectives of the Accounting Course at Higher are to identify and report financial and other information which permits informed judgements and decisions to be made. Although the Course concentrates on the input, process and output of information it encourages the development of skills in recording and handling, analysis, evaluation and communication of information within a wide variety of contexts.

Internal Unit assessment aims to allow the candidates to complete a range of computational and theoretical questions within a familiar range of contexts and with limited integration.

External Course assessment aims to allow candidates to complete a range of computation and theoretical questions in more unfamiliar and complex contexts where some of the topics may be integrated.

Summary of Unit assessment

In Accounting, the two Units are *Financial Accounting* and *Management Accounting*. The Unit assessment will be of a closed book nature and should take place at an appropriate time. The maximum time allowed for this is 1 hour 30 minutes.

It is mandatory that a spreadsheet is used as an assessment tool in the *Management Accounting* Unit assessment.

Full details of the structure, Outcomes, Performance Criteria, evidence and conditions for the Unit assessment can be found in the Unit Specifications for *Financial Accounting* and *Management Accounting*.

Further details about Unit assessment for this Course can be found in the NAB materials and in the Unit Assessment Specifications.

Course Assessment

The Course assessment is a question paper, which will last for 2 hours 30 minutes and the Course will have a total of 200 marks.

The question paper will be of a computational and theoretical nature, which will sample equally across the range and content of the *Financial* and *Management Accounting* elements of the Course and include the integration of topics within each of the Financial and Management Accounting areas.

Further details of the Course assessment are given in the Course Assessment Specification

National Course Specification: Course details (cont)

ACCOUNTING (Higher)

Links between Unit and Course assessment

The Unit assessment will assess candidates' application of their knowledge and understanding and practical skills within the familiar contexts taught throughout the Unit. The Course assessment will require candidates to apply their practical skills to integrate the Course content and use their problem solving skills and apply them to more complex concepts and unfamiliar contexts. For knowledge and understanding candidates will be required to apply, comment, evaluate and communicate the principles of accounting.

The Course assessment requires candidates to retain and recall their knowledge and understanding of the whole Course.

Avoiding unnecessary duplication

The design of the Unit and Course assessments for this Course ensures that there is no unnecessary duplication of assessment.

For Unit assessment candidates will be required to complete partially prepared accounting statements, eg profit and loss account, appropriation account or balance sheet of a partnership or plc, or prepare part of a maximum profit statement, whereas for the Course assessment candidates will be required to prepare and integrate the full range of accounting statements, eg preparation of a full set of final accounts or a maximum profit statement under the constraints of a limiting factor, or make decisions relating to make or buy.

The 'added value' of the Course

The Unit and Course assessments are designed to complement each other. The holistic nature of the Unit assessment provides evidence of a specific level of achievement within the Unit, whereas the Course assessment samples equally from both Units and allows candidates to clearly demonstrate retention and integration of a larger body of knowledge from the whole Course.

National Course Specification: Course details (cont)

ACCOUNTING (Higher)

Candidates wishing to succeed in the Course, as distinct from achievement of the individual Units, must be aware that the Course will impose additional demands over and above those of the Units.

These additional demands will require candidates to:

- ◆ apply knowledge and understanding across the scope and range of the Course
- ◆ integrate contents of the Units and Course
- ◆ problem solve and make decisions in a variety of contexts
- ◆ problem solve and make decisions in complex contexts
- ◆ integrate the theoretical and practical aspects of the Course
- ◆ demonstrate the retention of a larger body of knowledge from the whole Course content
- ◆ adequately respond to computational and knowledge and understanding questions from the whole Course on a single occasion
- ◆ integrate Course topics and respond to more complex questions
- ◆ respond to questions set in less familiar contexts
- ◆ apply their knowledge and understanding of accounting theory to demonstrate their ability to analyse, evaluate and make recommendations for a given situation

The purpose of the additional 40 hours is to enable these additional demands to be met and to allow course providers to employ a wider variety of learning and teaching strategies in the delivery of the Course.

Further assessment materials for this Course can be found in National Assessment Bank materials, the Course Specifications and the Specimen Question Paper.

National Course Specification: Course details (cont)

ACCOUNTING (Higher)

GRADE DESCRIPTIONS at A and C

The candidate's grade will be based on the total score obtained from Course assessment.

The descriptions below indicate the nature of achievement required for the award at Grade C and A in the Course.

For an award at Grade C, candidates should be able to:

- ◆ apply a basic knowledge and understanding of financial and management accounting theory
- ◆ produce a range of financial and management accounting statements with a reasonable degree of accuracy
- ◆ apply knowledge and understanding to a range of contexts
- ◆ demonstrate some ability to integrate material drawn from the Course content
- ◆ produce simple solutions to a range of accounting problems
- ◆ draw simple conclusions and make limited recommendations

For an award at Grade A, candidates should be able to:

- ◆ consistently apply a higher level of knowledge and understanding of financial and management accounting procedures and theory
- ◆ produce financial and management accounting statements with a high degree of accuracy
- ◆ consistently apply knowledge to a range of different contexts some of which may be complex
- ◆ demonstrate a high degree of ability to integrate material drawn from the Course content
- ◆ solve problems with a high degree of success
- ◆ draw full conclusions and make recommendations based on complex accounting problems

National Course Specification: Course details (cont)

ACCOUNTING (Higher)

ESTIMATES AND APPEALS

Estimates

In preparing estimates, evidence of performance should be considered from across the breadth of coverage of content of the Course and must take account of performance in the whole Course. Further advice on the preparation of estimates is given in the Course Assessment Specification.

Appeals

Evidence assembled to support an assessment appeal should cover the content of the Course and must relate to the Course Grade Descriptions. Ideally this will comprise evidence generated by a properly constructed, integrated prelim which reflects the range, balance and depth of the question paper.

Although a prelim is not mandatory it is desirable in that it can provide evidence of how well a candidate can perform in questions which require integration, retention and application of knowledge and understanding in less familiar contexts within a time restraint.

Centres generating their own prelim papers sometimes draw heavily on past SQA papers for their questions. These questions should be carefully selected from a range of Question Papers to ensure a balanced paper of acceptable format and standard. Question should not be lifted en bloc from past papers and should contain some degree of moderation or adaptation in order to provide an unseen test of candidates' abilities. Past papers or SQA specimen papers, in their entirety, will not be accepted as evidence to support an appeal.

While high scoring Unit assessments can provide some evidence in support of an appeal they are not sufficient on their own and should be supplemented by additional evidence. This evidence should cover the Course content and should mirror the nature, range and scope of the Course assessment.

NABs can provide evidence of attainment within familiar contexts and demonstrate limited retention, however, they do not provide evidence of a candidate's ability to cope with questions based on integrated topics or to deal with questions of a more complex nature based on unfamiliar contexts. Where NABs are used for appeal purposes, they must be supplemented by evidence which mirrors the nature, range and scope of the Course assessment. This evidence may take the form of a closed book coursework assessment, supplementary prelim and/or end of Unit tests designed to show retention, integration and application of skills and knowledge.

National Course Specification: Course details (cont)

ACCOUNTING (Higher)

QUALITY ASSURANCE

All National Courses are subject to Course marking and/or moderation. External markers, visiting examiners and moderators are trained by SQA to apply national standards. SQA is currently seeking to assist centres by preparing exemplification of standards materials in a number of subject areas. This will be rolled out to all subjects in due course.

The Units of all the Courses are subject to internal moderation and may also be chosen for external moderation. This is to ensure that national standards are being applied across all subjects.

Courses may be assessed by a variety of methods. Where marking is undertaken by a trained marker in their own time, markers meetings are held to ensure that a consistent standard is applied. The work of all markers is subject to scrutiny by the Principal Assessor (PA) and a PA report is published for all subjects.

National Course Specification: Course details (cont)

ACCOUNTING (Higher)

APPROACHES TO LEARNING AND TEACHING

The Course content is designed to allow candidates to develop a knowledge and understanding of the role, scope and importance of both financial and management accounting in the business world and to apply this knowledge in a wide variety of contexts. There are a number of approaches which may be taken in delivering the Accounting Course.

Unit by Unit approach

Teachers or lecturers may decide to begin with either the *Financial Accounting* or the *Management Accounting* Unit.

Financial Accounting Unit possible approach

- ◆ introduction to financial accounting including role and scope of financial accountant
- ◆ introduction to accounting standards — SSAPs and FRSs
- ◆ features of ownership, funding, management, liability and control for an organisation
- ◆ manufacturing accounts
- ◆ final accounts of partnerships and introduction of new partner
- ◆ final accounts of plcs
- ◆ final accounts of non-profit making organisations
- ◆ correction of accounting errors and updating of final account figures
- ◆ analysis and interpretation of business performance

Management Accounting Unit possible approach

- ◆ introduction to management accounting including role and scope of management accountant
- ◆ identification of cost elements
- ◆ calculation of material, labour and fixed overhead costs including the preparation of stock record cards and overhead analysis statements
- ◆ procedures for controlling costs
- ◆ job and service cost statements
- ◆ process cost accounts
- ◆ break-even analysis and decision-making techniques for a wide variety of situations
- ◆ budgetary control system and preparation of sales, production and cash budgets
- ◆ information technology in accounting

Integrated approach

Teachers or lecturers may decide to adopt an integrated approach to the learning and teaching of these Units:

- ◆ role of financial and management accounts
- ◆ introduction to accounting standards — SSAPs and FRSs
- ◆ identification of cost elements

National Course Specification: Course details (cont)

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- ◆ calculation of material, labour and fixed overhead costs including the preparation of stock record cards and overhead analysis statements
- ◆ manufacturing accounts
- ◆ preparation of job and service cost statements
- ◆ preparation process cost accounts
- ◆ budgetary control and preparation of sales, production and cash budgets
- ◆ final accounts of partnerships and introduction of new partner
- ◆ final accounts of plcs
- ◆ correction of errors and updating of final account figures
- ◆ features of ownership, funding, management, liability and control for an organisation
- ◆ final accounts of non-profit making organisations
- ◆ analysis and interpretation and evaluation of business performance
- ◆ information technology in accounting

Simultaneous approach

Teachers or lecturers may decide to divide the time available each week equally between the two Units. This has the advantage of allowing the Course delivery to be divided between two teachers or lecturers

<i>Financial Accounting Unit</i>	<i>Management Accounting Unit</i>
<ul style="list-style-type: none"> ◆ role of financial accounting in business ◆ introduction to accounting standards — SSAPs and FRSs ◆ characteristics of business organisation ◆ preparation of manufacturing accounts ◆ features of ownership, funding, management, liability and control for an organisation ◆ preparation of final accounts of business organisations; sole traders; partnerships and plcs ◆ correction of errors and updating of final account figures ◆ analysis and interpretation of accounting information ◆ preparation of not-for profit final accounts 	<ul style="list-style-type: none"> ◆ role of management accounting in business ◆ identification of cost elements ◆ calculation of elements of cost including stock record cards and overhead analysis statements ◆ preparation of cost statements — job and service ◆ preparation of process cost accounts ◆ break-even analysis techniques and decision making ◆ budgetary control and preparation of sales, production and cash budgets ◆ information technology in accounting

The use of information technology

Throughout the Course candidates should be encouraged to use spreadsheets when preparing financial and management accounting statements.

The use of a spreadsheet is **mandatory** in the internal assessment for Management Accounting.

National Course Specification: Course details (cont)

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Learning and teaching strategies could also include the use of accounting software packages. This will not only help candidates appreciate the ways in which accounting is carried out in the business world but also enable integration of additional information technology into the study of accounting.

While the majority of the Course is computationally based, any learning and teaching approach used should also include the development of knowledge and understanding. Candidates should be encouraged, and be given opportunities, to appreciate the links between the theoretical and practical aspects of the subject.

Although the additional 40 hours could be a discrete block of time taken in entirety after completion of the two Units, this is not the recommended approach. While some of the time may be used in this way, it would seem more appropriate for this time to be used in a variety of ways throughout the Course, for example, for remediation, the greater use of information technology or the introduction to a wider range of accounting and business contexts.

SPECIAL NEEDS

This Course 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 alternative Outcomes for Units. For information on these, please refer to the SQA document *Guidance on Special Assessment Arrangements* (SQA, September, 2003).

National Course Specification: Course details (cont)

ACCOUNTING (Higher)

Accounting in a broader context

A number of national initiatives and programmes have been designed to promote themes that are important to contemporary society such as citizenship and enterprise. These themes contribute to individual subjects and Courses by making connections beyond the subject boundaries to enrich the learning experience. Similarly, specialist knowledge and skills developed through the study of a particular subject contributes to the understanding of these themes.

Accounting is a subject which relates easily to many aspects of everyday life and, therefore, many of the topics can be used to allow candidates the opportunity of learning experiences which are relevant to current initiatives such as financial education for all, enterprise in education, education for citizenship, life-long learning and the national priorities for education.

CROSS CURRICULAR THEME	UNIT	LEVEL	ISSUES
Financial Education for all	Financial	All Intermediate 1 and 2	Understanding the importance of financial decisions in relation to: <ul style="list-style-type: none"> ◆ the concept of debt ◆ the balancing income with expenditure ◆ sources of finance ◆ the reconciliation of bank statements with bank account
Enterprise for Education	Financial Managerial	All Intermediate 2, Higher, Advanced Higher Higher, Advanced Higher	Understanding of the importance of: <ul style="list-style-type: none"> ◆ characteristics of business organisations ◆ ratio analysis to determine the efficiency of business organisations ◆ career opportunities — role of Financial and Managerial Accountants ◆ decision-making to the success of business organisations
Education for citizenship	Financial and Managerial	All	Development of citizenship skills: <ul style="list-style-type: none"> ◆ working independently ◆ analysing and reporting using information technology ◆ using relevant data to solve problems

National Course Specification: Course details (cont)

ACCOUNTING (Higher)

CROSS CURRICULAR THEME	UNIT	LEVEL	ISSUES
Life-long Learning	Financial	All	The knowledge and skills developed in Accounting will enable candidates to make more responsible personal financial decisions regarding — budgeting, mortgages, loans, etc which will give them the opportunity to prosper in a changing society
Inclusion and equality (National Priority)		All	

National Unit Specification: general information

UNIT Financial Accounting (Higher)

NUMBER DF47 12

COURSE Accounting (Higher)

SUMMARY

This Unit is designed to enable candidates to develop the skills and techniques which will allow them to prepare (with adjustments) and analyse accounting statements for a partnership, public limited company (plc), private limited company (ltd), including manufacturing concerns, and non-profit making organisations; to calculate and record year end adjustments to assets; to correct errors in accounting and amend relevant final account figures; and to use information technology. It will also develop a knowledge and understanding of the theory relating to financial accounting and accounting standards.

OUTCOMES

- 1 Prepare financial statements of organisations and evaluate their formation, funding, management, control and reporting procedures.
- 2 Calculate and comment on accounting ratios in order to evaluate business performance.
- 3 Explain the legislation and Accounting Standards which affect the preparation of the final accounts of an organisation.

RECOMMENDED ENTRY

While entry is at the discretion of the centre, candidates do not need any previous knowledge or experience of this subject. However, candidates would normally be expected to have achieved one of the following, or equivalent:

- ◆ Standard Grade Accounting and Finance at Credit level
- ◆ Intermediate 2 Accounting
- ◆ the Unit *Financial Accounting* (Intermediate 2)

Administrative Information

Superclass: AK

Publication date: April 2004

Source: Scottish Qualifications Authority

Version: 01

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National Unit Specification: general information (cont)

UNIT Financial Accounting (Higher)

CREDIT VALUE

1.5 credits at Higher (9 SCQF credit points at SCQF level 6*).

**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.*

CORE SKILLS

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

National Unit Specification: statement of standards

UNIT Financial Accounting (Higher)

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

OUTCOME 1

Prepare financial statements of organisations and evaluate their formation, funding, management, control and reporting procedures.

Performance Criteria

- a) Discuss the formation, funding, management, control and the reporting procedures of an organisation.
- b) Calculate year end figures and adjust for accounting errors.
- c) Complete partially prepared final accounts of organisations consistent with financial accounting practice.
- d) Complete a partially prepared balance sheet of an organisation consistent with financial accounting practice.
- e) Complete partially prepared manufacturing and trading accounts consistent with financial accounting practice.

OUTCOME 2

Calculate and comment on accounting ratios in order to evaluate business performance.

Performance Criteria

- a) Explain the purpose of accounting ratios and the uses made of these by different stakeholders or users.
- b) Calculate accounting ratios using correct formulae (specified in Appendix Two — Ratio Formulae).
- c) Comment, using either the ratios calculated or provided, on the performances of a business organisation for two consecutive accounting periods or of two similar business organisations for a single accounting period.

OUTCOME 3

Explain the legislation and Accounting Standards which affect the preparation of the final accounts of an organisation.

Performance Criteria

- a) Explain briefly the purpose of the Statement of Principles — Qualitative Characteristics (concepts and conventions).
- b) Explain the role of SSAPs and FRSs in recording and reporting financial performance.

National Unit Specification: statement of standards (cont)

UNIT Financial Accounting (Higher)

EVIDENCE REQUIREMENTS FOR THE UNIT

The contents for this Unit are specified in Appendix One, and Ratio Formulae Appendix Two.

Candidates are required to demonstrate knowledge and understanding of the Unit content by completion of short response questions drawn from all areas of the Unit.

Candidates are also required to demonstrate that they can apply knowledge and understanding of the Unit content by:

- ◆ completing final accounts and balance sheets of organisations
- ◆ calculating and interpreting ratios* to evaluate the performance of an organisation

Evidence will be produced by the candidate completing a number of computational and short answer knowledge and understanding questions in a closed book assessment covering all the Outcomes.

Calculators may be used throughout this assessment.

The maximum time allowed is one 1 hour 30 minutes.

Assessment can be carried out in a single event, or broken down into two sessions of 45 minutes.

NB * The ratio formulae which appear in Appendix Two **must not** be made available to candidates during the assessment.

Accounting software packages **must not** be used for assessment purposes in this Unit.

If a re-assessment is required, it should contain a different sample from the range of content.

Achievement can be decided by the use of a cut-off score. The standard to be applied and the breadth of coverage are illustrated in the National Assessment Bank items available for this Unit. If a centre wishes to design its own assessments for this Unit, they should be of a comparable standard.

National Unit Specification: support notes

UNIT Financial Accounting (Higher)

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 60 hours.

GUIDANCE ON THE CONTENT AND CONTEXT FOR THIS UNIT

This Unit deals with financial accounting aspects of the Accounting Higher Course, including:

- ◆ preparation of manufacturing and trading accounts including warehouse costs and the transfer to trading account at market price
- ◆ preparation of trading and profit and loss accounts, appropriation accounts and balance sheets of partnership and public limited company from a trial balance or list of balances, including adjustments at end of year
- ◆ preparation of income and expenditure account and balance sheet of non-profit making organisations from receipts and payments account or lists of balances, including adjustments at start and end of year
- ◆ analysis and interpretation of financial statements using the standard accounting ratios provided in Appendix Two* and evaluate the trading success of a business organisation
- ◆ theory relating to the above

NB * The ratio formulae which appear in Appendix Two **must not** be made available to candidates during the assessment.

The extent of the knowledge required for each outcome in this Unit is detailed in Appendix One — Unit Content and Appendix Two — Ratio Formulae.

GUIDANCE ON LEARNING AND TEACHING APPROACHES FOR THIS UNIT

The emphasis throughout the Unit should be on a candidate-centred approach where candidates undertake practical exercises which enable each candidate to progress at his/her own pace. It is important that candidates' computational skills and knowledge and understanding are developed simultaneously throughout the Unit, particularly for those candidates undertaking this Unit as part of the Higher Accounting Course.

Although not mandatory, there are opportunities for candidates to develop their information technology skills, for example through the use of spreadsheets to complete practical tasks.

Accounting software packages may also be used as a teaching tool. However, candidates **must** understand the principles and concepts which underpin the preparation, analysis and interpretation of financial statements.

National Unit Specification: support notes (cont)

UNIT Financial Accounting (Higher)

GUIDANCE ON APPROACHES TO ASSESSMENT FOR THIS UNIT

Assessment of this Unit should be carried out at an appropriate time, although care should be taken to ensure that sufficient time is allowed for remediation and re-assessment if required.

The nature of holistic assessment in accounting makes it difficult for candidates to be re-assessed solely on those Outcomes and Performance Criteria in which they did not demonstrate competence. If a re-assessment is required, it should contain a different sample from the range of content.

Achievement can be decided by the use of a cut-off score. The standard to be applied and the breadth of coverage are illustrated in the National Assessment Bank items available for this Unit. If a centre wishes to design its own assessments for this Unit, they should be of a comparable standard.

Candidates will be required to:

- ◆ prepare or finish partially completed financial statements of partnership, public limited company and non-profit making organisations
- ◆ analyse the performance of a business organisation for two consecutive periods or two similar business organisations for the same accounting period using the ratios in Appendix Two — Ratio Formulae
- ◆ calculate figures for year end adjustment;
- ◆ correct errors and update final results
- ◆ demonstrate knowledge and understanding of all areas of this Unit by means of restricted responses

For the purposes of assessment, candidate errors refer to any mistakes involving:

- ◆ recording of accounting information
- ◆ arithmetical calculations
- ◆ application of financial accounting principles

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, September, 2003).

National Unit Specification: statement of standards

UNIT — Financial Accounting (Higher)

Appendix One — Unit Content

NB: *This Appendix is within the statement of standards, ie the mandatory requirements of the Unit*

Financial Accounting	Candidates should be able to differentiate between the role of the Financial and Management Accountant.
Features of structure, ownership, funding, liability, management and control	<p>For partnership, private and public limited companies and non-profit making organisations candidates should know the:</p> <ul style="list-style-type: none"> ◆ appropriate forms of ownership structure and finance for partnership, private and public limited companies and non-profit making organisations. Advantages/disadvantages of each structure ◆ documents required for the formation of partnership and public limited company — Partnership Agreement, Articles of Association and Memorandum of Association <p>Sources of finance available to business organisations:</p> <ul style="list-style-type: none"> ◆ internal sources: capital; retained profits; tighter credit control; reduction in stock levels, sale of assets ◆ external sources: ordinary and preference and cumulative preference share capital issued at par and at a premium; loan capital; mortgage, venture capital, leasing, government loans and grants; bank overdraft; hire purchase; debt factoring. <p>Sources of finance available for non-profit making organisations: accumulated fund, surplus, loans, life membership fees, levies</p>
Final Accounts for all business organisations	<p>Candidates should be able to prepare the following financial statements:</p> <ul style="list-style-type: none"> ◆ trading account which includes: sales, sales returns, opening and closing stocks, purchases, purchases returns, carriage in, warehouse expenses, adjustments for drawings and errors, gross profit

National Unit Specification: statement of standards (cont)

UNIT — Financial Accounting (Higher)

<p>(cont)</p>	<ul style="list-style-type: none"> ◆ profit and loss account which includes: gross profit, incomes, expenses, accruals and prepayments, calculation of provision for doubtful debts including treatment of increases or decreases, calculation of provision for straight line, revaluation and reducing/diminishing balance methods of depreciation, profit/loss on sale of asset, interest on loans/debentures. Adjustments of profit for errors, net profit/loss. ◆ balance sheet which includes: fixed assets, aggregate depreciation, net book value, current assets and current liabilities including adjustments for provisions for doubtful debts, accruals and prepayments and long-term liabilities Financed by: to show capital structure and adjustments for year end figures <p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ distinguish between capital and revenue income and expenditure
<p>Manufacturing Accounts</p>	<p>Candidates should be able to prepare a manufacturing account which includes:</p> <ul style="list-style-type: none"> ◆ cost of direct materials consumed; factory direct costs, prime costs, factory indirect costs/overheads, apportionment of expenses between factory/warehouse and administration, work in progress valued at total cost, factory cost of finished goods produced, transfer the finished goods to trading account at market price, calculation of manufacturing profit/loss and transfer to Profit and Loss Account, and calculation of unit cost of output

National Unit Specification: statement of standards (cont)**UNIT — Financial Accounting (Higher)**

Final Accounts of Partnership	<p>In addition to the range for the above financial statements for organisations candidates should be able to prepare for a partnership:</p> <ul style="list-style-type: none"> ◆ appropriation account which includes: net profit, partners' interest on drawings, partners' salaries, interest on capital, treatment of net loss, transfer to reserves, share of profits/losses current accounts of partners at end of year (debit or credit balances at start and/or end of year) to include: ◆ treatment of drawings, interest on loan and transfers from appropriation account ◆ balance sheet to include: fixed assets, aggregate depreciation, net book value; current assets; current liabilities including adjustments for accruals and prepayments; Long-term liabilities Financed by section: capital and updated current accounts
Admission of New Partner	<p>Candidates should be able to describe accurately the features of a partnership agreement, and the reasons for admitting a new partner.</p> <p>Candidates should be able to make calculations and adjustment in the ledger accounts to record:</p> <ul style="list-style-type: none"> ◆ revaluation of assets, introduction of goodwill, additional capital from existing partners, partnership loans, new profit sharing ratios ◆ Candidates should also have an awareness of the main principles of the current partnership legislation.

National Unit Specification: statement of standards (cont)

UNIT — Financial Accounting (Higher)

<p>Final Accounts of public limited (plc) companies</p>	<p>In addition to the above financial statements, candidates should be able to prepare for a public limited company the following financial statements for internal use:</p> <ul style="list-style-type: none"> ◆ trading and profit and loss (range as for business organisations above) and deal with: dividends on investments; corporation tax ◆ appropriation account to include: interim and final dividends*, treatment of retained profits at start and end of year ◆ treatment of preliminary and issue expenses <p>* dividend payments may require adjustment for shares issued during the year</p> <ul style="list-style-type: none"> ◆ balance sheet (range as for business organisations above) plus: intangible assets, investments, long term financing restricted to ordinary and preference shares (fully paid), share premium and retained profits, capital reserves and property revaluation reserves, debentures <p>Candidates are not required to have a detailed knowledge of provision for corporation tax, VAT, and dividends.</p> <p>Main provisions of the Companies Acts as regards formation and registration.</p>
<p>Non-profit making organisations</p>	<p>Candidates should be able to prepare the following financial statements:</p> <ul style="list-style-type: none"> ◆ receipts and payments account ◆ profit statements from fund raising activities — club trading account; raffle, levies etc

National Unit Specification: statement of standards (cont)

UNIT — Financial Accounting (Higher)

	<ul style="list-style-type: none"> ◆ income and expenditure account to include: <ul style="list-style-type: none"> prepayment and accrual of subscriptions adjusted for start and end of year, profit or loss on activities, prepayments and accruals of expenses at start and end of year, depreciation — straight line, reducing/diminishing balance and revaluation, calculation of profit or loss on sale of asset, surplus/deficit ◆ treatment of life membership fees and levies ◆ balance sheet to include: <ul style="list-style-type: none"> range as for organisation above plus adjustments to fixed assets and depreciation on purchase or sale of fixed asset, subscriptions adjusted for due and prepaid at end of accounting period Financed by section: accumulated fund calculation and adjustment for surplus/deficit at year end
<p>Ratio Analysis</p>	<p>Candidates should be able to calculate and interpret the following accounting ratios using the formulae given in Appendix Two — Ratio Formulae</p> <p>Profitability</p> <ul style="list-style-type: none"> ◆ gross profit ratio ◆ net profit ratio ◆ mark-up ratio ◆ return on capital employed <p>Liquidity</p> <ul style="list-style-type: none"> ◆ current ratio ◆ acid test ratio <p>Efficiency</p> <ul style="list-style-type: none"> ◆ expense ratio (individual or total) ◆ rate of stock turnover ◆ average stock ◆ debtors' collection period ◆ creditors' payment period ◆ turnover to fixed assets ◆ fixed asset turnover

National Unit Specification: statement of standards (cont)

UNIT — Financial Accounting (Higher)

	<p>Candidates will be required to compare ratios, give reasons for any differences and evaluate the trading performance of a business organisation.</p> <p>Inter-firm and intra-firm comparisons</p> <p>Candidates will also have to use the accounting ratios to prepare forecast trading and profit and loss accounts.</p>
<p>Correction of Errors</p>	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ correct errors in accounts and adjust profit figures <p>NB suspense accounts will not be required</p>
<p>Financial Accounting Regulations</p>	<p>Candidates should be able to describe accurately the Statement of Principles — Qualitative Characteristics, (formerly known as accounting concepts and conventions).</p> <p>Candidates should also be aware of the role of other SSAPs and FRSs when preparing final accounting statements.</p> <p>NB detailed knowledge of individual SSAPs and FRSs statements is not required.</p>

National Unit Specification: statement of standards

UNIT — Financial Accounting (Higher)

Appendix Two — Ratio Formulae

NB: *This Appendix is within the statement of standard, ie the mandatory requirements of the Unit*

There are alternative formulae, which can be used to calculate certain ratios. To remove the possibility of inconsistencies in answers the use of the following formulae is recommended. These **must not** be provided for candidates' use during internal or external assessments.

Ratio	Formula
Profitability Ratios:	
Return on Capital Employed Ratio	$\frac{\text{Net Profit after Tax}}{(\text{Fixed Assets} + \text{Net Current Assets} - \text{Long Term Liabilities})} \times 100 = \%$
Gross Profit Ratio	$\frac{\text{Gross Profit}}{\text{Turnover}} \times 100 = \%$
Mark-up Ratio	$\frac{\text{Gross Profit}}{\text{Cost of Goods sold}} \times 100 = \%$
Net Profit Ratio	$\frac{\text{Net Profit}}{\text{Turnover}} \times 100 = \%$
Liquidity Ratios:	
Current Ratio	Current Assets:Current Liabilities Answer should be expressed as 2.35:1
Acid Test Ratio	Current Assets - Stock:Current: Liabilities Answer should be expressed as 1.5:1

National Unit Specification: statement of standards (cont)

UNIT — Financial Accounting (Higher)

Efficiency Ratios:	
Expense Ratio	$\frac{\text{Expense(s)}}{\text{Turnover}} \times 100 = \% \underline{\quad}$
Rate of Stock Turnover	$\frac{\text{Cost of Sales}}{\text{Average Stock}} = \text{Times}$
Average Stock	$\frac{\text{Opening Stock} + \text{Closing Stock}}{2} = \text{£}$ <p>NB Rate of Stock Turnover may be expressed as an average stockholding in days, weeks or months simply by multiplying the number of times the average stock is sold by 365 for answers in days, 52 for answers in weeks and 12 for answers in months.</p>
Debtors' Collection period	$\frac{\text{Average Debtors}}{\text{Total Credit Sales}} \times 365 = \text{days (or } \times 52 = \text{weeks, or } \times 12 = \text{months)}$
Creditors' Payment period	$\frac{\text{Average Creditors}}{\text{Total Credit Purchases}} \times 365 = \text{days (or } \times 52 = \text{weeks, or } \times 12 = \text{months)}$ <p>NB Where only one figure is given for debtors or creditors this will be taken as the average.</p>
Fixed Asset Turnover	$\frac{\text{Net Turnover}}{\text{Fixed Assets at net book value}}$ <p>Answer should be expressed as a ratio, eg 0.75:1</p>

National Unit Specification: general information

UNIT	Management Accounting (Higher)
NUMBER	DF4T 12
COURSE	Accounting (Higher)

SUMMARY

This Unit is designed to enable candidates to develop the skills and techniques which will allow them to allocate and apportion overheads to production and service departments, re-allocate service department overheads to production departments, calculate overhead absorption rates; to prepare stock valuation cards; cost statements for jobs and services; prepare process accounts; prepare budgets for sales, production and cash; to make decisions based on break-even analysis and profit maximisation under constraints of limiting factor, make or buy, accept/reject, special orders, retain/close plants or departments and to use spreadsheets as an accounting tool. It will also develop a knowledge and understanding of the theory relating to management accounting.

OUTCOMES

1. Demonstrate understanding of the principal elements of costs.
2. Prepare cost statements and demonstrate an understanding of costs.
3. Make decisions by applying the principles of break-even analysis and marginal costing.
4. Prepare budgets and demonstrate understanding of budgetary procedures and control.
5. Demonstrate understanding of the use of information technology as an accounting tool to prepare and update a range of cost statements.

RECOMMENDED ENTRY

While entry is at the discretion of the centre candidates do not need any previous knowledge or experience of this subject. However, candidates would normally be expected to have achieved one of the following:

- ◆ Standard Grade Accounting and Finance at Credit level
- ◆ Intermediate 2 Accounting
- ◆ The Unit *Management Accounting* (Intermediate 2)

Administrative Information

Superclass:	AK
Publication date:	April 2004
Source:	Scottish Qualifications Authority
Version:	01

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National Unit Specification: general information (cont)

UNIT Management Accounting (Higher)

CREDIT VALUE

1.5 credits at Higher (9 SCQF credit points at SCQF level 6*).

**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.*

CORE SKILLS

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

National Unit Specification: statement of standards

UNIT Management Accounting (Higher)

Acceptable performance in this Unit will be the satisfactory achievement of the standards set out in this part of the Unit Specification. All sections of the statement of standards are mandatory and cannot be altered without reference to the Scottish Qualifications Authority.

OUTCOME 1

Demonstrate an understanding of the principal elements of costs.

Performance Criteria

- a) Explain the theory and relevance of costs to an organisation.
- b) Complete a partially prepared stock valuation card using Average Cost (AVCO) method of valuation
- c) Complete a partially prepared overhead analysis statement.
- d) Calculate, from given information, re-allocation of costs to service departments and subsequent absorption rates.

OUTCOME 2

Prepare cost statements and demonstrate an understanding of costs.

Performance Criteria

- a) Describe the uses of job, service and process costing.
- b) Complete a job or service cost statement including the application of overhead absorption rates consistent with information supplied.
- c) Direct materials, labour and other costs are recorded consistently with the information supplied.
- d) The total or unit cost for a job, process or service is accurately calculated.
- e) The profit for a job, process or service is accurately calculated using mark-up or margin.

OUTCOME 3

Make decisions by applying the principles of break-even analysis and marginal costing.

Performance Criteria

- a) Explain the assumptions, uses and limitations of break-even analysis.
- b) Apply correct break-even analysis and decision making formulae to information supplied.
- c) Calculate the effect of changes to a given situation relating to break-even analysis.
- d) Prepare a profit maximisation statement consistent with information supplied.
- e) Make appropriate recommendations consistent with information supplied.

National Unit Specification: statement of standards (cont)

UNIT Management Accounting (Higher)

OUTCOME 4

Prepare budgets and demonstrate understanding of budgetary procedures and control.

Performance Criteria

- a) Evaluate the usefulness of budgeting as a means of planning and control.
- b) Complete a partially prepared sales or production budget.
- c) Complete a partially prepared cash budget.

OUTCOME 5

Demonstrate understanding of the use of information technology as an accounting tool to prepare and update a range of cost statements.

Performance Criteria

- a) Explain the advantages and disadvantages to a business organisation of using information technology.
- b) Prepare and update a range of cost statement consistent with the information supplied using a spreadsheet.
- c) Data entries in a spreadsheet are consistent with information supplied.
- d) Use of spreadsheet formulae is comprehensive and consistent with purpose.
- e) Spreadsheet printout for data and formulae is comprehensive and consistent with purpose and printout shows gridlines, row and cell references.

EVIDENCE REQUIREMENTS FOR THE UNIT

Evidence Requirements:

The contents for this Unit are specified in Appendix One — Unit Content.

Candidates are required to demonstrate knowledge and understanding of the Unit content by completion of short response questions drawn from all areas of the Unit.

Candidates are also required to demonstrate that they can apply knowledge and understanding of the Unit content by the:

- ◆ preparation of stock record cards
- ◆ preparation of job or service cost statements
- ◆ preparation of process accounts
- ◆ application of break-even and decision-making techniques to given situations
- ◆ application of decision-making techniques to make recommendations
- ◆ preparation and updating of budgets for planning and control purposes
- ◆ use of a spreadsheet as an accounting tool to prepare and update a range of cost statements

National Unit Specification: statement of standards (cont)

UNIT Management Accounting (Higher)

Evidence will be produced by the candidate completing a number of computational and theory questions and by using a spreadsheet to prepare cost statements.

Calculators may be used for the non-spreadsheet parts of this assessment.

The assessment will be a closed-book assessment covering all the Outcomes.

The maximum time allowable is 1 hour 30 minutes.

Assessment can be carried out in a single event or broken down into two sessions of 45 minutes.

If a re-assessment is required, it should contain a different sample from the range of content.

Achievement can be decided by the use of a cut-off score. The standard to be applied and the breadth of coverage are illustrated in the National Assessment Bank items available for this Unit. If a centre wishes to design its own assessments for this Unit, they should be of a comparable standard.

National Unit Specification: support notes

UNIT Management Accounting (Higher)

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 60 hours.

GUIDANCE ON THE CONTENT AND CONTEXT FOR THIS UNIT

This Unit deals with the management accounting aspects of the Accounting Higher Course, including:

- ◆ identification and calculation of the elements of cost:
 - material costs including production of stock record and valuation cards using Average Costs (AVCO)
 - labour costs where the calculations are based on basic rate, time rate, overtime rate, piece rates and include application of bonuses
 - fixed overhead including the preparation of overhead analysis statements and the calculation of overhead absorption rates
- ◆ cost statements for jobs and services including the application of overhead absorption rates
- ◆ preparation of process accounts including calculations for normal loss and abnormal loss taking account of work in progress
- ◆ decision making using break-even analysis and marginal costing techniques
- ◆ use of spreadsheets as a management accounting tool
- ◆ preparation of budgets for production, sales and cash
- ◆ theory relating to the above

The extent of the knowledge required for each Outcome in this Unit is detailed in Appendix One — Unit Content.

GUIDANCE ON LEARNING AND TEACHING APPROACHES FOR THIS UNIT

The emphasis throughout the Unit should be on a candidate-centred approach where candidates undertake practical exercises which enable each candidate to progress at his/her own pace. It is important that candidates' computational skills and knowledge and understanding are developed simultaneously throughout the Unit, particularly for those candidates undertaking this Unit as part of the Higher Accounting Course.

Information technology skills will be developed throughout the Unit, as spreadsheets will be used for practical exercises. The use of spreadsheets should be integrated into this Unit, particularly for areas of content marked with * in Appendix One.

National Unit Specification: support notes (cont)

UNIT Management Accounting (Higher)

GUIDANCE ON APPROACHES TO ASSESSMENT FOR THIS UNIT

Assessment of this Unit should be carried out at an appropriate time, although care should be taken to ensure that sufficient time is allowed for remediation and re-assessment if required.

The nature of holistic assessment in accounting makes it difficult for candidates to be reassessed solely on those Outcomes and Performance Criteria in which they did not demonstrate competence.

If a re-assessment is required, it should contain a different sample from the range of content.

Achievement can be decided by use of a cut-off score. The standard to be applied and the breadth of coverage are illustrated in the National Assessment Bank items available for this Unit. If a centre wishes to design its own assessments for this Unit, they should be of a comparable standard.

Candidates will be required to:

- ◆ prepare or finish partially completed stock record cards
- ◆ prepare or finish partially completed overhead analysis sheets and calculate overhead absorption rates
- ◆ prepare or finish partially completed statements for jobs and services
- ◆ prepare or finish partially completed accounts for process costing
- ◆ prepare or finish partially completed break-even and marginal cost statements for decision making
- ◆ prepare or finish partially completed budgets for production, sales and cash
- ◆ prepare restricted response answers to demonstrate their knowledge and understanding in the above areas

For the purposes of assessment, candidate errors refers to any mistakes involving:

- ◆ recording of accounting information
- ◆ arithmetical calculations
- ◆ application of management accounting principles

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 September, 2003).

National Unit Specification: statement of standards

UNIT — Management Accounting (Higher)

Appendix One — Unit Content

NB: This Appendix is within the statement of standards, ie the mandatory requirements of the Unit

Management Accounting	Candidates should be able to evaluate the role of the Management Accountant and contrast the range and scope of their activities with those of the Financial Accountant.
Classification of Costs	Candidates should be able to show an understanding of the significance of direct, indirect, fixed, variable and semi-variable costs.
Direct Costs — Materials*	Candidates should be able to: <ul style="list-style-type: none"> ◆ prepare stock record cards for AVCO ◆ calculate maximum, minimum and re-order quantities ◆ explain stocktaking procedures
Direct Costs — Labour*	Candidates should be able to calculate labour hours, wages — time and piece rates, overtime and bonuses. Candidates should be able to describe the principles and use of clock cards, attendance records, job cards, timesheets.
Indirect Costs — Overheads*	Candidates should be able to: <ul style="list-style-type: none"> ◆ distinguish between a cost centre and a cost unit ◆ prepare overhead analysis statements using the following bases of apportionment — floor area, number of employees, value of fixed assets, labour hours, machine hours, metered consumption, Kilowatt (Kw) hours and apportion costs to production and services cost centres where the basis of apportionment is given ◆ calculate overhead absorption rates using direct labour hours, machine hours, percentage of direct wages, output units, percentage of prime cost, percentage of direct materials <p>Candidates should also be able to describe the differences between:</p> <ul style="list-style-type: none"> ◆ production and service departments ◆ under and over absorption of overheads including semi-variable costs

National Unit Specification: statement of standards (cont)

UNIT — Management Accounting (Higher)

Topic	Depth of knowledge required for Unit
Job costing*	Candidates should be able to explain the theory relating to job costing and be able to prepare job cost statements including direct materials, labour, expenses, overheads (using rates calculated by candidates, or given), and calculate profit on job using mark-up or margin.
Service costing*	Candidates should be able to explain the theory relating to service costing and be able to prepare service costing statements including direct costs, indirect costs, profit. Candidates should also be able to calculate: cost per unit, profit per unit of service, charge per unit of service.
Process costing*	Candidates should be able to explain the theory relating to process costing and be able to construct: process accounts including normal and abnormal loss through wastage and spoilage, calculation of scrap value, work in progress (value given), the transfer of completed good output to another process and/or stock of finished goods.
Marginal costing and decision-making*	Candidates should be able to prepare and interpret break-even charts and identify unit selling price and variable cost; total fixed costs, break-even point, margin of safety and profits/losses for given levels of output. Candidates should be able to calculate: contribution per unit and in total, break-even point, margin of safety, profit/volume ratio, effects of changes in fixed and/or variable costs on profit and break-even point, projected profits at different levels of output, output required for projected profits. Candidates should be able to make decisions based on break-even analysis. Candidates should be able to describe the assumptions, uses and limitations of break-even analysis. Candidates should be able to calculate maximum profits under constraints of limiting factor, make or buy, accept/reject special orders, retain/close plant or department. Candidates should have an understanding of opportunity cost and its effect on decision-making.

National Unit Specification: statement of standards (cont)

UNIT — Management Accounting (Higher)

Topic	Depth of knowledge required for Unit
Budgeting*	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ understand the theory of budgetary control ◆ plan for budgeted cash shortfalls/surpluses ◆ make decisions based on budgets <p>Candidates should be able to prepare the following budgets: production, sales and cash. Cash budgets will include calculations involving time delays for receipts and payments, trade and cash discount, bad debts.</p>
Information Technology and Accounting	<p>Candidates should have an awareness of uses of information technology in accounting — spreadsheets, accounting software packages, computerised stock recording, inventory control and EFTPOS and electronic techniques for recording wage costs.</p> <p>Candidates should be able to describe advantages and disadvantages to a business organisation of information technology.</p> <p>Candidates will be expected to produce ONE spreadsheet solution as part of the assessment. The spreadsheet will be drawn from the full range of cost statements covered in this Unit. Cost statements not assessed by spreadsheet may be assessed manually.</p>
Use of Spreadsheet	<p>Candidates will be able to correctly use the following:</p> <ul style="list-style-type: none"> ◆ add ◆ subtract ◆ multiply ◆ divide ◆ percentage ◆ sum ◆ copy relatively ◆ copy absolutely ◆ If statements <p>Produce data and formulae printouts with the following displayed:</p> <ul style="list-style-type: none"> ◆ gridlines ◆ row reference ◆ column reference

* Topics where the use of a spreadsheet is most suitable.