

ACCOUNTING
(Intermediate 2)

First edition – published 2004

National Course Specification

ACCOUNTING (Intermediate 2)

COURSE CODE C209 11

COURSE STRUCTURE

This Course has two mandatory Units:

DF47 11	<i>Financial Accounting (Intermediate 2)</i>	<i>1.5 credits (60 hours)</i>
DF4T 11	<i>Management Accounting (Intermediate 2)</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 accounting. However, they will normally be expected to have attained one of the following or equivalent:

- ◆ Standard Grade Accounting and Finance at General level
- ◆ Intermediate 1 Accounting
- ◆ The Units — *Financial Accounting* (Intermediate 1) and *Management Accounting* (Intermediate 1)

PROGRESSION

This Course or its Units may provide progression to:

- ◆ Higher Accounting
- ◆ further education
- ◆ training or employment

Administrative Information

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National Course Specification: (cont)

ACCOUNTING (Intermediate 2)

CORE SKILLS

This course gives automatic certification of the following:

Complete Core Skills for the Course	None	
Core Skills components for the Course	Using Number	Intermediate 2

For information about the automatic certification of Core Skills for any individual Unit in this Course, please refer to the general information section at the beginning of the Unit.

Additional information about Core Skills is published in the *Catalogue of Core Skills in National Qualifications* (BA0906, August 2001).

CREDIT VALUE

The Intermediate 2 Course in Accounting is allocated 24 SCQF credit points at SCQF level 5.

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 (Intermediate 2)

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 2 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 the 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 2)

Aims

The Course aims to build on the knowledge, understanding, information-handling skills and practical abilities gained in Standard Grade Accounting and Finance or Intermediate 1 Accounting 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
- ◆ the contribution of financial accounting and management accounting to industry and commerce
- ◆ and awareness of the role that financial accounting and management accounting have 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 academic study.

The Accounting Courses have been designed in a hierarchical structure. The commonality between the Courses at Intermediate 1 and Intermediate 2 levels 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 2)

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.

Financial Accounting (Intermediate 2)

Role of the Financial Accountant	Duties, scope and responsibilities of the Financial Accountant.
Business Documents	<p>Functions of various business documents used in buying, selling and paying process:</p> <ul style="list-style-type: none">◆ orders◆ invoices◆ credit notes◆ statements◆ cheques◆ till rolls◆ receipts◆ credit/debit card receipt◆ petty cash voucher◆ bank statement <p>Completion of business documents from appropriate sources including the calculation of:</p> <ul style="list-style-type: none">◆ trade and cash discount◆ VAT where cash discount applies <p>Completion of ledger accounts from business documents.</p>

National Course Specification: Course details (cont)

ACCOUNTING (Intermediate 2)

Financial Accounting (Intermediate 2) (cont)

Recording entries in ledger accounts for organisations	<p>Record in the ledger the accounts of an organisation transactions relating to:</p> <ul style="list-style-type: none">◆ fixed assets◆ current assets◆ incomes◆ expenses◆ current liabilities◆ long-term liabilities◆ capital◆ drawings◆ partners' capital◆ partners' current accounts <p>VAT restricted to transactions involving buying and selling of goods and fixed assets.</p>
Accuracy of ledger	Preparation of a trial balance.
Correction of errors	<p>Correction of errors including errors of:</p> <ul style="list-style-type: none">◆ omission◆ commission◆ principle◆ original entry◆ compensation◆ reversal <p>Preparation of a suspense account.</p>

National Course Specification: Course details (cont)

ACCOUNTING (Intermediate 2)

Financial Accounting (Intermediate 2) (cont)

<p>Bank Reconciliation Statements</p>	<p>Update the bank account and prepare a bank reconciliation statement taking into account:</p> <ul style="list-style-type: none"> ◆ bank charges ◆ bank interest ◆ standing order ◆ direct debit ◆ credit transfer ◆ outstanding cheques ◆ lodgements not recorded <p>Correction of errors in the bank account or bank reconciliation statement.</p>
<p>Features of ownership, funding, liability, management and control</p>	<p>Sole traders, partnerships, private and public limited companies and non profit-making organisations.</p> <p>Identification of sources of finance available to business organisations.</p> <p>Funding sources available to organisations:</p> <ul style="list-style-type: none"> ◆ internal sources — capital and retained profits ◆ external sources — ordinary and preference share capital; loan capital; debentures, bank overdraft; leasing, government grants. <p>Funding sources available to a non-profit making organisation:</p> <ul style="list-style-type: none"> ◆ accumulated fund, surplus, loans <p>Documents involved in the formation of business organisations:</p> <ul style="list-style-type: none"> ◆ partnership agreement, including basic understanding of current partnership legislation ◆ Memorandum of Association and Articles of Association for plc
<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 ◆ Work in progress valued at total cost ◆ Factory cost of finished goods produced; transfer to trading account at factory cost

National Course Specification: Course details (cont)

ACCOUNTING (Intermediate 2)

Financial Accounting (Intermediate 2) (cont)

Final statements and balance sheets for all business organisations	<p>Partnership, private limited company, public limited company.</p> <p>Revenue and capital expenditure.</p> <p>Preparation of trading, profit and loss and appropriation accounts in accordance with current accounting practice.</p> <p>Adjustments at year end for:</p> <ul style="list-style-type: none">◆ provisions for straight line depreciation◆ provision for doubtful debts◆ prepayments and accruals◆ interest on loans and debentures◆ corporation tax <p>Profit and loss and appropriation section of partnership accounts including:</p> <ul style="list-style-type: none">◆ interest on capital◆ partners' salaries◆ share of residual profit <p>Appropriation section of public limited company including:</p> <ul style="list-style-type: none">◆ final payment of ordinary and preference share dividend◆ treatment of retained profits <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">◆ 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, retained profits
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National Course Specification: Course details (cont)

ACCOUNTING (Intermediate 2)

Financial Accounting (Intermediate 2) (cont)

<p>Final Accounts of non profit-making organisations</p>	<p>Calculation of accumulated fund at start.</p> <p>Receipts and payments account.</p> <p>Income statements from fundraising activities.</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 end of year ◆ treatment of expenses — prepayments and accruals at end of year ◆ calculation of depreciation of fixed assets using straight line method ◆ calculation of surplus or deficit ◆ preparation of balance sheet including adjustment for surplus or deficit at the end of the year
<p>Accounting Ratios</p>	<p>Calculation and interpretation of ratios:</p> <p>Profitability Ratios</p> <ul style="list-style-type: none"> ◆ return on capital employed ◆ gross profit ratio ◆ net profit ratio <p>Liquidity Ratio</p> <ul style="list-style-type: none"> ◆ current 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>Comment on performance for two consecutive financial periods. Inter-firm and Intra-firm evaluation of business performance.</p> <p>Use of accounting ratios to prepare simple forecast trading and profit and loss accounts.</p>

NB The content of the lower levels underpins the award.

National Course Specification: Course details (cont)

ACCOUNTING (Intermediate 2)

Management Accounting (Intermediate 2)

Role of the management accountant	Duties, scope and responsibilities of the Management Accountant.
Classification of calculation of costs	<p>Identification of variable/direct costs and fixed/indirect.</p> <p>Recording and calculation of costs of material, labour and overheads.</p> <p>Standard procedures for controlling stock — including inventory control cycle, wage and overhead costs.</p> <p>Documents required for inventory control cycle: purchases requisition, requisition order, stock record card, bin card, goods received note.</p> <p>Preparation of stock record cards.</p> <p>Valuing issue of stock at First in, First out (FIFO) and Last in, First out (LIFO).</p> <p>Wage costs calculated on time rate, piece, rate, bonus rate and overtime rate.</p> <p>Use of clock cards, time sheets and job cards.</p> <p>Overhead analysis statements — allocation, apportionment and re-apportionment of service costs centres.</p> <ul style="list-style-type: none">◆ Allocation◆ Apportionment based on floor area; number of employees, value of fixed assets, labour hours and machine hours.◆ Re-apportionment of costs from a service cost centre to a production cost centre using basis of apportionment given.◆ Calculation and application of overhead absorption rates based on direct labour hours, machine hours, output units.

National Course Specification: Course details (cont)

ACCOUNTING (Intermediate 2)

Management Accounting (Intermediate 2) (cont)

<p>Preparation of cost statements and accounts</p>	<p>Job cost statements which include:</p> <ul style="list-style-type: none">◆ direct materials◆ direct labour◆ direct expenses◆ application of fixed overhead absorption rate where the rates are given◆ calculation of profit on job using mark-up◆ calculation of invoice price to include VAT <p>Service cost statements</p> <ul style="list-style-type: none">◆ calculation of direct and indirect costs◆ calculation of profit using mark-up◆ calculation of charge per unit◆ calculation of cost per unit of service <p>Process costing accounts</p> <ul style="list-style-type: none">◆ calculation of variable and fixed costs◆ calculation of normal loss◆ calculation of scrap value◆ calculation of cost per unit of normal output◆ transfers to next process or finished output
<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 of break-even analysis techniques using charts and formulae to calculate in units and total values:<ul style="list-style-type: none">– variable cost– contribution per unit– break-even point in units and value– profit or loss for given output– output required to achieve projected profit– effect on break-even point on the increase in selling price, variable costs or fixed costs <p>Decision-making — based break-even analysis and marginal costing techniques and justification for decision.</p> <p>Profit maximisation where limiting factor applies.</p>

National Course Specification: Course details (cont)

ACCOUNTING (Intermediate 2)

Management Accounting (Intermediate 2) (cont)

Budgeting	<p>Budgetary control procedure and benefits.</p> <p>Preparation of cash budgets:</p> <ul style="list-style-type: none"> ◆ opening balance given ◆ sales units and production units given ◆ unit selling price and unit production costs given <p>Calculation of receipts with adjustments for time delays:</p> <ul style="list-style-type: none"> ◆ cash and credit sales ◆ receipts from debtors ◆ other receipts from loans, sales of assets <p>Calculation of payments with adjustments for time delays:</p> <ul style="list-style-type: none"> ◆ to creditors for materials ◆ labour costs ◆ variable overhead costs and production and unit costs information provided ◆ calculation and payment of other expenses ◆ purchase of fixed assets <p>Calculation of closing balance and transfer to following month.</p> <p>Planning for budgeted shortfall/surplus.</p> <p>Decisions based on budget.</p>
Information Technology and Accounting	<p>Awareness of uses of information technology in accounting and the benefits of using specialised accounting software packages.</p>
Use of spreadsheets	<p>The use of spreadsheets throughout this Course is encouraged and one topic will be assessed internally using spreadsheets:</p> <ul style="list-style-type: none"> ◆ add ◆ subtract ◆ multiply ◆ divide ◆ use of sum function ◆ copy relatively ◆ copy absolutely <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 (Intermediate 2)

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 2 requires candidates to develop the 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 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*.

For each Unit, 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 for the *Management Accounting* Unit assessment.

Full details of the structure, Outcomes, Performance Criterion, evidence and conditions for the Unit assessments 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 two hours and has a total of 160 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 2)

Links between internal and external assessment

The internal 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 external assessment will require candidates to demonstrate clearly their ability to integrate these practical 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, evaluate and communicate the characteristics and merits of different business organisations and the evaluation of accounting information for decision-making purposes.

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

Avoiding unnecessary duplication

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

For internal assessment candidates will be required to complete partially prepared accounting statements, eg profit and loss account or balance sheet or prepare part of a maximum profit statement, whereas for the external assessment candidates will be required to prepare and integrate the full range of accounting statements, eg preparation of full set of final accounts or maximum profit statement under the constraints of a limiting factor.

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 external 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.

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

National Course Specification: Course details (cont)

ACCOUNTING (Intermediate 2)

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:

- ◆ 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 decision making in a greater variety of contexts
- ◆ apply decision making in more complex contexts
- ◆ 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
- ◆ 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 details about assessment for this Course can be found in the National Assessment Bank Materials, the Course Assessment Specification and the Specimen Question Paper.

National Course Specification: Course details (cont)

ACCOUNTING (Intermediate 2)

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 of grade C and A in the Course.

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

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

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

- ◆ apply knowledge and understanding of financial accounting and management accounting theory to complex contexts showing a high level of performance
- ◆ consistently apply knowledge and understanding to a range of different contexts some of which will be of a complex nature
- ◆ demonstrate a higher level of ability to integrate material drawn from the Course content
- ◆ consistently produce financial and management accounting statements to a high degree of accuracy
- ◆ demonstrate the ability to draw a number of conclusions and make a number of recommendations to solve complex accounting problems

National Course Specification: Course details (cont)

ACCOUNTING (Intermediate 2)

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 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. Questions 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 2)

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 2)

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 the *Management Accounting* Unit

Financial Accounting Unit possible approach

- ◆ Introduction to financial accounting including role and scope of financial accountant.
- ◆ Preparation of business documents and ledger accounts including the checking of the accuracy of ledger accounts by means of trial balance and bank reconciliation statements.
- ◆ Correction of errors in ledger accounts and preparation of suspense accounts.
- ◆ Preparation of manufacturing accounts.
- ◆ Preparation of final accounts of partnership, public limited company and non profit-making organisations.
- ◆ 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 and service cost statements.
- ◆ Preparation of process cost accounts.
- ◆ Break-even analysis and decision making where a limiting factor is applied.
- ◆ 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 manufacturing accounts.
- ◆ Preparation of job and service cost statements.
- ◆ Preparation of business documents and preparation of ledger accounts.

National Course Specification: Course details (cont)

ACCOUNTING (Intermediate 2)

- ◆ Checking the accuracy of ledger accounts — trial balance and bank reconciliation statements.
- ◆ Correction of errors and suspense accounts.
- ◆ Preparation of process cost accounts.
- ◆ Cash budgets.
- ◆ Preparation of final accounts for partnerships, public limited company and non-profit making organisation.
- ◆ Analysis and interpretation of business performance.
- ◆ Preparation of non-profit making final accounts.
- ◆ 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◆ business documents◆ preparation of ledger accounts including checking accuracy of ledger accounts including trial balance and bank reconciliation statements◆ correction of errors and preparation of suspense accounts◆ characteristics of business organisation◆ preparation of manufacturing accounts◆ preparation of final accounts of business organisations, partnership, public limited company; non-profit making organisations◆ analysis and interpretation of accounting information◆ preparation of non profit-making 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 simple process cost accounts◆ break-even analysis techniques and decision making◆ 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*.

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.

National Course Specification: Course details (cont)

ACCOUNTING (Intermediate 2)

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 (Intermediate 2)

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">◆ 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

National Course Specification: Course details (cont)

ACCOUNTING (Intermediate 2)

CROSS CURRICULAR THEME	UNIT	LEVEL	ISSUES
Education for citizenship	Financial and Managerial	All	Development of citizenship skills: <ul style="list-style-type: none">◆ working independently◆ analysing and reporting using IT◆ using relevant data to solve problems
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 2)

NUMBER DF47 11

COURSE Accounting (Intermediate 2)

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; check and correct any errors in records using trial balances and bank reconciliation statements and suspense accounts; prepare (with adjustments) and analyse accounting statements for a sole trader, a partnership, a public limited company (plc) and a private limited company (ltd), including manufacturing concerns; non-profit making organisation and use information technology. It will also develop a knowledge and understanding of the theory relating to financial accounting.

OUTCOMES

- 1 Complete business documents and explain their functions in the buying, selling and payment process.
- 2 Record and verify entries in ledger accounts.
- 3 Correct errors in ledger accounts and use a suspense account.
- 4 Prepare financial statements of an organisation and explain the key features of the different types of business organisation.
- 5 Calculate and interpret accounting ratios and comment on the performance of an organisation.

RECOMMENDED ENTRY

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

- ◆ Standard Grade Accounting and Finance at General level or Intermediate 1 Accounting
- ◆ The Unit — *Financial Accounting* (Intermediate 1)

Administrative Information

Superclass: AK

Publication date: April 2004

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Version: 01

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National Unit Specification: general information

UNIT Financial Accounting (Intermediate 2)

CREDIT VALUE

1.5 credits at Intermediate 2 (9 SCQF credit points at SCQF level 5*).

**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 2)

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 explain their functions in the buying, selling and payment process.

Performance Criteria

- a) Explain the functions of the different business documents used in the buying, selling and payment processes.
- 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 a list 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

Correct errors in ledger accounts and use a suspense account.

Performance Criteria

- a) Identify correctly the type of error and the relevant ledger accounts affected.
- b) Using double entry book-keeping principles make entries in the appropriate ledger accounts and, where necessary, the suspense account to correct errors.

OUTCOME 4

Prepare financial statements of an organisation and explain the key features of the different types of business organisation.

Performance Criteria

- a) Explain the key features which distinguish different types of business organisations.
- b) Complete partially prepared final accounts of an organisation consistent with financial accounting practice.
- c) Complete a partially prepared balance sheet of an organisation consistent with financial accounting practice.
- d) Complete partially prepared manufacturing and trading accounts for an organisation consistent with financial accounting practice.

National Unit Specification: statement of standards (cont)

UNIT Financial Accounting (Intermediate 2)

OUTCOME 4

Calculate and interpret accounting ratios and comment on the performance of an organisation.

Performance Criteria

- a) Explain briefly the purpose of accounting ratios.
- b) Calculate accounting ratios using correct formulae (specified in Appendix Two — Ratio Formulae).
- c) Comment on the performance of a business organisation for two consecutive financial periods.

EVIDENCE REQUIREMENTS FOR THE UNIT

The contents for this Unit are specified in Appendix One, and Ratio Formulae in 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 a range of business documents and making entries in the appropriate ledger accounts
- ◆ verifying accuracy of ledger accounts by completing a Trial Balance or Bank Reconciliation Statement
- ◆ correcting errors in ledger accounts and use of suspense accounts
- ◆ completing final accounts and balance sheets of organisations
- ◆ calculating and interpreting ratios without reference to ratio formulae*

Evidence will be produced by the candidate answering 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 2)

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 2 Course, including:

- ◆ recording of book-keeping transactions in ledger accounts from business documents
- ◆ checking the accuracy of the ledger accounts
- ◆ correction of errors and use of a suspense account
- ◆ preparation of manufacturing accounts and the transfer of finished goods to trading accounts at factory cost
- ◆ preparation of trading accounts, profit and loss accounts, appropriation accounts and balance sheets of sole trader, partnership, limited (ltd) and public (plc) limited company, and non-profit making concerns 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 2 Accounting Course.

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

National Unit Specification: support notes (cont)

UNIT Financial Accounting (Intermediate 2)

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 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 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
- ◆ identify and correct errors in ledger accounts with or without the use of suspense accounts
- ◆ prepare or finish partially completed financial statements of a sole trader, a partnership, a public limited company (plc) or a private limited (Ltd) company and manufacturing organisation, and non-profit making concerns
- ◆ analyse the performance of a business organisation for two consecutive periods using the ratios in Appendix Two — Ratio Formulae
- ◆ complete short 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 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 (Intermediate 2)

Appendix One — Unit Content

NB This Appendix is within the statement of standards, ie the mandatory requirement of the Unit.

Role of the Financial Accountant	Candidates should have an understanding of the role the Financial Accountant plays in an organisation.
Business Documents	Candidates should be aware of the functions of various business documents used in the buying, selling and paying process. Documents are to include: <ul style="list-style-type: none"> ◆ order, invoice, credit note, statement, cheque, till roll, receipt, credit/debit card receipt, petty cash voucher, bank statement.
Completion of Business Documents	Candidates should be able to complete a range of business documents, which include the preparation of multiple documents of trade, and includes the calculation of VAT where trade and cash discount are being allowed, and record these transactions in the appropriate ledger accounts.
Recording entries in ledger accounts for organisations	Candidates should be able to record in the ledger accounts of organisations: <ul style="list-style-type: none"> ◆ transactions relating to fixed assets, current assets, incomes, expenses, VAT, current liabilities, long term liabilities, capital, drawings, and partners' capital and current accounts.
Accuracy of Ledger	Candidates should be able to prepare a trial balance.
Correction of Errors	Candidates should be able to correct errors in ledger accounts for: <ul style="list-style-type: none"> ◆ errors of omission, commission, principle, original entry, compensating errors and complete reversal and use a suspense account where appropriate
Bank Reconciliation Statements	Candidates should be able to: <ul style="list-style-type: none"> ◆ update the bank account and prepare a bank reconciliation statement which includes correction of errors.
Features of ownership, funding, liability, management and control	Candidates should be able to describe accurately the features of ownership and liability, management and control of a sole trader, a partnership, a private limited company a public limited company and a non-profit making organisation. <p>Candidates should be able to describe the key documents required:</p> <ul style="list-style-type: none"> ◆ for the formation of a public limited company, restricted to main features of Memorandum of Association and the Articles of Association ◆ the formation of a partnership and be aware of the current partnership legislation.

National Unit Specification: statement of standards (cont)

UNIT — Financial Accounting (Intermediate 2)

(cont)	<p>Candidates should be able to identify and justify appropriate forms of ownership structure and finance for a business organisation.</p> <p>Sources of finance:</p> <ul style="list-style-type: none"> ◆ internal sources: capital; retained profits ◆ external sources: ordinary and preference share capital; loan capital; leasing, government loans and grants; bank overdraft, debentures <p>Sources of finance for a non-profit making organisation</p> <ul style="list-style-type: none"> ◆ accumulated fund, surplus, loans
Adjustment to final Accounts	<p>Candidates should be able to deal with:</p> <ul style="list-style-type: none"> ◆ accruals and prepayments at the end of the financial year and accurately deal with other adjustments for final account figures, including the calculation of depreciation using the straight line method; and the creation of the provision for doubtful debts where the existing and new provision figures are stated.
Final Accounts for all organisations	<p>Candidates should be able to prepare the following financial statements:</p> <p>Trading Account:</p> <ul style="list-style-type: none"> ◆ sales, sales returns, opening and closing stocks, purchases and purchase returns, carriage inwards, gross profit <p>Profit and Loss Accounts:</p> <ul style="list-style-type: none"> ◆ gross profit, income, expenses, accruals and prepayments at end, calculation of provision for straight line depreciation. Provision for doubtful debts calculation of net profit/loss <p>Balance Sheet:</p> <ul style="list-style-type: none"> ◆ fixed assets, aggregate depreciation, net book value (NBV); current assets; current liabilities including adjustments for accruals and prepayments at end; provision for doubtful debts; long-term liabilities. Financed by: to show capital structure and adjustments for year end figures <p>Candidates should be able to clearly demonstrate and explain the treatment of capital and revenue expenditure.</p>
Manufacturing Accounts	<p>Cost of direct materials consumed; factory direct costs; prime costs; factory indirect costs/overheads; work-in-progress valued at total cost; factory cost of finished goods produced; transfer of goods to the trading account at factory cost.</p>

National Unit Specification: statement of standards (cont)

UNIT — Financial Accounting (Intermediate 2)

<p>Final Accounts of Partnership</p>	<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, interest on capital; partner’s salary, share of profits preparation of current accounts of partners at end of year, treatment of drawings 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 at end; long-term liabilities <p>Financed by section: capital and updated current accounts</p>
<p>Final Accounts of private limited (ltd) and public limited (plc) companies</p>	<p>In addition to the above financial statements, candidates should be able to prepare for a private limited and 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) ◆ treatment of corporation tax ◆ appropriation account to include calculation of final dividends and the treatment of retained profits at start and end of financial year ◆ balance sheet: to include long term financing restricted to ordinary and preference shares (fully paid), loans and retained profits <p>provision for corporation tax (figure given) and VAT (not detailed knowledge — understanding only)</p>

National Unit Specification: statement of standards (cont)

UNIT — Financial Accounting (Intermediate 2)

<p>Non profit-making organisations</p>	<p>Candidates should be able to calculate and prepare:</p> <ul style="list-style-type: none"> ◆ opening accumulated fund balance ◆ receipts and payments account ◆ profit statements from club-fund raising activities ◆ income and expenditure account including incomes and other transfers from fund-raising activities calculations, and expenses, depreciation of fixed assets using straight line method, accruals and prepayments at the end of the year ◆ balance sheet; fixed assets, current assets, current and long-term liabilities held by a non-profit making organisation, including subscription due and prepaid at end of year, expenses accruals and prepayments at end ◆ Financed by section: accumulated fund and adjustments for surplus/deficit at year end
<p>Ratio Analysis</p>	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ identify the users and use made of accounting information ◆ calculate and interpret the following accounting ratios using the formulae given in Appendix Two <p>Profitability Ratios</p> <ul style="list-style-type: none"> ◆ return on capital employed; ◆ gross profit ratio ◆ net profit ratio <p>Liquidity</p> <ul style="list-style-type: none"> ◆ current ratio <p>Efficiency Ratios</p> <ul style="list-style-type: none"> ◆ average stock ◆ rate of stock turnover ◆ expense ratio (individual or total) ◆ debtors' collection period ◆ creditors' payment period ◆ fixed assets turnover <p>Inter-firm and intra-firm comparisons</p> <p>Prepare simple trading and profit and loss accounts using ratios.</p> <p>Candidates will be required to compare ratios and give reasons for any differences.</p>

National Unit Specification: statement of standards

UNIT — Financial Accounting (Intermediate 2)

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
Profitability Ratios:	
Return on Capital Employed	$\frac{\text{Net Profit after Tax}}{(\text{Fixed Assets} + \text{Net Current Assets} - \text{Long Term Liabilities})} \times 100\%$
Gross Profit Ratio	$\frac{\text{Gross Profit}}{\text{Turnover}} \times 100 = \%$
Net Profit Ratio	$\frac{\text{Net Profit}}{\text{Turnover}} \times 100 = \%$
Liquidity Ratio:	
Current Ratio	Current Assets:Current Liabilities Answer should be expressed as 2.35:1
Efficiency Ratios:	
Rate of Stock Turnover	$\frac{\text{Cost of Sales}}{\text{Average Stock}} = \text{Times}$
Average Stock	$\frac{\text{Opening Stock} + \text{Closing Stock}}{2} = \text{£}$
	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.

National Unit Specification: statement of standards (cont)**UNIT — Financial Accounting (Intermediate 2)**

Ratio	Formula
Expense Ratio	$\frac{\text{Expense}^*}{\text{Turnover}} \times 100 = \%$ <p>* This figure may be for the total expenses or for one individual expense. eg advertising.</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 (Intermediate 2)
NUMBER	DF4T 11
COURSE	Accounting (Intermediate 2)

SUMMARY

This Unit is designed to further develop the management accounting skills acquired in Intermediate 1 or as an introduction to management accounting. It will allow candidates to develop the skills and techniques which will enable them to calculate the principal elements of costs; prepare cost statements for job, service costing and process accounts; to apply break-even analysis and make decisions relating to profit maximisation under constraints of limiting factor; prepare cash budgets for planning and control purposes and use information technology as an accounting tool. It will also develop a knowledge and understanding of the theory relating to management accounting.

OUTCOMES

1. Calculate the principal elements of cost and describe the procedures for controlling them.
2. Prepare cost statements and describe their uses.
3. Describe and apply break-even analysis and decision-making techniques.
4. Prepare a cash budget for the purposes of planning and control.
5. Use a spreadsheet as an accounting tool to prepare cost statements and explain the benefits of using information technology in management accounting.

RECOMMENDED ENTRY

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

- ◆ Standard Grade Accounting and Finance at General level
- ◆ The Unit — *Management Accounting* (Intermediate 1)

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 (Intermediate 2)

CREDIT VALUE

1.5 credits at Intermediate 2 (9 SCQF credit points at SCQF level 5*).

**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 2)

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

Calculate the principal elements of cost and describe the procedures for controlling them.

Performance Criteria

- a) Describe the different elements of cost and classify them as direct, variable, indirect or fixed.
- b) Explain the procedures used to control the principal elements of costs — material, labour and overheads
- c) Complete a partially prepared stock valuation card using Last in, First out (LIFO) method.
- d) Calculate the gross wages where basic, time, piece, bonus and overtime rates are applied consistently with the information or time sheets and/or clock cards supplied.
- e) Complete a partially prepared overhead analysis statement allocating, apportioning and re-apportioning overhead costs to production and service departments consistent with the information supplied.
- f) Calculate the production overhead absorption rates consistently with the information supplied.

OUTCOME 2

Prepare cost statements and describe their uses.

Performance Criteria

- a) Describe the uses of job, service and process costing.
- b) Complete a range of cost statements to calculate the cost from the information supplied.
- c) Direct materials and labour costs are recorded consistently with the information supplied.
- d) Other costs are recorded consistently with the information supplied.
- e) The cost for a job, service or process is accurately calculated.
- f) The profit for a job, process or service is accurately calculated using mark-up.

OUTCOME 3

Describe and apply break-even analysis and decision making-techniques.

Performance Criteria

- a) Describe briefly the benefits to an organisation of using the break-even technique.
- b) Division of cost between fixed and variable is consistent with information supplied.
- c) Identification of contribution per unit is consistent with information supplied.
- d) Identification of break-even units is consistent with information supplied.

National Unit Specification: statement of standards (cont)

UNIT Management Accounting (Intermediate 2)

- e) Calculation of profit is consistent with information supplied.
- f) Decision-making techniques are applied accurately where a limiting factor is applied.
- g) Conclusions drawn on the effect of increasing fixed and/or variable costs on profit and/or break-even point are accurate.

OUTCOME 4

Prepare a cash budget for the purposes of planning and control.

Performance Criteria

- a) Explain the importance of budgetary control and describe the techniques available.
- b) Prepare a cash budget for a three month period.
- c) Cash and credit sales income is correctly calculated and applied to the correct month.
- d) Other incomes are correctly dealt with and applied to the correct month.
- e) Payments to creditors are correctly calculated and charged to the appropriate month
- f) Other payments are correctly calculated and charged to the appropriate month.
- g) Closing balance is correctly calculated and transferred to the correct month.

OUTCOME 5

Use a spreadsheet as an accounting tool to prepare cost statements and explain the benefits of using information technology in management accounting.

Performance Criteria

- a) Explain the benefits of using information technology in management accounting.
- b) A spreadsheet is used to complete a range of cost statements.
- c) Entries in spreadsheet are consistent with information supplied.
- d) Use of spreadsheet formulae is comprehensive and consistent with information supplied.
- e) Data and formulae printouts are produced with gridlines, row and cell references.

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

- ◆ preparation of a stock record card
- ◆ preparation of a job or service cost statement and/or process account
- ◆ preparation of an overhead analysis statement

National Unit Specification: statement of standards (cont)

UNIT Management Accounting (Intermediate 2)

- ◆ application of the break-even analysis technique to calculate contribution, costs, profits for given levels of output
- ◆ preparation of a profit maximisation statement where output is constrained by a limiting factor
- ◆ preparation or updating of a cash budget for control purposes
- ◆ use a spreadsheet as an accounting tool to prepare a range of cost statements

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

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 allowed 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 2)

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 management accounting aspects of the accounting Intermediate 2 Course, including:

- ◆ identification, classification and calculation of elements of costs:
 - material costs including the production of stock record and valuation cards using LIFO
 - labour costs where the calculations are based on basic rate, time rate, piece rate, bonus rate and overtime rate at time and a half and double time
 - fixed overheads including the production of an overhead analysis statement
- ◆ preparation of job cost statement
- ◆ preparation of service cost statement
- ◆ preparation of process account
- ◆ use of break-even analysis techniques
- ◆ preparation of profit maximisation statements
- ◆ preparation of cash budgets for planning and control purposes
- ◆ using a spreadsheet as a management accounting tool
- ◆ 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 Intermediate 2 Accounting Course.

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

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.

National Unit Specification: support notes (cont)

UNIT Management Accounting (Intermediate 2)

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 (cont)

UNIT Management Accounting (Intermediate 2)

Candidates will be required to:

- ◆ identify and calculate principle elements of costs and will require them to:
 - calculate material costs and prepare stock valuation cards using LIFO
 - calculate labour costs using basic, time, piece and bonus rates and overtime rates at time and a half and 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 a break-even analysis 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 on a change in costs or selling price
- ◆ prepare and update cash budgets for forecasting and control purposes
- ◆ produce printouts of spreadsheets showing data and formulae
- ◆ describe the use of information technology for management accounting
- ◆ demonstrate their 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 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 2)

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 demonstrate an understanding of the role of the Management Accountant.
Classification of Costs	Candidates should be able to: identify, describe, classify and indicate the significance of fixed; variable; direct or indirect costs.
Direct Costs - Material*	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ identify and describe the use of documents required for the inventory control cycle — requisition forms, stock control card, bin card, order, goods received note. ◆ identify materials: types, of stock and value stock issues using Last in, First out (LIFO) methods of valuing stock issues ◆ complete stock record cards — using LIFO methods of valuation. NB: no ledger entries will be required
Direct Costs - Labour*	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ identify and complete the documents required for the efficient recording of wages — clock cards, time sheets, job cards ◆ record and calculate wages: calculation of wages will involve the use of basic, time, piece, bonus rates and overtime rates where wages are paid at time and a half and double time
Indirect Costs - Overheads*	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ describe and identify cost centres and cost units

National Unit Specification: statement of standards (cont)

UNIT — Management Accounting (Intermediate 2)

(cont)	<ul style="list-style-type: none"> ◆ prepare an overhead analysis statement and allocate and apportion costs to production and service cost centres based on floor area; number of employees, value of fixed assets, labour hours and machine hours ◆ carry out re-apportionment of costs from service cost centres to production cost centres where the basis of apportionment is given ◆ calculate overhead absorption rates based on direct labour hours, machine hours, output units.
Job costing*	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ prepare a job cost statement which includes direct materials, labour and variable overheads ◆ calculate and apply overhead absorption rates ◆ calculate profit based on mark-up and invoice price
Service costing*	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ calculate service costs within one organisation, eg hotel, IT services. ◆ prepare a service cost statement which includes calculation of direct and indirect costs, profit using mark-up, invoice price, and cost and charge per unit of service
Process costing*	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ explain process costing terminology relating to inputs and outputs ◆ prepare a process account, which includes calculation of normal loss; scrap value, waste (with no value); cost per unit of normal output; transfer of output to the next process and/or stock.

National Unit Specification: statement of standards (cont)

UNIT — Management Accounting (Intermediate 2)

<p>Marginal costing and decision-making*</p>	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ prepare and interpret a break-even chart ◆ calculate using appropriate formulae: <ul style="list-style-type: none"> – variable costs – unit and total contribution – break-even point in units and sales value – projected profits at different levels of output – output required to achieve projected profits – profit maximisation under constraints of limiting factor ◆ make and justify decisions based on the above <p>Candidates should be able to explain the terms used in marginal costing and decision making.</p>
<p>Budgeting*</p>	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ explain theory of budgeting ◆ prepare a Cash Budget for a three month period from information provided. ◆ use of production sales units to calculate receipts/payments ◆ incomes from cash and/or credit sales where there is a time delay in receiving payment from debtors, incomes from other sources ◆ payments of a number of fixed and variable expenses where there is a time delay in making payment to creditors ◆ calculation of closing balance and transfer to correct month ◆ planning for budgeted cash shortfalls/surpluses ◆ decisions based on budgets.

National Unit Specification: statement of standards (cont)

UNIT — Management Accounting (Intermediate 2)

<p>IT and Accounting</p>	<p>Candidates should be able to describe the use and benefits of information technology in accounting.</p> <p>Demonstrate the use of IT in management accounting particularly the use of spreadsheets as a calculation tool to produce a range of cost statements.</p>
<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 should be restricted to:</p> <ul style="list-style-type: none"> ◆ adding, subtracting, multiplying, dividing, use of sum function and copying relatively and absolutely <p>Candidates are required to produce printouts with gridlines, cell and row references, of the spreadsheets showing for data and formulae.</p> <p>It is mandatory that one topic from <i>Management Accounting</i> is assessed using a spreadsheet.</p>

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