

# National 5 Accounting Course Support Notes



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Please refer to the note of changes at the end of this document for details of changes from previous version (where applicable).

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# Introduction

These support notes are not mandatory. They provide advice and guidance on approaches to delivering and assessing the National 5 Accounting Course. They are intended for teachers and lecturers who are delivering the Course and its Units. They should be read in conjunction with the *Course Specification*, the *Course Assessment Specification* and the Unit Specifications for the Units in the Course.

# General guidance on the Course

## Aims

The National 5 Accounting Course aims to enable learners to:

- ◆ develop awareness of the important function and contribution accounting makes to industry and society, including personal and social contexts
- ◆ develop accuracy in the preparation, presentation, interpretation and analysis of accounting information, and apply a systematic approach to problem solving regarding financial issues
- ◆ apply relevant accounting concepts and techniques when preparing financial information
- ◆ develop an awareness of a range of sources of finance available to organisations and when to use the most appropriate ones
- ◆ apply information technology in accounting-related tasks

## Progression into this Course

Entry into this Course is at the discretion of the centre. However, learners would normally be expected to have attained skills, knowledge and understanding required by one or more of the following or equivalent qualifications:

- ◆ National 4 Business Course or relevant component Units
- ◆ National 4 Mathematics Course
- ◆ Numeracy (National 4) Unit

In terms of prior learning and experience, relevant experiences and outcomes may also provide an appropriate basis for doing this Course. Where learners have not completed Curriculum for Excellence experiences and outcomes, this need not present a barrier to them completing this Course.

### Experiences and outcomes

The National 5 Accounting Course draws on and further builds on the following experiences and outcomes from the social studies and technologies curriculum areas. There is an expectation that learners who study this Course will have overtaken these relevant experiences and outcomes.

Organiser	Experiences and outcomes — level 4
People in society, economy and business	<p><i>I can evaluate the suitability of finance options available for setting up and supporting different types of businesses.</i> <b>(SOC 4-21a)</b></p> <p><i>Having considered the financial needs of individuals and businesses, I can evaluate, prepare and present financial information and documents to assist in making appropriate financial decisions.</i> <b>(SOC 4-21b)</b></p> <p><i>I can identify internal and external factors influencing planning and decision making and can assess how these decisions contribute to the success or failure of business.</i> <b>(SOC 4-22b)</b></p>
ICT to enhance learning	<p><i>I can use ICT effectively in different learning contexts across the curriculum to access, select and present relevant information in a range of tasks.</i> <b>(TCH 4-03b)</b></p> <p><i>Throughout my learning, I can make effective use of a computer system to process and organise information.</i> <b>(TCH 4-04a)</b></p>

## Skills, knowledge and understanding covered in this Course

This section provides further advice and guidance about skills, knowledge and understanding that could be included in the Course.

Teachers and lecturers should refer to the *Course Assessment Specification* for mandatory information about the skills, knowledge and understanding to be covered in this Course.

The Course will develop learners' ability to use accounting techniques which will help them understand the importance of finance in business and in their everyday lives.

The skills, knowledge and understanding that will be developed in the Accounting National 5 Course are outlined below:

<b>Mandatory skills, knowledge and understanding</b>	<b>Preparing Financial Accounting Information</b>	<b>Preparing Management Accounting Information</b>	<b>Analysing Accounting Information</b>
Using accounting techniques, in familiar contexts, to facilitate decision making	✓	✓	✓
Selecting straightforward accounting information to determine business profits and costs	✓	✓	✓
Using ICT to produce and communicate straightforward accounting information in a range of contexts	✓	✓	✓
Evaluating business success on the basis of accounting information		✓	✓
Preparing and presenting a range of straightforward accounting statements	✓	✓	
Interpreting and analysing a range of accounting information			✓
Demonstrating knowledge and understanding of fundamental accounting concepts and theories	✓		

<b>Other skills developed</b>	
Research	<ul style="list-style-type: none"> <li>◆ developing the ability to carry out research and interpreting and evaluating information which will assist with decision making</li> <li>◆ using financial pages/reports from business websites and relevant paper-based sources such as newspapers to find up-to-date financial information</li> </ul>
Communication	<ul style="list-style-type: none"> <li>◆ developing communication skills will permeate the Course — learners will be able to demonstrate their communication clearly both orally and in writing to highlight any issues from accounting information so that tactical and strategic decisions can be made</li> <li>◆ using IT to present outcomes of learning</li> </ul>
Decision Making	<ul style="list-style-type: none"> <li>◆ developing the ability to identify business financial issues or problems and devising tactical or strategic solutions to these issues/problems</li> </ul>
Analytical skills	<ul style="list-style-type: none"> <li>◆ interpreting business ratios, graphs, charts and statistics to assess business financial performance and making evaluative comments on the results, eg in break-even, budgets and ratios</li> </ul>
IT skills	<ul style="list-style-type: none"> <li>◆ developing IT skills by preparing financial statements using spreadsheets, ensuring that appropriate formulae is inserted into the spreadsheet during the preparation process</li> <li>◆ producing charts and graphs to aid decision making</li> <li>◆ commenting on the results of analysis using word processing</li> </ul>
Application of knowledge and understanding of underpinning theory	<ul style="list-style-type: none"> <li>◆ applying financial concepts and theories to the preparation of financial documents and statements when required</li> </ul>

## Progression from this Course

This Course or its components may provide progression to:

- ◆ Higher Accounting Course
- ◆ Units or qualifications in related accounting or business subjects
- ◆ further study, employment and/or training

## Hierarchies

**Hierarchy** is the term used to describe Courses and Units which form a structured sequence involving two or more SCQF levels.

In Accounting, the Courses and Units are offered from SCQF level 5 to SCQF level 7.

It is important that any content in a Course and/or Unit at one particular SCQF level is not repeated if a learner progresses to the next level of the hierarchy. The skills and knowledge should be able to be applied to new content and contexts to enrich the learning experience. This is for centres to manage.

This may be achieved through the planned use of appropriately differentiated activities and contexts within Units. The level of learner support and the sophistication of responses expected would also be a useful factor in ensuring progression rather than repetition.

Learners will be expected to demonstrate a greater degree of autonomy with less support offered by the teacher/lecturer the higher they progress through hierarchy. This should increase the sense of ownership the learners have over their work and ensure that, even if they have previously completed the Course at a lower level, their interest in the subject is kept alive.

To the learners who might exceed the SCQF level they are working at, a hierarchical arrangement gives the opportunity to have their best achievements recognised. For those who might fall short in some areas, on the other hand, it provides a fallback. A hierarchical arrangement also enables learners to work at different levels in one class, and it is envisaged that this will happen in some centres.

# Approaches to learning and teaching

Centres are free to sequence the teaching of the Outcomes, Units and/or Course in any order they wish but are encouraged to adopt an integrated approach so that learners' appreciate the integrative nature of accounting. *Analysing Accounting Information* may be taught as an extension to the *Financial* and *Management* Units instead of the three individual Units covered separately or in isolation. For example:

Delivery model one	
Preparing Financial Accounting Information	Each Unit can be delivered separately and in any order but it is recommended to deliver the Analysing Unit last
Preparing Management Accounting Information	
Analysing Accounting Information	

  

Delivery model two	
Preparing Financial Accounting Information	↑ Analysing Accounting Information ↓
Preparing Management Accounting Information	

Due to the nature of the subject a partially integrated approach is recommended. This will enable learners to acquire skills, knowledge and understanding in a more meaningful way. Such an approach can help learners transfer newly developed skills to new contexts.

Examples of appropriate learning and teaching approaches could include:

- ◆ active and open-ended learning activities such as problem based scenarios
- ◆ active and open-ended learning activities such as research and presentation tasks
- ◆ use of real-life contexts and experiences familiar and relevant to young people, eg Young Enterprise, funding school trips, operating tuck shops
- ◆ a mix of collaborative, co-operative or independent tasks to develop team working and using initiative
- ◆ field trips, visits and input by external contributors
- ◆ case studies or making use of local businesses to contextualise learning
- ◆ online file sharing/virtual learning environments may be used to provide learners with opportunities to undertake work independently

Centres should remember that at this level of the Course learning should be contextualised to **sole traders** as it is the only business structure covered in the Unit *Preparing Financial Accounting Information*.

## Developing skills for learning, skills for life and skills for work

The generic skills for learning, life and work which this Course develops include aspects of numeracy, employability and thinking skills. It will be important for teachers/lecturers to offer learners ample opportunity to develop these skills as an integral part of their learning experience because this will highlight those skills' relevance.

The coverage of skills for learning, skills for life and skills for work is illustrated in the table below:

Skill	How it is developed
Numeracy	<ul style="list-style-type: none"> <li>◆ carrying out numerical calculations, eg when completing a cash budget, financial statements (final accounts), management statements, financial records and calculating ratios</li> <li>◆ gathering financial information from a range of sources and presenting it in accounting statements, tables or graphs to aid interpretation or decision making</li> <li>◆ interpreting and extracting information from tables, charts, graphs or diagrams to help make informed decisions</li> </ul>
Employability, enterprise and citizenship	<ul style="list-style-type: none"> <li>◆ demonstrating an understanding of how commercial businesses work</li> <li>◆ encouraging autonomy/initiative through personal research</li> <li>◆ developing skills that allow learners to enter the world of work, such as exploring financial-based career opportunities</li> <li>◆ improving ICT skills for a technology-driven society</li> <li>◆ working with others</li> <li>◆ meeting deadlines, being proactive in roles and being part of a team</li> </ul>
Thinking skills	<ul style="list-style-type: none"> <li>◆ using accounting concepts, theories and vocabulary in the correct setting</li> <li>◆ using case studies/scenarios</li> <li>◆ setting concepts in real-life examples</li> <li>◆ sharing information and explaining its importance</li> <li>◆ using information to solve problems</li> <li>◆ planning, organising and completing tasks</li> <li>◆ producing financial information to assist management in making tactical and strategic decisions</li> <li>◆ evaluating solutions and providing advice based on their analysis</li> </ul>

# Approaches to assessment

There are different approaches to assessment, and teachers/lecturers should use their professional judgement, subject knowledge and experience, as well as understanding of their learners and their varying needs, to determine the most appropriate ones and, where necessary, to consider workable alternatives.

Assessments must be fit for purpose and should allow for consistent judgements to be made by all assessors. They should also be conducted in a supervised manner to ensure that the evidence provided is valid and reliable.

Assessments must ensure that the evidence generated demonstrates, at least, the minimum level of competence for each Unit. Assessors preparing assessment methods should be clear about what that evidence will look like for their centre or learner. Examples of suitable forms of evidence could include:

- ◆ multiple choice questions
- ◆ short written responses
- ◆ participation in group work and discussion (making use of log books, blogs, question and answer sessions to confirm individual learners have met the required standards)
- ◆ presenting information to other groups and/or recorded oral evidence
- ◆ interpretation of numerical data
- ◆ various forms of e-assessment, such as e-portfolios
- ◆ print-outs of the completed tasks
- ◆ written answers from completing a question paper

Evidence should include the use of appropriate accounting terminology and standardised layouts where appropriate. The more practical elements of the Course, which include the preparation and presentation of financial information and analysis of financial information, can be completed either in a paper-based form or by making use of IT.

Flexibility in the method of assessment provides opportunities for learners to demonstrate attainment in a variety of ways and so reduce barriers to attainment. The structure of an assessment used by a centre can take a variety of forms, for example:

- ◆ assessment of each individual Assessment Standard — individual pieces of work could be collected in a folio
- ◆ assessment of each complete Outcome
- ◆ assessment that combines Outcomes of one or more Units
- ◆ assessment that requires more than the minimum competence, which would allow learners to prepare for the Course assessment

Teachers/lecturers should note that learners' day-to-day work may produce evidence which satisfies assessment requirements of a Unit, or Units, either in full or partially. Such naturally occurring evidence generated during lessons, may be used as a contribution towards Unit assessment.

## Preparation for Course assessment

Each Course has an allocation of time which may be used at the discretion of the teacher/lecturer to enable learners to prepare for Course assessment. This time may be used throughout the Course for consolidation and support. It may also be used for preparation for Unit assessment or for further integration, revision and preparation for Course assessment.

Information given in the *Course Specification* and the *Course Assessment Specification* about the assessment of added value is mandatory.

Examples of activities to include within this notional time are described below:

- ◆ Preparing for the assignment — this time could be used by learners to undertake previous past paper assignments, or by doing spreadsheet tasks on the topics that will be included in the current year's assignment (these topics will be given out in advance by the SQA).
- ◆ Revising for the question paper — this may be done individually, in small groups or within the class or group as a whole, at the discretion of the teacher or lecturer, and could include the exemplification of accounting layouts and command words to assist learners in developing their solutions and responses.
- ◆ Revising and preparing for Unit assessment — this can support Course assessment as it may be done by written assessments which cover multiple Outcomes that could gauge learners' ability to demonstrate the breadth and depth of knowledge required for the question paper Component of the Course assessment.

## Combining assessment across Units

Centres are free to deliver and assess Units and Outcomes in any order they wish. This provides an opportunity for flexibility in sequencing the delivery of the Course and/or Units. In this situation, assessments could be combined across Units as other topics of the Course can offer the opportunity to be assessed synoptically.

Where possible, using a combined approach to assessment is recommended because it will:

- ◆ enrich the assessment process for both learners and teachers/lecturers by bringing together elements of different Units
- ◆ make more sense to learners and avoid duplication of assessment
- ◆ ensure greater rigour in assessment
- ◆ allow for evidence for all Units to be drawn from a range of activities, making it easier to cover aspects which may not occur in a one-off assessment
- ◆ use assessment opportunities efficiently and reduce over-assessment

Combined assessment will also minimise repetition, allow more time for learning and enable centres to manage the assessment process more efficiently.

The Unit *Analysing Accounting Information* lends itself to being delivered alongside the other two Units within the Course. For example, when assessing from the Unit *Preparing Financial Accounting Information*, Outcome 2 from *Analysing Accounting Information*, which focuses on ratio analysis, could also be included in the assessment task. Once this standard has been achieved it would not need to be assessed again. The assessment model below demonstrates how this can be achieved, resulting in the learner completing two Unit assessments rather than three.

<b>Assessment one</b>	<b>Assessment two</b>
Preparing Financial Accounting Information Analysing Accounting Information (Outcome 2)	Preparing Management Accounting Information Analysing Accounting Information (Outcome 1)

When assessment across the Units is combined, teachers/lecturers should take particular care to track the evidence for each Unit to ensure that learners who do not achieve the entire Course may still get the credit for the Unit or Units they have achieved.

# Equality and inclusion

It is recognised that centres have their own duties under equality and other legislation and policy initiatives. The guidance given in these *Course Support Notes* is designed to sit alongside these duties but is specific to the delivery and assessment of the Course.

The high degree of flexibility within this Course in terms of possible approaches to Unit assessment means that Course and Unit planners can consider and remove potential barriers to learning and assessment. Alternative assessment arrangements and reasonable adjustments can be made in order that this Course and its Units are accessible to all learners.

It is important that centres are aware of and understand SQA's assessment arrangements for disabled learners, and those with additional support needs, when making requests for adjustments to published assessment arrangements. Centres will find more guidance on this in the series of publications on Assessment Arrangements on SQA's website: [www.sqa.org.uk/sqa//14977.html](http://www.sqa.org.uk/sqa//14977.html).

# Appendix 1: Reference documents

The following reference documents will provide useful information and background.

- ◆ Assessment Arrangements (for disabled candidates and/or those with additional support needs) — various publications are available on SQA's website at: [www.sqa.org.uk/sqa//14977.html](http://www.sqa.org.uk/sqa//14977.html).
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- ◆ [Skills for Learning, Skills for Life and Skills for Work: Using the Curriculum Tool](#)
- ◆ [SQA Guidelines on e-assessment for Schools](#)
- ◆ [SQA Guidelines on Online Assessment for Further Education](#)
- ◆ [SQA e-assessment web page](#)

# Administrative information

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## History of changes to Course Support Notes

Version	Description of change	Authorised by	Date
1.1	Minor amendments to wording.	Qualifications Manager	September 2014
1.2	Minor amendment to wording in 'Approaches to learning and teaching' section.	Qualifications Manager	September 2015

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## Unit Support Notes — Preparing Financial Accounting Information (National 5)



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Please refer to the note of changes at the end of this document for details of changes from previous version (where applicable).

# Introduction

These support notes are not mandatory. They provide advice and guidance on approaches to delivering and assessing the *Preparing Financial Accounting Information* (National 5) Unit. They are intended for teachers and lecturers who are delivering this Unit. They should be read in conjunction with:

- ◆ the *Unit Specification*
- ◆ the *Course Specification*
- ◆ the *Course Assessment Specification*
- ◆ the *Course Support Notes*
- ◆ appropriate assessment support materials

If the *Unit Support Notes* have been developed for a Unit which is not part of a Course, then it is only necessary to read them in conjunction with the *Unit Specification*.

# General guidance on the Unit

## Aims

The aim of this Unit is to allow learners who wish to take advantage of further numeracy-based learning opportunities to develop skills, knowledge and understanding relating to the preparation of financial accounting information.

This is a mandatory Unit of the National 5 Accounting Course and is also available as a free-standing Unit. Exemplification of the standards in this Unit will be given in the *Unit assessment support packs*.

Learners who complete this Unit will be able to:

- ◆ record straightforward financial accounting transactions to the trial balance stage
- ◆ apply knowledge and understanding of accounting concepts in the preparation of period-end adjustment
- ◆ prepare period-end financial accounting statements that show profit for the year (net profit) and net worth

## Progression into this Unit

Entry into this Unit is at the discretion of the centre. However, learners would normally be expected to have attained skills, knowledge and understanding required by one or more of the following or equivalent qualifications:

- ◆ National 4 Business Course or component Units
- ◆ National 4 Mathematics Course

## Skills, knowledge and understanding covered in this Unit

Information about skills, knowledge and understanding is given in the National 5 Accounting *Course Support Notes*.

If this Unit is being delivered on a free-standing basis, teachers and lecturers are free to select the skills, knowledge, understanding and contexts which are most appropriate for delivery in their centres.

## Progression from this Unit

This Unit may provide progression to:

- ◆ Higher Accounting
- ◆ further study, employment and/or training

# Approaches to learning, teaching and assessment

Centres are reminded that the **sole trader** is the only business structure covered by this Unit and teachers/lecturers should try to contextualise learning to this business structure.

Learning and teaching approaches should be learner-centred, participative and practical in nature. The underpinning knowledge should be integrated with practical activities and placed in the context of those activities. There should be an appropriate balance between whole-class teaching and activity-based learning.

The table below suggests some activities which could support the delivery of this Unit and which may suit the needs of learners with different learning styles.

## Preparing Financial Accounting Information

Topic	Skills, knowledge and understanding	Suggested experiences and activities
Sole trader	Definition and examples.	<ul style="list-style-type: none"> <li>◆ Defining and giving examples of sole traders may be used to set the scene of the Unit and the Course.</li> <li>◆ Researching into local sole traders — online, field trips to look at local businesses.</li> <li>◆ Inviting local sole traders to class to discuss their experiences — gives learners a better understanding of what a sole trader is.</li> <li>◆</li> </ul>
Role of financial accountant	Describing the duties, scope and responsibilities of the financial accountant.	<ul style="list-style-type: none"> <li>◆ brainstorming</li> <li>◆ researching the internet or text book</li> <li>◆ visiting local organisations and/or visiting speakers to class</li> <li>◆ presenting research findings to peers</li> </ul>

<p>Business documents (this topic should articulate with the topic below)</p>	<p>Preparation of invoices, credit notes and statements. Preparation of business documents to include VAT and calculations where trade and cash discount are being allowed.</p> <p>Extraction of information for use in ledger accounts from the following documents invoices, copy invoices, credit notes, copy credit notes, cash receipts and bank accounts (including electronic funds transfer).</p>	<ul style="list-style-type: none"> <li>◆ Using business documents in paper-based or electronic form.</li> <li>◆ Visiting internal or external offices to view business documents used in a work environment.</li> <li>◆ Manually and/or electronically completing each type of business document including the use of trade and cash discounts and VAT.</li> </ul>
<p>Recording entries in ledger accounts (this topic should articulate with the topic below)</p>	<p>Relating to: Non-current/current assets (fixed/current assets), income/expenses, non-current/current liabilities (long term/ current liabilities), equity (capital), drawings.</p> <p>Expenses to be accounted for to include all general expenses, eg electricity, wages etc, bad debts, discount allowed and received, depreciation.</p>	<ul style="list-style-type: none"> <li>◆ Illustrating the double entry process — teacher-led activity. The use of presentation and/or screen-share software may be used to enhance the learning experience and to clearly illustrate the double entry process.</li> <li>◆ Preparing ledger accounts using the double entry system arising from transactions from business documents.</li> </ul>
<p>Preparing trial balance (this topic should articulate with the topic below)</p>	<p>Trial balance preparation from ledger accounts.</p>	<ul style="list-style-type: none"> <li>◆ Using skeleton electronic templates to illustrate and emphasise the purpose of the trial balance as a checking device.</li> <li>◆ Individually practising, constructing and completing trial balances from given tasks.</li> </ul>
<p>Financial Statements (Final accounts) and Statement of Financial Position (balance sheet) of sole trader</p>	<p>Preparation of Statement of Financial Position (balance sheet) in line with current accounting practice.</p>	<ul style="list-style-type: none"> <li>◆ Dynamically linking of sheets within a spreadsheet file to demonstrate the integrative nature of financial accounting.</li> <li>◆ Learners may then individually practise drawing up financial statements from information given.</li> </ul>

Correction of errors	Amendments to gross profit and profit for the year (net profit) as a result of identified errors  Knowledge and understanding of different classification of errors.	<ul style="list-style-type: none"> <li>◆ Using spreadsheets and formulas to demonstrate the before and after effects to gross and profit for the year (net profit) of the result of correcting identified errors.</li> </ul>
Sources of finance	Knowledge and understanding of sources of finance for a sole trader.	<ul style="list-style-type: none"> <li>◆ brainstorming</li> <li>◆ researching the internet or text book</li> <li>◆ visiting local organisations and/or visiting speakers to class</li> <li>◆ presenting research findings to peers</li> </ul>

The table above gives examples of learning and teaching activities that may be used when delivering the Course. This would be classified as naturally occurring evidence which could be used to demonstrate that the learner has met the Assessment Standards within the Unit Specification.

There are a number of assessment strategies that could be used in this Unit, including:

- ◆ completing computer- or paper-based accounting tasks that include short answer theory questions
- ◆ a portfolio of tasks could be submitted by learners

Information about assessment approaches in this Unit is given in the National 5 Accounting *Course Support Notes*.

## **Combining assessment within Units**

Assessment could be combined in the *Preparing Financial Accounting Information* (National 5) Unit by holistically assessing all of the Outcomes of the Unit in a single assessment.

When assessment within the Unit is holistic, teachers/lecturers should take particular care to track the evidence for each individual Outcome to ensure that learners who do not achieve all Outcomes may still get the recognition for the Outcome or Outcomes they have achieved.

## **Developing skills for learning, skills for life and skills for work**

Information about developing skills for learning, skills for life and skills for work in this Unit is given in the relevant *Course Support Notes*.

# Equality and inclusion

It is recognised that centres have their own duties under equality and other legislation and policy initiatives. The guidance given in these *Unit Support Notes* is designed to sit alongside these duties but is specific to the delivery and assessment of the Unit.

The high degree of flexibility within this Course in terms of possible approaches to Unit assessment means that Course and Unit planners can consider and remove potential barriers to learning and assessment. Alternative assessment arrangements and reasonable adjustments can be made in order that this Course and its Units are accessible to all learners. However, the centre must be satisfied that the integrity of the assessment is maintained and that any alternative approaches to assessment will, in fact, generate the necessary evidence of achievement.

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# Administrative information

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## History of changes to Unit Support Notes

Version	Description of change	Authorised by	Date
1.1	Updated to reflect International Accounting Standards Terminology. Minor amendments to clarify standards.	Qualifications Manager	September 2014

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# Introduction

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- ◆ the *Course Assessment Specification*
- ◆ the *Course Support Notes*
- ◆ appropriate assessment support materials

If the *Unit Support Notes* have been developed for a Unit which is not part of a Course, then it is only necessary to read them in conjunction with the *Unit Specification*.

# General guidance on the Unit

## Aims

The aim of this Unit is to allow learners who wish to take advantage of further numeracy-based learning opportunities to develop skills, knowledge and understanding relating to the preparation of financial accounting information.

This is a mandatory Unit of the National 5 Accounting Course and is also available as a free-standing Unit. Exemplification of the standards in this Unit will be given in the *Unit assessment support packs*

Learners who complete this Unit will be able to:

- ◆ describe management accounting concepts
- ◆ prepare management accounting statements

## Progression into this Unit

Entry into this Unit is at the discretion of the centre. However, learners would normally be expected to have attained skills, knowledge and understanding required by one or more of the following or equivalent qualifications:

- ◆ National 4 Business Course or component Units
- ◆ National 4 Mathematics Course

## Skills, knowledge and understanding covered in this Unit

Information about skills, knowledge and understanding is given in the National 5 Accounting *Course Support Notes*.

If this Unit is being delivered on a free-standing basis, teachers and lecturers are free to select the skills, knowledge, understanding and contexts which are most appropriate for delivery in their centres.

## Progression from this Unit

This Unit may provide progression to:

- ◆ Higher Accounting
- ◆ further study, employment and/or training

# Approaches to learning, teaching and assessment

Centres are reminded that the sole trader is the only business structure covered in *Preparing Financial Accounting Information Unit* and teachers/lecturers should try to contextualise learning to this business structure.

Learning and teaching approaches should be learner-centred, participative and practical in nature. The underpinning knowledge should be integrated with practical activities and placed in the context of those activities. There should be an appropriate balance between whole-class teaching and activity-based learning.

The table below suggests some activities which could support the delivery of this Unit and which may suit the needs of learners with different learning styles.

## Preparing Management Accounting Information

Topic	Skills, knowledge and understanding	Suggested experiences and activities
Role of management accountant	Duties, scope and responsibilities of the management accountant.	<ul style="list-style-type: none"> <li>◆ Brainstorming</li> <li>◆ Researching the internet or text books</li> <li>◆ Visiting local organisations and/or visiting speakers coming to class</li> <li>◆ Presenting research findings to peers</li> </ul>
Costing	Classification of fixed/variable/direct/indirect costs; Material — calculate inventory (stock) values using first in first out (FIFO), last in first out (LIFO) using inventory (stock) control cards. Labour — record and calculate wages using time/piece/flat-rate methods of remuneration. Overheads — production of overhead analysis statement, showing apportionment and allocation of overheads to cost centres re-apportionment of overheads. Calculate unit cost of production.	<ul style="list-style-type: none"> <li>◆ Adopting a scenario-based approach to illustrate the three elements of cost involved in the calculation of the total of cost per unit eg the manufacture of t-shirts.</li> <li>◆ Through an enterprise project, learners will develop a working knowledge of costing.</li> <li>◆ Using movie files may to illustrate the production and cost tracking process.</li> <li>◆ Visiting storerooms and canteens to illustrate the working environment where these procedures may be witnessed.</li> </ul>

	Prepare job cost statements.	<ul style="list-style-type: none"> <li>◆ Completing partially prepared electronic templates to emphasise the presentation layouts required.</li> <li>◆ Individually practising, constructing and completing the required layouts from given tasks.</li> </ul>
Break-even	<p>Fixed and variable costs; contribution; calculation of break-even point (in units and currency); calculation of margin of safety (in units and currency); using formulae to ascertain units required to achieve a given profit; using formulae to ascertain profit/loss at a given amount of units.</p> <p>Identification of relevant costs and revenue information using charts.</p>	<ul style="list-style-type: none"> <li>◆ Discussing cost behaviour and illustrating how to prepare break-even charts — teacher-led activity.</li> <li>◆ Learners then individually producing charts manually and/or electronically.</li> <li>◆ Using break-even formulae in given tasks.</li> </ul>
Cash budgets	<p>Basic principles and benefits of budgeting.</p> <p>Preparation of cash budget for a time period of up to three months.</p>	<ul style="list-style-type: none"> <li>◆ Discussing personal and family budgets to contextualise learning to introduce this topic.</li> <li>◆ Completing partially prepared electronic templates to illustrate and emphasise the presentation layouts required.</li> </ul>

The table above gives examples of learning and teaching activities that may be used when delivering the Course. This would be classified as naturally occurring evidence which could be used to demonstrate that the learner has met the Assessment Standards within the Unit Specification.

There are a number of assessment strategies that could be used in this Unit, including:

- ◆ completing computer- or paper-based accounting tasks that include short answer theory questions
- ◆ a portfolio of tasks could be submitted by learners

Information about assessment approaches in this Unit is given in the National 5 Accounting *Course Support Notes*.

## **Combining assessment within Units**

Assessment could be combined in the *Preparing Management Accounting Information* (National 5) Unit by holistically assessing all of the Outcomes of the Unit in a single assessment.

When assessment within the Unit is holistic, teachers/lecturers should take particular care to track the evidence for each individual Outcome to ensure that learners who do not achieve all Outcomes may still get the recognition for the Outcome or Outcomes they have achieved.

## **Developing skills for learning, skills for life and skills for work**

Information about developing skills for learning, skills for life and skills for work in this Unit is given in the relevant *Course Support Notes*.

# Equality and inclusion

It is recognised that centres have their own duties under equality and other legislation and policy initiatives. The guidance given in these *Unit Support Notes* is designed to sit alongside these duties but is specific to the delivery and assessment of the Unit.

The high degree of flexibility within this Course in terms of possible approaches to Unit assessment means that Course and Unit planners can consider and remove potential barriers to learning and assessment. Alternative assessment arrangements and reasonable adjustments can be made in order that this Course and its Units are accessible to all learners. However, the centre must be satisfied that the integrity of the assessment is maintained and that any alternative approaches to assessment will, in fact, generate the necessary evidence of achievement.

# Appendix 1: Reference documents

The following reference documents will provide useful information and background.

- ◆ Assessment Arrangements (for disabled candidates and/or those with additional support needs) — various publications are available on SQA's website at: [www.sqa.org.uk/sqa//14977.html](http://www.sqa.org.uk/sqa//14977.html).
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# Administrative information

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**Published:** September 2015 (version 1.1)

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## History of changes to Unit Support Notes

Version	Description of change	Authorised by	Date
1.1	Updated to reflect International Accounting Standards Terminology. Minor amendments to clarify standards.	Qualifications Manager	September 2014

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## Unit Support Notes — Analysing Accounting Information (National 5)



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Please refer to the note of changes at the end of this document for details of changes from previous version (where applicable).

# Introduction

These support notes are not mandatory. They provide advice and guidance on approaches to delivering and assessing the *Analysing Accounting Information* (National 5) Unit. They are intended for teachers and lecturers who are delivering this Unit. They should be read in conjunction with:

- ◆ the *Unit Specification*
- ◆ the *Course Specification*
- ◆ the *Course Assessment Specification*
- ◆ the *Course Support Notes*
- ◆ appropriate assessment support materials

If the *Unit Support Notes* have been developed for a Unit which is not part of a Course, then it is only necessary to read them in conjunction with the *Unit Specification*.

# General guidance on the Unit

## Aims

The general aim of this Unit is to allow learners who wish to take advantage of further numeracy-based learning opportunities to develop skills, knowledge and understanding relating to the interpretation and analysis of accounting information. The information will be used to assess the organisation's current financial position and performance and assist with future decision making and planning.

This is a mandatory Unit of the National 5 Accounting Course and is also available as a free-standing Unit. Exemplification of the standards in this Unit will be given in the *Unit assessment support packs*

Learners who complete this Unit will be able to:

- ◆ evaluate accounting information to aid decision making
- ◆ interpret and evaluate business performance to aid future planning

## Progression into this Unit

Entry into this Unit is at the discretion of the centre. However, learners would normally be expected to have attained skills, knowledge and understanding required by one or more of the following or equivalent qualifications:

- ◆ National 4 Business Course or component Units
- ◆ National 4 Mathematics Course

## Skills, knowledge and understanding covered in this Unit

Information about skills, knowledge and understanding is given in the National 5 Accounting *Course Support Notes*.

If this Unit is being delivered on a free-standing basis, teachers and lecturers are free to select the skills, knowledge, understanding and contexts which are most appropriate for delivery in their centres.

## Progression from this Unit

This Unit may provide progression to:

- ◆ Higher Accounting
- ◆ further study, employment and/or training

# Approaches to learning, teaching and assessment

Centres are reminded that the sole trader is the only business structure covered in *Preparing Financial Accounting Information Unit* and teachers/lecturers should try to contextualise learning to this business structure.

Learning and teaching approaches should be learner-centred, participative and practical in nature. The underpinning knowledge should be integrated with practical activities and placed in the context of those activities. There should be an appropriate balance between whole-class teaching and activity-based learning.

The table below suggests some activities which could support the delivery of this Unit and which may suit the needs of learners with different learning styles.

## Analysing Accounting Information

Topic	Skills, knowledge and understanding	Suggested experiences and activities
Decision making (this topic should articulate with the topic below)	Calculation and interpretation of ratios: <ul style="list-style-type: none"> <li>◆ profitability               <ul style="list-style-type: none"> <li>— gross profit percentage (GP%)</li> <li>— profit for the year (net profit) percentage (NP%)</li> <li>— return on equity (capital) employed (ROEE) (ROCE)</li> </ul> </li> <li>◆ liquidity — current ratio acid test ratio</li> <li>◆ efficiency               <ul style="list-style-type: none"> <li>— rate of inventory (stock) turnover</li> <li>— expense ratio</li> <li>— trade receivables (debtors) period</li> <li>— trade payables (creditors) period</li> <li>— non-current (fixed) asset: turnover</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>◆ Linking this section to the financial statements of the sole trader. This approach would support the learner's understanding of what these presentations demonstrate.</li> <li>◆ Practising calculations and interpretation of ratios through given tasks.</li> <li>◆ Discussing and/or reporting the implications for the performance of the sole trader.</li> <li>◆ Using spreadsheet formulae in the calculation of financial ratios would reinforce the effect of changes and comparisons of performance of the sole trader.</li> </ul>

	<p>Formulae to be provided for assessment</p> <p>Calculation of accounting information from pre-given ratios (working ratios back)</p> <p>Yardsticks of comparison — budget versus actual, past performance, industry average</p> <p>Limitations of ratio analysis</p> <p>See Appendix 2: ratio formulae</p>	
<p>Decision-making (this topic should articulate with Preparing Management Accounting Information)</p>	<p>Break-even:</p> <ul style="list-style-type: none"> <li>◆ analysis of impact on break-even point of changes to sales price/costs</li> <li>◆ calculate changes required in selling price/contribution to maintain/improve existing profit levels</li> </ul> <p>Budgeting:</p> <ul style="list-style-type: none"> <li>◆ cash management of shortfalls and surpluses</li> <li>◆ knowledge and understanding of ways to improve short-term cash flow</li> </ul> <p>Limiting factor:</p> <ul style="list-style-type: none"> <li>◆ profit maximisation under constraint of a limiting factor</li> </ul>	<ul style="list-style-type: none"> <li>◆ Linking this section to the break-even and cash budgets sections of the <i>Preparing Management Accounting Information</i> Unit would support understanding of these topics and the effects of changes in data.</li> <li>◆ Using spreadsheet files containing formulae to illustrate the effects on break-even point of changes in selling price and costs.</li> <li>◆ Practising manual calculations of the effect on break-even point of changes in selling price and costs through tasks.</li> <li>◆ Using a short case study to calculate changes required to maintain/improve existing profit levels and margins of safety.</li> <li>◆ Providing stimulus materials to identify cash management and trends in cash flow.</li> <li>◆ Researching different sources of finance available to sole traders and producing an information leaflet or presentation aimed at new businesses.</li> </ul>

The table above gives examples of learning and teaching activities that may be used when delivering the Course. This would be classified as naturally occurring evidence which could be used to demonstrate that the learner has met the Assessment Standards within the Unit Specification.

There are a number of assessment strategies that could be used in this Unit, including:

- ◆ completing computer or paper-based accounting tasks, that include short answer theory questions
- ◆ a portfolio of tasks could be submitted by learners

Information about assessment approaches in this Unit is given in the National 5 Accounting *Course Support Notes*.

## **Combining assessment within Units**

Assessment could be combined in the *Analysing Accounting Information* (National 5) Unit by holistically assessing all of the Outcomes of the Unit in a single assessment.

When assessment within the Unit is holistic, teachers/lecturers should take particular care to track the evidence for each individual Outcome to ensure that learners who do not achieve all Outcomes may still get the recognition for the Outcome or Outcomes they have achieved.

## **Developing skills for learning, skills for life and skills for work**

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## Appendix 2a: Ratio formulae (new terminology)

Ratio	Formula
<b>Profitability ratios:</b>	
Return on equity employed	$\frac{\text{Profit for the year}}{\text{Opening Equity}} \times 100 = \%$
Gross profit ratio	$\frac{\text{Gross profit}}{\text{Sales revenue}} \times 100 = \%$
Profit for the year ratio	$\frac{\text{Profit for the year}}{\text{Sales revenue}} \times 100 = \%$
<b>Liquidity ratio:</b>	
Current ratio	Current assets : current liabilities Answer should be expressed as 2.35:1
Acid test ratio	Current assets — closing inventory : current liabilities Answer should be expressed as 1.27:1
<b>Efficiency ratios:</b>	
Rate of inventory turnover	$\frac{\text{Cost of sales}}{\text{Average inventory}} = \text{times}$
Expense ratio	$\frac{\text{Expenses}}{\text{Sales revenue}} \times 100 = \%$ *This figure may be for the total expenses or for one individual expense, eg advertising
Trade payables period	$\frac{\text{Average trade payables}}{\text{Credit purchases}} \times 365 = \text{days (or } \times 52 = \text{weeks, or } \times 12 = \text{months)}$  NB — where only one figure is given for trade payables, this will be taken as the average.
Trade receivables period	$\frac{\text{Average trade receivables}}{\text{Credit sales revenue}} \times 365 = \text{days (or } \times 52 = \text{weeks, or } \times 12 = \text{months)}$  NB — where only one figure is given for trade receivables, this will be taken as the average.
Non-current asset turnover	$\frac{\text{Sales revenue:}}{\text{Non-current assets at net book value}} \times 100 = \%$  Answers should be expressed as a ratio, eg 0.75:1

## Appendix 2b: Ratio formulae (old terminology)

Ratio	Formula
<b>Profitability ratios:</b>	
Return on capital employed	$\frac{\text{Net profit}}{\text{Opening capital}} \times 100 = \%$
Gross profit ratio	$\frac{\text{Gross profit}}{\text{Sales revenue}} \times 100 = \%$
Net profit ratio	$\frac{\text{Net profit}}{\text{Sales revenue}} \times 100 = \%$
<b>Liquidity ratio:</b>	
Current ratio	Current assets : current liabilities Answer should be expressed as 2.35:1
Acid test ratio	Current assets – stock : current liabilities Answer should be expressed as 1.27:1
<b>Efficiency ratios:</b>	
Rate of stock turnover	$\frac{\text{Cost of goods sold}}{\text{Average stock}} = \text{times}$
Expenses ratio	$\frac{\text{Expenses}}{\text{Sales revenue}} \times 100 = \%$  *This figure may be for the total expenses or for one individual expense, eg advertising
Creditors' payment period	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times 365 = \text{days (or } \times 52 = \text{weeks, or } \times 12 = \text{months)}$  NB — where only one figure is given for creditors, this will be taken as the average.
Debtors' collection period	$\frac{\text{Average debtors}}{\text{Credit sales}} \times 365 = \text{days (or } \times 52 = \text{weeks, or } \times 12 = \text{months)}$  NB — where only one figure is given for debtors, this will be taken as the average.
Fixed asset turnover	$\frac{\text{Sales revenue}}{\text{Fixed assets at net book value}} \times 100 = \%$  Answers should be expressed as a ratio, eg 0.75:1

# Administrative information

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**Published:** September 2015 (version 1.2)

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## History of changes to Unit Support Notes

Version	Description of change	Authorised by	Date
1.1	Updated to reflect International Accounting Standards Terminology. Appendix 2 replaced and minor amendments made to clarify standards.	Qualifications Manager	September 2014
1.2	Minor amendment to wording in 'Approaches to learning and teaching' section and in Appendix 2, to clarify ratios and to ensure consistency in appendix with other documents.	Qualifications Manager	September 2015

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