



National Unit Specification: general information

UNIT Financial and Cost Accounting: An Introduction (SCQF level 4)

CODE F5G1 10

SUMMARY

The purpose of this Unit is to introduce candidates to key aspects of Finance within business. This introduction will include reference to key financial accounting statements and introduce a basic costing technique. The Unit will enable candidates to prepare simple final accounts for a sole trader and prepare a simple job cost statement. This Unit is suitable for candidates with limited or no prior knowledge or experience of finance.

OUTCOMES

- 1 Prepare an Income Statement for a Sole Trader.
- 2 Prepare a Balance Sheet for a Sole Trader.
- 3 Prepare a job costing statement.

RECOMMENDED ENTRY

Entry is at the discretion of the centre.

CREDIT VALUE

1 credit at Intermediate 1 (6 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.*

Administrative Information

Superclass: AK

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National Unit Specification: general information (cont)

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CORE SKILLS

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

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

National Unit Specification: statement of standards

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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 SQA.

OUTCOME 1

Prepare an Income Statement for a Sole Trader.

Performance Criteria

- (a) Identify items from a Trial Balance to be used in a Trading Account.
- (b) Prepare a Trading Account in a logical order with gross profit clearly shown and labelled.
- (c) Identify items from a Trial Balance to be used in a Profit and Loss Account.
- (d) Prepare a Profit and Loss Account in a logical order with net profit clearly shown and labelled.

OUTCOME 2

Prepare a Balance Sheet for a Sole Trader.

Performance Criteria

- (a) Identify Fixed Assets, Current Assets and Current Liabilities from a Trial Balance.
- (b) Prepare the top half of the Balance Sheet in a logical order with Fixed Asset total, Working Capital and Balance Sheet total clearly shown.
- (c) Identify Capital section items from the Trial Balance and Net profit from the Profit and Loss account.
- (d) Prepare the Capital section of the Balance Sheet in a logical order with the updated Capital figure clearly shown as the matching figure from the top half.

OUTCOME 3

Prepare a Job Costing Statement.

Performance Criteria

- (a) Calculate Prime Cost, including Direct Material Cost and Direct Labour Cost, and enter it into a Job Cost Statement.
- (b) Calculate Factory Overheads by applying Overhead Absorption Rate and enter it into a Job Cost Statement.
- (c) Calculate Factory Cost and enter it into a Job Cost Statement.
- (d) Calculate Total Cost, including Administration Overheads, and enter it on a Job Cost Statement.
- (e) Calculate Mark up on Cost and enter it on a Job Cost Statement.
- (f) Calculate Selling Price and enter it on a Job Cost Statement.

National Unit Specification: statement of standards (cont)

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EVIDENCE REQUIREMENTS FOR THIS UNIT

Evidence is required to demonstrate that the candidates have achieved all of the Outcomes and Performance Criteria.

Each assessment should take place under open-book controlled conditions at appropriate points in the Unit.

Outcomes 1 and 2

Candidates are required to produce product evidence in the form of a prepared Income Statement and a Balance Sheet for a Sole Trader from a Trial Balance.

The Trial Balance must include the following items; Sale and Purchases, Expenses and Incomes, Fixed Assets and Current Liabilities, Capital and Drawings. It must include one note after the Trial Balance for Closing Stock. No other adjustments are required.

Candidates will be provided with a pro-forma showing the layout of the Income Statement and the Balance Sheet.

Outcome 3

Candidates are required to produce product evidence in the form of a prepared Job Cost Statement from a specification. The specification must include Direct Materials, Direct Labour, Factory Overheads, Administration Overheads and Profit as Mark-up on Cost. The candidate must clearly identify Prime Cost, Factory Cost, Total Cost, Profit and Selling Price. All of this evidence must be entered into a pro-forma which the candidate must use to prepare the Job Cost Statement.

National Unit Specification: support notes

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This part of the Unit Specification is offered as guidance. The support notes are not mandatory.

While the exact time allocated to this Unit is at the discretion of the centre, the notional design length is 40 hours.

GUIDANCE ON THE CONTENT AND CONTEXT FOR THIS UNIT

This Unit is a mandatory Unit within the National Certificate in Business (SCQF level 4), but can also be taken as a free standing Unit.

The purpose of this Unit is to introduce candidates to two particular aspects of Finance. Firstly the creation of the annual Income Statement and secondly the calculation of Selling Price for a job.

This gives the candidate an introduction to both Financial Accounting and Costing. By completing this Unit, candidates will become familiar with a range of basic financial concepts and terminology.

Concepts

- ◆ Profits
- ◆ Assets and Liabilities shown in the Balance Sheet
- ◆ Direct and Indirect Costs
- ◆ Absorption of overheads
- ◆ Mark up on cost

Terminology

- ◆ Cost of Goods Sold
- ◆ Gross Profit
- ◆ Net Profit
- ◆ Fixed and Current Assets
- ◆ Current Liabilities
- ◆ Capital
- ◆ Prime Cost
- ◆ Factory Cost
- ◆ Total Cost
- ◆ Profit
- ◆ Selling Price

National Unit Specification: support notes (cont)

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GUIDANCE ON LEARNING AND TEACHING APPROACHES FOR THIS UNIT

Outcomes 1 and Outcome 2 may be integrated. Centres may also teach the Outcomes separately. The activities should be practical and should encourage the students to practice what they have been taught. Candidates should be encouraged to prepare for each question by examining the Trial Balance and classifying each item for inclusion in the Income Statement and the Balance Sheet. A pro-forma should be prepared to assist candidates. Where a centre teaches the Outcomes separately, Net Profit should be included to enable candidates to successfully complete the Balance Sheet.

Outcome 3 should also be practical in nature. Candidates should be encouraged to think of real life examples of Job Costing eg tradesmen. Candidates may also be asked to cost some real jobs. Absorption of Overheads should be explained but in every example the Rates should be provided and should be related to direct Labour Hours or Machine Hours. A pro-forma Job Cost Statement should also be provided for each exercise.

OPPORTUNITIES FOR CORE SKILL DEVELOPMENT

In this Unit, candidates will carry out many numerical calculations. This presents opportunities for developing aspects of the Core Skill of *Numeracy* and *Problem Solving*, at SCQF level 4. There are also good opportunities to develop aspects of the Core Skills of *Communication* and *Problem Solving*, at SCQF level 4, through discussion of budgets and costs, preparation of written job costing and spreadsheet exercises such as producing a balance sheet.

GUIDANCE ON APPROACHES TO ASSESSMENT FOR THIS UNIT

Suitable Instruments of Assessment are as follows:

Outcomes 1, 2 and 3 Practical Exercises based on given figures or a case study.

Time should be allowed for any necessary re-assessment.

Opportunities for the use of e-assessment

E-assessment may be appropriate for some assessments in this Unit. By e-assessment we mean assessment which is supported by information and communications technology (ICT), such as e-testing or the use of e-portfolios or e-checklists. Centres which wish to use e-assessment must ensure that the national standard is applied to all candidate evidence and that conditions of assessment as specified in the Evidence Requirements are met, regardless of the mode of gathering evidence. Further advice is available in *SQA Guidelines on Online Assessment for Further Education (AA1641, March 2003)*, *SQA Guidelines on e-assessment for Schools (BD2625, June 2005)*.

CANDIDATES WITH DISABILITIES AND/OR ADDITIONAL SUPPORT NEEDS

The additional support needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments, or considering alternative Outcomes for Units. Further advice can be found in the SQA document *Guidance on Assessment Arrangements for Candidates with Disabilities and/or Additional Support Needs (www.sqa.org.uk)*.