

**ACCOUNTING**  
**(Intermediate 1)**

**First edition – published 2004**

## National Course Specification

### ACCOUNTING (Intermediate 1)

**COURSE CODE** C209 10

#### COURSE STRUCTURE

This Course has two mandatory Units:

<b>DF47 10</b>	<b><i>Financial Accounting (Intermediate 1)</i></b>	<b><i>1.5 credits (60 hours)</i></b>
<b>DF4T 10</b>	<b><i>Management Accounting (Intermediate 1)</i></b>	<b><i>1.5 credits (60 hours)</i></b>

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, it would be beneficial if the candidates had attained one of the following, or equivalent:

- ◆ Standard Grade Accounting and Finance at Foundation level

#### PROGRESSION

This Course or its Units may provide progression to:

- ◆ Intermediate 2 Accounting
- ◆ further education
- ◆ training or employment

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#### Administrative Information

**Publication date:** April 2004

**Source:** Scottish Qualifications Authority

**Version:** 01

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## **National Course Specification: (cont)**

### **ACCOUNTING (Intermediate 1)**

#### **CORE SKILLS**

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

#### **CREDIT VALUE**

The Intermediate 1 Course in Accounting is allocated 24 SCQF credit points at SCQF level 4.

*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 (cont)**

### **ACCOUNTING (Intermediate 1)**

#### **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 allow them to access, understand and contribute to the dynamic and complex business and information environment.

The study of accounting at Intermediate 1 aims to develop in candidates the ability to identify, accurately record and communicate financial and other relevant information to allow 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 not only in the handling of information but also in elementary interpretation and analysis. The Course methodology encourages candidates to think logically and to apply accounting principles in a consistent and effective manner, thus developing their problem-solving and decision-making skills.

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

Financial accounting enables candidates to understand how entrepreneurial organisations are structured, financed, managed and controlled. It will enable candidates to develop the ability and knowledge to prepare business documents, record financial transactions, check the accuracy of ledger accounts, prepare financial statements of business organisations and gain 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 cash 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 necessary to allow candidates to prepare and interpret break-even charts, and to use break-even analysis and marginal costing techniques to make informed decisions.

With the increasing demand for enterprise education at all levels, this Course will develop the basic recording, analysing and reporting skills necessary for the monitoring and evaluation 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. These include creditors and the wider community, such as consumers of local authority services, employees, investors, and those involved in non-profit making organisations.

The processes of accounting are being facilitated by the developments which are taking place in information technology with consequent implications for the role of accounting. These developments provide greater opportunities for the analysis and interpretation of information.

Whatever the career pathway or progression route, business education can provide a valuable experience, which enhances individual effectiveness.

## National Course Specification: Course details (cont)

### ACCOUNTING (Intermediate 1)

#### Aims

The Course aims to build on the knowledge, understanding, information-handling skills and practical abilities gained in Standard Grade Accounting and Finance or as an introduction to financial and management accounting. The Course aims to:

develop an understanding:

- ◆ of the principles and practice of financial accounting and management accounting by studying these areas in a range of contexts
- ◆ of the contribution of financial accounting and management accounting makes to industry and commerce
- ◆ of the role that financial accounting and management accounting has in personal, social and business contexts

develop the skills:

- ◆ necessary to prepare, present and analyse simple accounting statements
- ◆ of accuracy and precision when preparing accounting records and analysing information
- ◆ of recording necessary to administer an enterprise activity
- ◆ and the techniques relevant to accounting, which will equip users for entry into the world of business

promote and encourage:

- ◆ an appreciation of the need for orderliness in the presentation of information
- ◆ a systematic approach to simple 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 1 and Intermediate 2 are such that the Unit Specifications contain common Outcomes. However, it is important to distinguish between the levels. This has been achieved in three ways:

- ◆ at Intermediate 2, the greater breadth and depth of the content is reflected in the additional Outcomes and Performance Criteria compared to Intermediate 1
- ◆ at Intermediate 2 there is a more extensive range and more demanding Evidence Requirements than at Intermediate 1
- ◆ at Intermediate 2 there is an increased emphasis on applying decision making in more complex contexts.

## National Course Specification: Course details (cont)

### ACCOUNTING (Intermediate 1)

#### 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.

#### *Financial Accounting (Intermediate 1)*

Role of the Financial Accountant	Duties, scope and responsibilities of the Financial Accountant.
Business Documents	<p>Functions of the business documents used in buying, selling and paying process:</p> <ul style="list-style-type: none"><li>◆ orders</li><li>◆ invoices</li><li>◆ credit notes</li><li>◆ statements</li><li>◆ cheques</li><li>◆ till rolls</li><li>◆ receipts</li><li>◆ credit/debit card receipt</li><li>◆ petty cash voucher</li><li>◆ bank statement</li></ul> <p>Completion of business documents from appropriate sources including the calculation of:</p> <ul style="list-style-type: none"><li>◆ trade and cash discount, or</li><li>◆ trade discount and VAT</li></ul> <p>(Note that the calculation of VAT will <b>not</b> be required where cash discount is allowed)</p> <p>Completion of ledger accounts from business documents</p>

## National Course Specification: Course details (cont)

### ACCOUNTING (Intermediate 1)

#### *Financial Accounting (Intermediate 1) (cont)*

Recording entries in ledger accounts for business organisations	<p>Record in the ledger accounts of an organisation transactions relating to:</p> <ul style="list-style-type: none"><li>◆ fixed assets</li><li>◆ current assets</li><li>◆ incomes</li><li>◆ expenses</li><li>◆ current liabilities</li><li>◆ long-term liabilities</li><li>◆ capital</li><li>◆ drawings</li><li>◆ partners' capital</li><li>◆ partners' current accounts</li></ul> <p>VAT restricted to transactions involving buying and selling of goods and fixed assets.</p>
Accuracy of ledger	Preparation of a trial balance.
Petty Cash Statement	<p>Preparation of petty cash statement, including:</p> <ul style="list-style-type: none"><li>◆ receipts, payments</li><li>◆ VAT</li><li>◆ imprest restored</li><li>◆ transfer of analysis column balances to appropriate ledger accounts.</li></ul>
Bank Reconciliation Statements	<p>Update the bank account and prepare a bank reconciliation statement taking into account:</p> <ul style="list-style-type: none"><li>◆ bank charges</li><li>◆ bank interest</li><li>◆ standing orders</li><li>◆ direct debits</li><li>◆ credit transfers</li><li>◆ outstanding cheques</li><li>◆ lodgements not recorded</li></ul>

## National Course Specification: Course details (cont)

### ACCOUNTING (Intermediate 1)

#### *Financial Accounting (Intermediate 1) (cont)*

<p>Features of ownership, funding, liability, management and control</p>	<p>Features of ownership and liability, management and control: Sole trader, partnership, public limited company Identification of sources of finance available to business organisations Funding sources available to organisations</p> <ul style="list-style-type: none"> <li>◆ internal sources — retained profits</li> <li>◆ external sources — ordinary share capital; loan capital; debentures, bank overdraft</li> </ul>
<p>Final statements and balance sheets for all business organisations</p>	<p>Sole trader, partnership and public limited company: Revenue and capital expenditure Preparation of trading, profit and loss and appropriation Accounts Adjustments at year for:</p> <ul style="list-style-type: none"> <li>◆ provisions for straight line depreciation</li> <li>◆ prepayments and accruals at the end of the year</li> </ul> <p>Appropriation section of partnership accounts including:</p> <ul style="list-style-type: none"> <li>◆ partners' salaries</li> <li>◆ share of residual profit</li> </ul> <p>Appropriation section of public limited company including:</p> <ul style="list-style-type: none"> <li>◆ final payment of ordinary dividends, treatment of retained profits</li> </ul> <p>Preparation of balance sheets in line with current accounting practice.</p> <p>Financed by section of balance sheets to include:</p> <ul style="list-style-type: none"> <li>◆ For sole trader:             <ul style="list-style-type: none"> <li>- capital accounts updated at year end</li> </ul> </li> <li>◆ For partnerships             <ul style="list-style-type: none"> <li>- current and capital account balances for partnerships at end of financial year</li> </ul> </li> <li>◆ For plc             <ul style="list-style-type: none"> <li>- share capital and reserves of retained profit</li> </ul> </li> </ul>

## National Course Specification: Course details (cont)

### ACCOUNTING (Intermediate 1)

#### *Financial Accounting (Intermediate 1) (cont)*

Accounting Ratios	<p>Calculation and interpretation of ratios for business organisations:</p> <p><b>Profitability Ratios</b></p> <ul style="list-style-type: none"><li>◆ gross profit ratio</li><li>◆ net profit ratio</li><li>◆ return on capital employed</li></ul> <p><b>Liquidity Ratio</b></p> <ul style="list-style-type: none"><li>◆ current ratio</li></ul> <p><b>Efficiency Ratios</b></p> <ul style="list-style-type: none"><li>◆ rate of stock turnover</li><li>◆ expense ratio</li></ul> <p>Simple comparison of ratios and reasons for any differences. Inter-firm and intra-firm comparisons.</p>
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## National Course Specification: Course details (cont)

### ACCOUNTING (Intermediate 1)

#### *Management Accounting (Intermediate 1)*

Role of the Management Accountant	Duties, scope and responsibilities of the Management Accountant.
Classification of calculation of costs	<p>Identification and classification of costs as variable/direct and fixed/indirect.</p> <p>Recording and calculation of costs of material, labour and overheads.</p> <p>Preparation of stock record and valuation cards using First in First out (FIFO).</p> <p>Documents involved in inventory cycle:</p> <ul style="list-style-type: none"><li>◆ requisition</li><li>◆ purchase requisition</li><li>◆ purchase order</li><li>◆ goods received note</li><li>◆ bin card</li></ul> <p>Wage costs calculated using basic time, piece, bonus and overtime rates applied at double time.</p> <p>Documents involved in recording of wages, time sheets, clock cards, attendance cards, job sheets.</p> <p>Overhead analysis statement.</p> <ul style="list-style-type: none"><li>◆ Identification of cost centres and cost units:<ul style="list-style-type: none"><li>- allocation of overheads</li><li>- apportionment of overheads based on floor area, number of employees and value of fixed assets</li><li>- apportionment of service cost centres to production departments based on percentage given</li><li>- overhead absorption rates based on direct labour hours</li></ul></li></ul>

## National Course Specification: Course details (cont)

### ACCOUNTING (Intermediate 1)

#### *Management Accounting (Intermediate 1) (cont)*

Preparation of cost statements	<p>Job cost statements which include:</p> <ul style="list-style-type: none"> <li>◆ direct materials</li> <li>◆ direct labour</li> <li>◆ direct expenses</li> <li>◆ application of fixed overhead absorption rate based on direct labour hours</li> </ul> <p>Service cost statements which include:</p> <ul style="list-style-type: none"> <li>◆ direct costs</li> <li>◆ indirect costs</li> <li>◆ fixed overheads</li> <li>◆ calculation of simple unit cost</li> <li>◆ calculation of profit where percentage profit figure is given</li> </ul> <p>Process costing accounts:</p> <ul style="list-style-type: none"> <li>◆ simple understanding of the general principles of process costing</li> <li>◆ awareness of process costing terminology, main inputs and outputs</li> <li>◆ preparation of simple process accounts</li> <li>◆ direct costs and production overheads</li> <li>◆ waste (with no value)</li> <li>◆ output transferred to next process or finished goods</li> </ul> <p>Note: all relevant values will be given</p>
Marginal costing and decision-making	<ul style="list-style-type: none"> <li>◆ Basic understanding of the break-even analysis techniques.</li> <li>◆ Classification of fixed and variable costs.</li> <li>◆ Calculation of unit and total contribution.</li> <li>◆ Calculation of break-even point in units and value.</li> <li>◆ Preparation of break-even charts.</li> <li>◆ Interpretation of break-even charts to determine:             <ul style="list-style-type: none"> <li>– selling price per unit</li> <li>– variable cost per unit</li> <li>– total fixed costs</li> <li>– break-even point in units and value</li> <li>– profit or loss at given levels of output</li> <li>–</li> </ul> </li> <li>◆ Effects of changes to fixed costs, variable costs or selling price on the profit and break-even point for a single product.</li> </ul>

## National Course Specification: Course details (cont)

### ACCOUNTING (Intermediate 1)

#### *Management Accounting (Intermediate 1) (cont)*

Budgeting	<p>Simple theory and benefits of budgeting to an organisation.</p> <p>Preparation of cash budgets:</p> <ul style="list-style-type: none"><li>◆ opening balance given</li><li>◆ sales units and value, and production units and cost given</li><li>◆ unit selling price and unit production costs given</li></ul> <p>Calculation of receipts, with adjustments for time:</p> <ul style="list-style-type: none"><li>◆ cash and credit sales</li><li>◆ receipts from debtors</li><li>◆ other receipts from loans, sales of assets</li></ul> <p>Calculation of payments, with adjustments for time:</p> <ul style="list-style-type: none"><li>◆ payment to creditors for materials</li><li>◆ labour costs</li><li>◆ variable overhead costs and production and unit costs information provided</li><li>◆ calculation and payment of other expenses</li><li>◆ purchase of fixed assets</li></ul> <p>Calculation of closing balance and transfer to following month.</p>
Information Technology and Accounting	<ul style="list-style-type: none"><li>◆ Awareness of uses of information technology in accounting.</li><li>◆ Uses of information technology in financial and management accounting and the use of spreadsheets as a calculation tool.</li></ul>
Use of spreadsheets	<p>The use of spreadsheets throughout this Course is encouraged and one topic from this Unit <b>must</b> be assessed internally using spreadsheets:</p> <ul style="list-style-type: none"><li>◆ add</li><li>◆ subtract</li><li>◆ multiply</li><li>◆ divide</li><li>◆ use of sum function</li><li>◆ copy relatively</li><li>◆ copy absolutely</li></ul> <p>Produce printouts with the following displayed:</p> <ul style="list-style-type: none"><li>◆ gridlines</li><li>◆ row reference</li><li>◆ column reference</li></ul>

## National Course Specification: Course details (cont)

### ACCOUNTING (Intermediate 1)

#### 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 Accounting Course at Intermediate 1 requires candidates to develop the basic practical computational skills necessary to record, handle, analyse and communicate financial and management accounting information and develop a knowledge and understanding of the theory underpinning the practical calculations.

Internal Unit assessment aims to allow 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 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*.

For each Unit, the Unit assessments 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.

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 1 hour 30 minutes and have a total of 120 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 (Intermediate 1)**

#### **Links between Unit and Course assessment**

The Unit assessment will assess candidates' practical skills within the familiar contexts taught throughout the Unit and the knowledge and understanding which underpins these practical skills. The Course assessment will require candidates to demonstrate clearly their ability to integrate these Course skills and apply them to more complex and unfamiliar contexts. For knowledge and understanding, candidates will be required to demonstrate their ability to compare, contrast, and communicate the merits of different business organisations and evaluate accounting information for decision-making purposes.

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 statement, eg profit and loss account or balance sheet or overhead analysis statement, whereas for the external assessment candidates will be required to prepare and integrate the full range of accounting statement, eg preparation of full set of final accounts or overhead analysis and job cost statement.

#### **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 (Intermediate 1)**

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:

- ◆ adequately respond to computational and knowledge and understanding questions from the whole Course on a single occasion
- ◆ combine the theoretical and practical aspects of the Course content
- ◆ integrate, where appropriate, the Course content and topics and respond to more complex questions
- ◆ apply knowledge and skills in unfamiliar situations or contexts
- ◆ apply decision making skills and techniques in unfamiliar contexts
- ◆ demonstrate the retention of a larger body of knowledge from the whole Course content
- ◆ apply knowledge and understanding of accounting theory to demonstrate the ability to analyse and comment on the performance of an organisation

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 details about assessment for this Course can be found in National Assessment Bank Materials, the Course Assessment Specification, and the Specimen Question Paper.

## **National Course Specification: Course details (cont)**

### **ACCOUNTING (Intermediate 1)**

#### **GRADE DESCRIPTIONS AT A AND C**

The candidate's grade will be based on the total score obtained from the 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:

- ◆ demonstrate a knowledge and understanding of basic financial and management accounting theory
- ◆ demonstrate a knowledge and understanding of basic accounting terminology
- ◆ apply knowledge and understanding of financial and management accounting in a limited range of contexts
- ◆ demonstrate some ability to integrate material drawn from the Course content
- ◆ produce financial and management accounting statements with a reasonable degree of accuracy

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

- ◆ demonstrate a knowledge and understanding of more complex areas of financial and management accounting theory
- ◆ demonstrate a knowledge and understanding of more complex accounting terminology
- ◆ consistently apply knowledge to and understanding to a range of different contexts with a high degree of skill
- ◆ demonstrate at a higher ability to integrate material drawn from the Course content and deal with more complex problems
- ◆ produce financial and management accounting statements with a high degree of accuracy

## **National Course Specification: Course details (cont)**

### **ACCOUNTING (Intermediate 1)**

#### **ESTIMATES AND APPEALS**

##### **Estimates**

In preparing estimates, evidence of performance should be considered from across the breadth of coverage of the content of the Course and must take account of performance in the whole Course. Further advice 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 external 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 external 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 (Intermediate 1)**

#### **QUALITY ASSURANCE**

All National Courses are subject to external 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 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 and a PA report is published for all subjects.

## National Course Specification: Course details (cont)

### ACCOUNTING (Intermediate 1)

#### APPROACHES TO LEARNING AND TEACHING

The Course content is designed to allow candidates to develop a basic understanding of the role, scope and importance of both financial and management accounting in the business world.

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 *Management Accounting* Unit.

#### *Financial Accounting* Unit possible approach

- ◆ Introduction to financial accounting including role and scope of financial accountant.
- ◆ Preparation of business documents and the preparation of ledger accounts including petty cash statements.
- ◆ Checking the accuracy of ledger accounts — trial balance and bank reconciliation statements.
- ◆ Preparation of final accounts for sole trader, partnerships and plcs.
- ◆ 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.
- ◆ Preparation of job, process and service cost statements.
- ◆ Break-even analysis and basic decision making.
- ◆ 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.
- ◆ Identification of cost elements.
- ◆ Calculation of material, labour and fixed overhead costs including the preparation of stock record cards and overhead analysis statements.
- ◆ Preparation of business documents and preparation of ledger accounts.
- ◆ Checking the accuracy of ledger accounts — trial balance and bank reconciliation statements.
- ◆ Preparation of job, process and service cost statements.
- ◆ Cash budgets.

## National Course Specification: Course details (cont)

### ACCOUNTING (Intermediate 1)

- ◆ Preparation of final accounts for sole trader, partnerships and plcs.
- ◆ Analysis and interpretation 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"><li>◆ role of financial accounting in business</li><li>◆ business documents</li><li>◆ preparation of ledger accounts including petty cash</li><li>◆ checking accuracy of ledger accounts including trial balance and bank reconciliation statements</li><li>◆ characteristics of business organisation</li><li>◆ preparation of final accounts of business organisations; sole traders; partnerships and plcs</li><li>◆ analysis and interpretation of accounting information</li></ul>	<ul style="list-style-type: none"><li>◆ role of management accounting in business</li><li>◆ identification of cost elements</li><li>◆ calculation of elements of cost including stock record cards and overhead analysis statements</li><li>◆ break-even analysis techniques and decision making</li><li>◆ cash budgets</li><li>◆ preparation of cost statements — job, process and service</li><li>◆ information technology in accounting</li></ul>

#### 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*.

Learning and teaching strategies could also include the use of accounting 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.

## **National Course Specification: Course details (cont)**

### **ACCOUNTING (Intermediate 1)**

#### **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 (Intermediate 1)

#### 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 and 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"> <li>◆ the concept of debt</li> <li>◆ the balancing income with expenditure</li> <li>◆ sources of finance</li> <li>◆ the reconciliation of bank statements with bank account</li> </ul>
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"> <li>◆ characteristics of business organisations</li> <li>◆ ratio analysis to determine the efficiency of business organisations</li> <li>◆ career opportunities — role of Financial and Managerial Accountants</li> <li>◆ decision making to the success of business organisations</li> </ul>

## National Course Specification: Course details (cont)

### ACCOUNTING (Intermediate 1)

Education for citizenship	Financial and Managerial	All	Development of citizenship skills: <ul style="list-style-type: none"><li>◆ working independently</li><li>◆ analysing and reporting using information technology</li><li>◆ using relevant data to solve problems</li></ul>
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 (Intermediate 1)

**NUMBER** DF47 10

**COURSE** Accounting (Intermediate 1)

### SUMMARY

This Unit is designed to enable candidates to develop the skills and techniques which will allow them to record financial information in ledger accounts and petty cash statements; check records using trial balances and bank reconciliation statements; prepare (with adjustments) and analyse simple accounting statements for a sole trader, a partnership and a public limited company (plc) and use information technology. It will also develop a knowledge and understanding of the theory relating to financial accounting.

This Unit is ideal for candidates who:

- ◆ are undertaking the study of this subject for the first time
- ◆ wish to obtain a basic knowledge of Accounting as an interest subject
- ◆ are considering starting their own business and wish to develop a basic understanding of accounting principles and procedures

### OUTCOMES

- 1 Complete business documents and describe when they are used in the buying, selling and payment process.
- 2 Record and verify entries in ledger accounts.
- 3 Prepare financial statements of a business organisation and list the main features of these organisations.
- 4 Calculate and comment on accounting ratios of a sole trader.

### RECOMMENDED ENTRY

Entry is at the discretion of the centre. Candidates do not need any previous knowledge or experience of accounting, however it may be beneficial if candidates have achieved the following or equivalent:

- ◆ Standard Grade Accounting and Finance at Foundation level.
- 

#### 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 (Intermediate 1)

### **CREDIT VALUE**

1.5 credits at Intermediate 1 (9 SCQF credit points at SCQF level 4\*).

*\*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 (Intermediate 1)**

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**

Complete business documents and describe when they are used in the buying, selling and payment process.

##### **Performance Criteria**

- a) Explain when different business documents are used in the buying, selling and payment process.
- b) Complete business documents for a given purpose.

#### **OUTCOME 2**

Record and verify entries in ledger accounts.

##### **Performance Criteria**

- a) Prepare appropriate ledger accounts from completed business documents or lists of transactions using double entry book-keeping principles.
- b) Check the accuracy of ledger entries using methods which are consistent with double entry book-keeping principles.

#### **OUTCOME 3**

Prepare financial statements of business organisations and list the main features of these organisations.

##### **Performance Criteria**

- a) List the main features which distinguish different types of business organisations.
- b) Complete partially prepared final accounts of business organisations consistent with financial accounting practice.
- c) Complete a partially prepared balance sheet of a business organisation consistent with financial accounting practice.

#### **OUTCOME 4**

Calculate and comment on account ratios of a sole trader.

##### **Performance Criteria**

- a) Explain briefly the reasons for calculating accounting ratios.
- b) Calculate accounting ratios of a sole trader using formulae (specified in Appendix Two — Ratio Formulae).
- c) Comment on the performance of a sole trader for two consecutive financial periods.

## National Unit Specification: statement of standards (cont)

### UNIT Financial Accounting (Intermediate 1)

#### 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 business documents and making appropriate entries in ledger accounts
- ◆ verifying the accuracy of ledger accounts by completing a Trial Balance or Bank Reconciliation Statement
- ◆ completing final accounts and balance sheets of business organisations
- ◆ calculating and interpreted ratios\*

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 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, — Ratio Formulae **must not** be made available to candidates during the assessment.

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

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 (Intermediate 1)

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 Intermediate 1 Course, including:

- ◆ recording of book-keeping transactions in ledger accounts from business documents and preparing a trial balance
- ◆ preparation of petty cash statements and bank reconciliation statements
- ◆ preparation of trading accounts, profit and loss accounts, appropriation accounts and balance sheets of sole trader, partnerships public limited company (plc) from a trial balance or list of balances, including adjustment to the end of year figures
- ◆ analysis and interpretation of financial statements using the standard accounting ratio formulae provided in Appendix Two\*
- ◆ theory relating to the above

**NB** \* Ratio formulae which appear in Appendix Two **must not** be made available to candidates when taking 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 Intermediate 1 Accounting Course.

## National Unit Specification: support notes (cont)

### UNIT Financial Accounting (Intermediate 1)

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

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

### GUIDANCE ON APPROACHES TO ASSESSMENT FOR THIS UNIT

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

The nature of the holistic assessment in Accounting makes it difficult for candidates to be re-assessed solely on these 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 a range of business documents
- ◆ prepare or complete and verify ledger accounts using double entry book-keeping principles
- ◆ prepare or finish partially completed financial statements of sole trader, partnership or public limited company
- ◆ analyse the performance of a business organisation for two consecutive periods using the ratios in Appendix Two — Ratio Formulae
- ◆ demonstrate their knowledge and understanding of all areas of this Unit by means of restricted responses

For the purposes of assessment, candidate errors refers 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

#### Appendix One — Unit Content

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

Role of the Financial Accountant	Basic understanding of the role and scope of the Financial Accountant.
Knowledge of Business Documents	Candidates should be aware of the functions of various business documents used in buying, selling and paying process Orders, invoices, credit notes, statements, cheques, till roll, receipt, credit/debit card receipt, petty cash voucher, bank statement.
Business Documents of Trade	Candidates should be able to complete a range of business documents which include trade discount and calculate VAT and enter these documents in the appropriate ledger accounts. Note that the calculation of VAT will <b>not</b> be required where cash discount is allowed.
Recording entries in ledger accounts for business organisations	Candidates should be able to record in the ledger accounts of an organisation transactions relating to fixed assets, current assets, incomes, expenses, VAT, current liabilities, capital and drawings, long-term liabilities and partners' capital and current accounts. VAT transactions are restricted to the purchase and sale of goods and fixed assets.
Accuracy of Ledger	Candidates should be able to prepare a trial balance.
Petty Cash Statement	Candidates should be able to prepare a petty cash statement, including receipts, payments, VAT, imprest restored, and transfer of analysis column balances to appropriate ledger accounts.
Bank Reconciliation Statements	Candidates should be able to update the bank account and prepare a bank reconciliation statement, taking into account bank charges, bank interest, standing orders, direct debits, credit transfers, outstanding cheques and lodgements.
Features of ownership, funding, liability, management and control	Candidates should be able to describe accurately: <ul style="list-style-type: none"> <li>◆ features of ownership and liability, management and control of sole trader, partnership, public limited company</li> <li>◆ state the advantages and disadvantages of each structure</li> <li>◆ sources of finance available to business organisations: <ul style="list-style-type: none"> <li>– capital; retained profits; ordinary share capital; loan capital; debentures; bank overdraft</li> </ul> </li> </ul>

**National Unit Specification: statement of standards**

**UNIT — Financial Accounting (Intermediate 1)**

<p>Adjustment to Final Accounts</p>	<p>Candidates should be able to deal with accruals and prepayments at end of year, and accurately deal with other adjustments for final account figures including straight line depreciation where the figure for depreciation is given.</p>
<p>Final Accounts for all business organisations</p>	<p>Candidates should be able to prepare the following financial statements:</p> <ul style="list-style-type: none"> <li>◆ Trading Account:  sales, sales returns, opening and closing stocks, purchases and purchase returns, gross profit</li> <li>◆ Profit and Loss Account:  gross profit, other incomes, expenses, accruals and prepayments at end, depreciation. calculation of net profit</li> <li>◆ Balance Sheet:  fixed assets, aggregate depreciation, net book value (NBV); current assets; current liabilities including adjustments for accruals and prepayments at end; long-term liabilities. Financed by: to show capital and adjustments for year end figures</li> </ul> <p>Candidates should be able to distinguish between capital and revenue expenditure.</p>
<p>Final Accounts of Partnership</p>	<p>In addition to the range for the above financial statements for business organisation candidates should be able to prepare for a partnership:</p> <ul style="list-style-type: none"> <li>◆ Appropriation Account to include net profit, partners' salaries, share of residual profits</li> <li>◆ preparation of current accounts of partners at end of year, treatment of drawings and transfers from appropriation account</li> <li>◆ Balance Sheet to include fixed assets, aggregate depreciation, net book value; current assets; current liabilities including adjustments for accruals and prepayments at end; long-term liabilities. Financed by section: capital and updated current accounts</li> </ul>

**National Unit Specification: statement of standards (cont)**

**UNIT — Financial Accounting (Intermediate 1)**

<p>Final Accounts of public limited company (plc)</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"> <li>◆ Trading and Profit and Loss (as detailed in Financial Accounts for all business organisations above)</li> <li>◆ Appropriation Account to include final dividends only, where ordinary dividend figures are given, and treatment of retained profit</li> <li>◆ Balance Sheet (as detailed in Financial Accounts for all business organisations above)</li> </ul> <p>Long-term financing restricted to ordinary shares (fully paid), and retained profits.</p>
<p>Ratio Analysis</p>	<p>Candidates should be able to calculate and comment on the following accounting ratios using the formulae given in Appendix Two — Ratio Formulae for a sole trader:</p> <p><b>Profitability Ratios</b></p> <ul style="list-style-type: none"> <li>◆ return on capital employed</li> <li>◆ gross profit ratio</li> <li>◆ net profit ratio</li> </ul> <p><b>Liquidity ratios</b></p> <ul style="list-style-type: none"> <li>◆ current ratio</li> </ul> <p><b>Efficiency ratios</b></p> <ul style="list-style-type: none"> <li>◆ rate of stock turnover</li> <li>◆ expense ratio</li> </ul> <p>Simple comparison of ratios and reasons for any differences. Inter-firm and intra-firm comparisons.</p>

## National Unit Specification: statement of standards

### UNIT — Financial Accounting

#### Appendix Two — Ratio Formulae

*NB This appendix is within the statement of standards, 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
<b>Profitability Ratios:</b>	
Return on Capital Employed	$\frac{\text{Net Profit}}{\text{Capital at start}} \times 100 = \%$
Gross Profit Ratio	$\frac{\text{Gross Profit}}{\text{Turnover}} \times 100 = \%$
Net Profit Ratio	$\frac{\text{Net Profit}}{\text{Turnover}} \times 100 = \%$
<b>Liquidity Ratio:</b>	
Current Ratio	Current Assets:Current Liabilities Answer should be expressed as 2.35:1
<b>Efficiency Ratios:</b>	
Rate of Stock Turnover	$\frac{\text{Cost of Sales}}{\text{Average Stock}} = \text{Times}$
Average Stock	$\frac{\text{Opening Stock} + \text{Closing Stock}}{2} = \text{£}$  <b>NB</b> 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.
Expense Ratio	$\frac{\text{Expense}^*}{\text{Turnover}} \times 100 = \%$  * This figure may be for the total expenses or for one individual expense. eg advertising.

## National Unit Specification: general information

<b>UNIT</b>	Management Accounting (Intermediate 1)
<b>NUMBER</b>	DF4T 10
<b>COURSE</b>	Accounting (Intermediate 1)

### SUMMARY

This Unit is designed as an introduction to management accounting. It will allow candidates to develop the skills and techniques which will enable them to calculate the principle elements of costs; prepare job and service cost statements, simple process accounts; apply break-even analysis techniques; prepare cash budgets for planning and control using spreadsheets and use information technology as an accounting tool. It will also develop a knowledge and understanding of the theory relating to management accounting.

This Unit is ideal for candidates who:

- ◆ are undertaking the study of this subject for the first time
- ◆ wish to obtain a basic knowledge of Accounting as an interest subject
- ◆ are considering starting their own business and wish to develop a basic understanding of accounting principles and procedures

### OUTCOMES

1. Identify and calculate the principal elements of cost.
2. Prepare cost statements and describe their uses.
3. Apply break-even analysis technique for decision making.
4. List the benefits of using information technology in management accounting and prepare a simple cash budget using a spreadsheet.

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### Administrative Information

<b>Superclass:</b>	AK
<b>Publication date:</b>	April 2004
<b>Source:</b>	Scottish Qualifications Authority
<b>Version:</b>	01

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## **National Unit Specification: general information (cont)**

**UNIT**                      Management Accounting (Intermediate 1)

### **RECOMMENDED ENTRY**

Entry is at the discretion of the centre. Candidates do not need any previous knowledge or experience of accounting, however it may be beneficial if candidates have attained the following or equivalent:

- ◆ Standard Grade Accounting and Finance at Foundation level

### **CREDIT VALUE**

1.5 credits at Intermediate 1 (9 SCQF credit points at SCQF level 4\*).

*\*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 Management Accounting (Intermediate 1)

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

Identify and calculate the principal elements of cost.

##### Performance Criteria

- a) Identify the different cost elements involved in producing a product.
- b) Explain the procedures used to control the principal elements of costs — material, labour and overheads.
- c) Complete a partially prepared stock record card using First in, First out (FIFO).
- d) Calculate gross wages where time, piece, bonus and overtime rates are applied consistently with the information or time sheets and/or clock cards supplied.
- e) Prepare a simple overhead analysis statement where overheads are allocated and applied to all departments, and where service department overheads are reapportioned to production departments

#### OUTCOME 2

Prepare cost statements and describe their uses.

##### Performance Criteria

- a) Describe the uses of cost statements.
- b) Complete a cost statement to calculate the job or service cost from the information supplied.
- c) Complete a simple process account.
- d) Record direct materials and labour costs consistently with the information supplied.
- e) Record other fixed and variable costs consistently with the information supplied.
- f) Calculation of cost per job, process or unit of service is accurate.

#### OUTCOME 3

Apply break-even analysis techniques for decision-making.

##### Performance Criteria

- (a) State the benefits to a business organisation of using the break-even analysis technique.
- (b) Prepare or interpret a break-even chart.
- (c) Distinguish between fixed and variable costs, consistent with information supplied.
- (d) Calculation of contribution per unit is consistent with information supplied.
- (e) Calculation of break-even units and values is consistent with information supplied.

## National Unit Specification: statement of standards (cont)

### UNIT Management Accounting (Intermediate 1)

- f) Calculation of profit is consistent with information supplied.
- g) Draw accurate conclusions on the effect of increasing selling price, fixed and/or variable costs on profit and/or break-even point.

### OUTCOME 4

List the benefits of using information technology in management accounting and prepare a simple cash budget using a spreadsheet.

### Performance Criteria

- a) Explain the benefits of budgeting to an organisation.
- b) List the benefits of using information technology in management accounting.
- c) Prepare a cash budget for a three month period using a spreadsheet.
- d) Entries in the cash budget are consistent with the information supplied.
- e) The use of spreadsheet formulae is comprehensive and consistent with information supplied.
- f) Spreadsheet printouts for data and formulae are produced with gridlines and row and cell references displayed.

### EVIDENCE REQUIREMENTS FOR THE UNIT

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

- ◆ completion of a stock record card
- ◆ completion of a job cost and/or service cost statement or process account
- ◆ completion of an overhead analysis statement
- ◆ preparation and interpretation of a break-even chart
- ◆ apply break-even analysis technique to calculate contribution, costs, profits for given levels of output
- ◆ preparation of a cash budget using a spreadsheet and production of printouts showing data and formulae

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

## **National Unit Specification: statement of standards (cont)**

### **UNIT        Management Accounting (Intermediate 1)**

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

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

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 (Intermediate 1)**

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 Intermediate 1 Course, including:

- ◆ identification of direct/variable and fixed/indirect costs and calculation of elements of costs:
  - material costs including the production of stock record cards and valuation cards using FIFO
  - labour costs where the calculations are based on time, piece, and bonus rates and overtime rates at double time
  - fixed overheads including the production of an overhead analysis statement.
- ◆ preparation of job or service cost statement or process account
- ◆ use of break-even analysis techniques to include the preparation and interpretation of a break-even chart and the calculation of contribution, costs and profits for a given level of output and break-even point
- ◆ using a spreadsheet to prepare and update cash budgets for forecasting and control purposes
- ◆ 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 Intermediate 1 Accounting Course.

Information technology skills will be developed throughout the Unit as spreadsheets should be used for practical exercises.

## National Unit Specification: support notes (cont)

### UNIT Management Accounting (Intermediate 1)

#### GUIDANCE ON APPROACHES TO ASSESSMENT FOR THIS UNIT

Assessment of this Unit should be carried out towards the end of the 60 hours of study, although care should be taken to ensure that sufficient time is allowed for remediation and reassessment if required.

The nature of the holistic assessment in Accounting makes it difficult for candidates to be re-assessed solely on these 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:

- ◆ identify the principal elements of costs and:
  - calculate material costs and prepare stock record cards
  - calculate labour costs using basic rate, time rate, piece rate, bonus rate and overtime rate at double time
  - calculate fixed overheads and prepare an overhead analysis statement
- ◆ prepare a job and/or service cost statement including the calculation of profit based on mark-up
- ◆ prepare a simple process account
- ◆ prepare and interpret a break-even chart
- ◆ calculate contribution and break-even point in units and sales value using formulae
- ◆ report on the effect of profit and/or break-even point of a change in costs or selling price
- ◆ prepare cash budgets for forecasting and control purposes
- ◆ produce printouts of spreadsheets showing data and formulae
- ◆ describe the use of information technology for management accounting
- ◆ 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 (Intermediate 1)

#### Appendix One — Unit Content

*NB This appendix is within the statement of standards, ie the mandatory requirements of the unit*

Role of the Management Accountant	Candidates should be able to describe the role and scope of the Management Accountant.
Classification of Costs	Candidates should be able to: identify, describe and classify costs as direct/variable and indirect/fixed.
Direct Costs - Material*	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>◆ complete and describe the use of the documents required for the inventory control cycle — purchase requisition and requisition forms, stock record cards, bin cards, goods received notes</li> <li>◆ identify materials and value stock at cost</li> <li>◆ complete stock record cards valuing stocks at First in, First out (FIFO)</li> </ul>
Direct Costs - Labour*	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>◆ identify and complete the documents required for the efficient recording of hours worked — clock cards, time sheets, job sheets</li> <li>◆ calculate hours worked using clock cards, time sheets or job sheets</li> <li>◆ calculate gross wages applying basic, time, piece rate, bonus rate and overtime rates where overtime rates are applied at double time</li> </ul>
Indirect Costs - Overheads*	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>◆ describe and identify cost centres and cost units</li> <li>◆ allocate and apportion costs to production and service departments based on floor area; number of employees; value of fixed assets</li> <li>◆ apportion the costs of a service department to production departments on a percentage basis</li> <li>◆ calculate total production department costs</li> <li>◆ calculate an overhead recovery rate based on direct labour hours</li> </ul>

**National Unit Specification: statement of standards (cont)**

**Unit — Management Accounting (Intermediate 1)**

<p>Job costing*</p>	<p>Candidates should be able to prepare:</p> <ul style="list-style-type: none"> <li>◆ job cost statements which include direct materials, labour, variable overheads</li> <li>◆ apply fixed overhead absorption rate to job cost statements using pre-determined rates of absorption based on direct labour hours</li> </ul>
<p>Service costing*</p>	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>◆ prepare simple service costing statements which includes direct costs, indirect costs, fixed overheads and profit where the profit percentage is given</li> <li>◆ calculate unit cost and profit percentage based on mark up</li> </ul>
<p>Process costing*</p>	<p>Candidates should have an awareness of :</p> <ul style="list-style-type: none"> <li>◆ the general principles of process costing and an understanding of the terms used in process costing.</li> <li>◆ Simple process accounts showing inputs and outputs taking account of waste, with no value, and transfer to next process or finished goods.</li> </ul> <p>Note: all relevant values will be given.</p>
<p>Marginal costing and decision-making*</p>	<p>Candidates should have a basic understanding of break-even analysis techniques.</p> <p>Candidates should be able to identify, describe and calculate:</p> <ul style="list-style-type: none"> <li>◆ fixed and variable costs</li> <li>◆ contribution</li> <li>◆ break-even point in units and sales value</li> <li>◆ profit or loss for given levels of output</li> </ul> <p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>◆ prepare and interpret break-even charts; calculating selling price per unit, variable cost per unit, break-even point in units and total sales value</li> <li>◆ calculate and comment on the effects of the changes in selling price, fixed and variable costs on the profit and break-even point for a single product</li> </ul>

**National Unit Specification: statement of standards (cont)**

**Unit — Management Accounting (Intermediate 1)**

<p>Budgeting*</p>	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>◆ prepare a simple cash budget for a three month period from information provided</li> </ul> <p>The information provided will consist of:</p> <ul style="list-style-type: none"> <li>◆ opening balance, sales units and production units, selling price and unit production costs, cash and credit sales, receipts from debtors and payments to creditors, other receipts and payments and should include time delays</li> </ul> <p>Candidates should be able to calculate and use the closing monthly balance.</p> <p>This topic will be assessed using a spreadsheet.</p> <p>The formulae used for spreadsheets will be restricted to:</p> <ul style="list-style-type: none"> <li>◆ adding, subtracting, multiplying, dividing and use of sum function</li> </ul> <p>Candidates are required to produce printouts of the spreadsheets showing data and formulae. Gridlines and cell and row references should be printed.</p>
<p>IT and Accounting</p>	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>◆ describe the use of information technology (IT) in accounting</li> <li>◆ demonstrate the use of IT in management accounting — particularly the use of spreadsheets as a calculation tool</li> </ul>
<p>Use of Spreadsheets</p>	<p>Spreadsheets should be used throughout this Unit. Topics where this is most suitable have been indicated by *.</p> <p>The formulae used for spreadsheets will be restricted to:</p> <ul style="list-style-type: none"> <li>◆ adding, subtracting, multiplying, dividing and use of sum function, copying relatively and absolutely</li> </ul> <p>Candidates are required to produce printouts of the spreadsheets showing data and formulae with gridlines, cell and row references shown.</p>

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