



## National Unit Specification: general information

**UNIT** Preparing Final Accounts (SCQF level 5)

**CODE** F6TY 11

### SUMMARY

This Unit will allow you to develop competences in preparing final accounts with adjustments for sole traders, partnerships, limited companies and not-for-profit organisations.

### OUTCOMES

- 1 Prepare a trading and profit and loss account for a sole trader.
- 2 Prepare a balance sheet for a sole trader.
- 3 Prepare final accounts for a partnership.
- 4 Prepare final accounts for a limited company.
- 5 Prepare final accounts for a not-for-profit organisation.

### RECOMMENDED ENTRY

While entry is at the discretion of the centre, candidates would normally be expected to have attained one of the following, or equivalent. *Recording of Financial Transactions* Unit number D929 11.

### CREDIT VALUE

1 credit at Intermediate 2 (6 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.*

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#### Administrative Information

**Superclass:** AK

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

**UNIT**      Preparing Final Accounts (SCQF level 5)

### **CORE SKILLS**

Achievement of this Unit gives automatic certification of the following:

- ◆ Complete Core Skill                      None
- ◆ Core Skill component                    Using Number at SCQF level 5

There are also opportunities to develop aspects of Core Skills which are highlighted in the Support Notes of this Unit Specification.

## **National Unit Specification: statement of standards**

### **UNIT        Preparing Final Accounts (SCQF level 5)**

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 a trading and profit and loss account for a sole trader.

##### **Performance Criteria**

- (a) The statement is neat, legible, accurate and headed appropriately.
- (b) The statement includes all the items of revenue and expense listed in the trial balance.
- (c) The revenue and expense items are set out in a logical order with gross profit and net profit clearly disclosed.
- (d) The adjustments contained in the notes to the trial balance are incorporated correctly into the statement.

#### **OUTCOME 2**

Prepare a balance sheet for a sole trader.

##### **Performance Criteria**

- (a) The statement is neat, legible, accurate and headed appropriately.
- (b) The statement contains, in a logical order, all the asset, liability and capital items listed in the trial balance.
- (c) Sub totals are provided for the main classes of asset and liability, and the working capital amount is clearly shown.
- (d) The fixed asset section shows clearly cost, aggregate depreciation and net book value of fixed assets.
- (e) The adjustment contained in the notes to the trial balance are incorporated correctly into the statement.
- (f) Capital is updated correctly for profit and drawings.

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

### **UNIT**      Preparing Final Accounts (SCQF level 5)

#### **OUTCOME 3**

Prepare final accounts for a partnership.

##### **Performance Criteria**

- (a) Statements are comprehensive in terms of detailing all the items listed in the trial balance.
- (b) Statements are neat, legible, accurate, contain appropriate headings and subtotals.
- (c) Statements are laid out in good form.
- (d) Adjustments contained in the notes to the trial balance are incorporated correctly into the statements.
- (e) The profit and loss appropriation account shows clearly the appropriation of profit among the partners in accordance with the terms of the partnership agreement.
- (f) Information provided on adjustments to partners' capital and current accounts is clear, detailed and accurate.

#### **OUTCOME 4**

Prepare final accounts for a limited company.

##### **Performance Criteria**

- (a) All the trial balance items and adjustments listed in the notes to the trial balance are included in the statements.
- (b) Statements are neat, legible, accurate and contain appropriate headings and subtotals.
- (c) Statements are laid out in good form.
- (d) The treatment of dividends in the profit and loss appropriation account and balance sheet is correct.
- (e) Details in the balance sheet of share capital is comprehensive in terms of type of share, nominal value per share and total issued nominal value.
- (f) Treatment in the balance sheet of reserves is correct, with accurate information provided on the type and value of each reserve.

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

### **UNIT        Preparing Final Accounts (SCQF level 5)**

#### **OUTCOME 5**

Prepare final accounts for a not-for-profit organisation.

#### **Performance Criteria**

- (a) The opening statement of affairs is accurate and comprehensive, showing clearly the opening balance of the accumulated fund.
- (b) The income and expenditure account includes all the revenue items listed in the receipts and payment account.
- (c) The adjustments in the income and expenditure account for items outstanding at the beginning and end of the period are in accordance with the accruals principle.
- (d) The balance sheet includes all the assets owned by the organisation and all the liabilities due by the organisation at the end of the period.
- (e) The balance sheet shows clearly the closing balance of the accumulated fund adjusted for the surplus/deficit for the period.
- (f) Statements are legible, neat, accurate and in good form with appropriate headings and subtotals, and backed up by relevant working notes.

#### **EVIDENCE REQUIREMENTS FOR THIS UNIT**

##### **Outcome 1**

The preparation of a trading and profit and loss account, in accordance with the Performance Criteria, from a trial balance including revenue and expense items including sales, purchases, sales returns, purchases returns, wages, other expenses both administrative and distributive; and notes to the trial balance regarding adjustments for stock, prepayments, accruals, provision for doubtful debts, provision for depreciation (straight line methods only).

##### **Outcome 2**

Preparation of a balance sheet in accordance with the Performance Criteria from a trial balance including the assets and liabilities including fixed assets, current assets (stock, debtors, prepayments, bank and cash) current liabilities (creditors, VAT and accruals) and long term liabilities (loans); notes to the trial balance regarding adjustments for stock, prepayments, accruals, provision for doubtful debts, provision for depreciation (straight line method only).

##### **Outcome 3**

Preparation of trading and profit and loss account, appropriation account, balance sheet for a partnership as per Performance Criteria including:

- ◆ adjustments for: stock, prepayments, accruals, provision for doubtful debts, provision for depreciation
- ◆ appropriation of profit with regard to salary, interest on capital and share of residual profit/loss
- ◆ adjustments to capital and current accounts: for each partner — appropriated profit (salary interest on capital and share of residual profit/loss) and drawings

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

### **UNIT**      Preparing Final Accounts (SCQF level 5)

#### **Outcome 4**

Preparation of trading and profit and loss account, appropriation account, balance sheet for a limited company as per the Performance Criteria including, incorporating adjustments of stock, prepayments and accruals, provision for doubtful debts, provision for depreciation, appropriation of profits (including proposed dividends for interims and final dividends for ordinary and preference shares) and capitals and reserves section in the balance sheet including share premium and profit and loss account.

#### **Outcome 5**

The preparation, in accordance with the Performance Criteria of income and expenditure account and balance sheet for club/association of a not-for-profit organisation from a receipts and payments account for a given period, together with details of assets and liabilities at the beginning and the end of the period.

## **National Unit Specification: support notes**

### **UNIT      Preparing Final Accounts (SCQF level 5)**

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**

##### **Business environment**

Variety of accounting entities, effect of the nature of the entity on the content and format of accounting statements, need for information on performance and financial position, users of accounting information.

##### **Accounting techniques**

Preparing revenue statements and balance sheets incorporating adjustments to trial balance data.

##### **Accounting principles and theory**

Concepts of Accruals (Matching), Prudence, Cost and Consistency, distinction between Capital and Revenue, nature of profit and capital.

Corresponding to Outcomes 1-5:

#### **1 and 2    Business environment and organisation**

Nature of sole trader, benefits and drawbacks of sole trader status.

##### **Accounting techniques**

Analysis of trial balance items into revenue, expense, asset and liability, from the trial balance preparing the trading and profit and loss account and balance sheet for the sole trader, adjusting for stock, prepayments, accruals, bad debts and depreciation, adjusting capital for profit and drawings.

#### **3            Organisation**

Nature of partnership, benefits and drawbacks of partnership as a business entity, partnership agreements regarding apportionment of profits.

##### **Accounting techniques**

Preparing trading and profit and loss account and balance sheet for a partnership, incorporating adjustments to the trial balance, apportioning profit among partners according to the partnership agreement, recording changes in the capital and current account balances arising from drawings and appropriation of profit.

## National Unit Specification: support notes (cont)

### UNIT Preparing Final Accounts (SCQF level 5)

#### 4 Business environment and organisation

Nature of limited company and share capital, benefits and responsibilities of limited liability status, legal and professional requirements, general impact of accounting standards.

##### Accounting techniques

Preparing the trading and profit and loss account and balance sheet for a limited liability company (for internal use), incorporating share capital and reserves, adjustments to the trial balance and payment of dividend.

#### 5 Organisation

Distinction between profit and not-for-profit organisations. Examples of not-for-profit organisations, effect of the nature of the organisation on content of, and terminology used in, accounting statements.

##### Accounting techniques

Classification of transactions into capital and revenue items, preparing opening statement of affairs, converting information on payment and receipt of cash by a not-for-profit organisation into an income and expenditure account and balance sheet.

##### Accounting theory

Distinction between cash flow accounting and accruals accounting.

### 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 them to develop the necessary skills. Knowledge, understanding and computational skills can be developed simultaneously throughout the Unit.

It is anticipated that delivery will follow the logical order of Outcomes 1–5.

### OPPORTUNITIES FOR CORE SKILL DEVELOPMENT

Achievement of this Unit provides the opportunity for the development of *Numeracy* Core Skill at SCQF level 5.



## **National Unit Specification: support notes (cont)**

### **UNIT        Preparing Final Accounts (SCQF level 5)**

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

##### **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)*.

Instruments of Assessment should validly and reliably assess the Outcomes and Performance Criteria of the Unit. In most cases, an assignment will be the most suitable instrument and it will be more appropriate for evidence to be generated throughout the Unit, rather than at the end.

##### **Degree of accuracy**

A small margin of error may be allowed in the assessment of each Outcome. The number of errors allowed will depend upon the nature of the instrument and the significance of the errors but, as a broad rule of thumb, 2–3 errors per assignment could be regarded as acceptable.

##### **Time allowed**

Adequate time should be allowed for the completion of each assignment but a time limit should be imposed to simulate the pressures of the workplace.

##### **Reassessment**

Where evidence of competence has not been demonstrated during the assessment, an element of reassessment will be required. It will depend upon individual circumstances as to whether reassessment is required in a small discrete area only or a complete reassessment is necessary.

##### **Conditions of assessment**

The recommended approach to the assessment of the Outcomes is by use of assignments, delivered in the class under examination conditions, without the aid of notes or textbooks.

##### **Number of assessment events**

Whenever possible, assessment should be integrated. For example, Outcomes 1–4 could be combined within a single assessment event, with the candidate being required to prepare final accounts for one type of entity, say a limited company, and to demonstrate the difference between final accounts of different entities by focusing on the appropriation section in the profit and loss account and the capital section in the balance sheet.

## **National Unit Specification: support notes (cont)**

### **UNIT**      Preparing Final Accounts (SCQF level 5)

#### **Order of assessment**

The order in which the Outcomes are delivered and assessed does not require to be the same as that listed in the Unit, although in this case, it would appear logical to follow the order laid down.

#### **Timing of assessment/reassessment**

The most appropriate timing of initial assessment would appear to be immediately following the delivery of the portion of the Unit being assessed, with time allowed for remediation prior to reassessment. A bank of instruments should be prepared for each assessment point, so that each reassessment is based on a fresh instrument.

### **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](http://www.sqa.org.uk)).