Higher National Unit specification

General information for centres

Unit title: Business Accounting

Unit code: F84M 34

Unit purpose: This Unit is designed to enable candidates to develop their knowledge and understanding in the preparation and use of accounting information within a business organisation. Candidates will develop the skills required to prepare basic financial and management accounting reports and, in addition, will also develop the skills, knowledge and understanding to enable them to interpret and use financial information for decision making.

On completion of the Unit the candidate should be able to:

1 Prepare financial statements, of a limited company, for internal users.
2 Prepare cash budgets and calculate break even point.
3 Identify the users of financial information and the purposes for which they require the information.
4 Describe the various sources of finance available to an organisation.
5 Analyse the performance and financial position of a business.

Credit points and level: 2 HN credits at SCQF level 7: (16 SCQF credit points at SCQF level 7*)

**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.*

Recommended prior knowledge and skills: Access to this Unit is at the discretion of the centre. However, candidates would normally be expected to be competent in numeracy and communication at SCQF level 5 or have similar qualifications or experience.

Core Skills: The achievement of this Unit gives automatic certification of the following:

- The Core Skill component Using Number at SCQF level 6

There are also opportunities to develop the Core Skill *Communication* at SCQF level 5 in this Unit, and these are highlighted within the Support Notes of this Unit specification.

Context for delivery: If this Unit is delivered as part of a group award, it is recommended that it should be taught and assessed within the subject area of the group award to which it contributes.

For Use in Session 2015/16

General information for centres (cont)

Assessment: This Unit could be assessed by three separate assessments. The assessment of Outcomes 3, 4 and 5 may be combined. Alternatively, Outcomes 3, 4 and 5 may be assessed independently.

Since Using Number at SCQF level 6 is embedded in this Unit, it is strongly recommended that you follow the assessment guidelines given. If you wish to use a different assessment model, you should seek prior moderation of the assessment instrument(s) you intend to use to ensure that the Core Skill is still covered.

An exemplar instrument of assessment and marking guidelines have been produced to show the national standard of achievement required at SCQF level 7. This exemplar has been produced to exemplify a combined assessment of Outcomes 3, 4 and 5.

For Use in Session 2015/16

Higher National Unit specification: statement of standards

Unit title: Business Accounting

Unit code: F84M 34

The sections of the Unit stating the Outcomes, Knowledge and/or Skills, and Evidence Requirements are mandatory.

Outcome 1

Prepare financial statements, of a limited company, for internal use

Knowledge and/or Skills

- Income statement
- Statement of financial position and statement of changes of equity
- Adjustments to the financial statements

Evidence requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- prepare an income statement, a statement of financial position and a statement of changes in equity, from a year end trial balance, for a limited company, for internal use
- incorporate six year end adjustments into the accounts — other payables, other receivables, depreciation, closing inventory, finance costs and corporation tax

Evidence should be generated under supervised conditions with access restricted to a pro forma layout for the financial statements.

Figures must be accurate within a tolerance of three arithmetic or computational errors and a maximum of two errors of principle.

Assessment Guidelines

This Outcome may be assessed separately or integrated with other Outcomes.

For Use in Session 2015/16

Higher National Unit specification: statement of standards (cont)

Unit title: Business Accounting

Outcome 2

Prepare a cash budget and calculate break even point

Knowledge and/or Skills

- Cash budgets
- Fixed and variable costs
- Break-even point

Evidence requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- prepare a cash budget from sales and cost information provided. Costs should include: purchases (cash and credit), raw materials, labour hours and rates, variable production overhead rate, fixed costs, fixed production overheads. sales should include both cash and credit sales
- calculate the opening and closing cash balances
- calculate the break even point

The evidence should be generated under supervised conditions with access restricted to a pro forma layout for the cash budget.

Figures must be accurate within a tolerance of three arithmetic or computational errors with a maximum of two errors of principle.

Assessment Guidelines

This Outcome may be assessed separately or integrated with other Outcomes.

For Use in Session 2015/16

Higher National Unit specification: statement of standards (cont)

Unit title: Business Accounting

Outcome 3

Identify the users of financial information and the purposes for which they require the information

Knowledge and/or Skills

- Users of financial information
- Purposes of financial information
- Sources of financial information

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- identify **four** relevant users of financial information from: present shareholders, potential shareholders, short-term creditors, long-term creditors, authorities, competitors, employees, analysts, and management
- describe the purpose for which each user requires this information
- identify the source of relevant information for each user

The evidence should be generated under open book supervised conditions.

Candidates must identify four relevant users of financial information, relevant to the given case study/scenario, and correctly identify the source of the information. They should clearly describe the purpose for which each user requires the information.

Where this Outcome is assessed independently from Outcomes 4 and 5, a different case study/scenario **must** be used.

Assessment Guidelines

Assessment of this Outcome may be combined with Outcomes 4 and 5, details of which are given under Outcome 5.

For Use in Session 2015/16

Higher National Unit specification: statement of standards (cont)

Unit title: Business Accounting

Outcome 4

Describe the various sources of finance available to a business organisation

Knowledge and/or Skills

- Sources of finance
- Categories of finance

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- with reference to a particular statement of financial position, identify the following sources of finance: current liabilities, loan capital, share capital, and retained profit
- describe the characteristics of each source of finance identified
- categorise each source into short or long term
- make appropriate recommendations for further sources of finance linked to a specified purpose and in accordance with good financial management

The evidence should be generated under open book supervised conditions.

Candidates must identify, describe and categorise, from the given case study/scenario, a minimum of one current liability and two non-current liabilities. The recommendation for further finance should be appropriate to the business circumstances in the case study/scenario.

Where this Outcome is assessed independently from Outcomes 3 and 5, a different case study/scenario **must** be used.

Assessment Guidelines

Assessment of this Outcome may be combined with Outcomes 3 and 5, details of which are given under Outcome 5. The specified purpose for further finance could include working capital requirements or non-current asset investment.

For Use in Session 2015/16

Higher National Unit specification: statement of standards (cont)

Unit title: Business Accounting

Unit code: F84M 34

Outcome 5

Analyse the performance and financial position of a business

Knowledge and/or Skills

- Statements of cash flows
- Accounting ratios
- Analysis of financial statements

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- identify the major inflows and outflows of cash from a given statement of cash flows
- calculate six key accounting ratios covering the areas of profitability, liquidity, efficiency and capital structure
- analyse the financial statements and statement of cash flows of the business and make recommendations, including appropriate financing options for the future, to improve the business's performance and financial position based on those findings

The evidence should be generated under open book supervised conditions.

Ratio calculations must be accurate within a tolerance of two arithmetic or computational errors with a maximum of two errors of principle.

Where this Outcome is assessed independently from Outcomes 3 and 4, a different case study/scenario **must** be used.

Assessment Guidelines

The assessment of this Outcome may be combined with Outcomes 3 and 4. This could be conducted as a single assessment event. In the assessment, candidates could be given a case study which includes the financial statements (income statement, statement of financial position, statement of changes in equity and statement of cash flows) covering two accounting periods, as well as background information on the organisation and its future expansion plans.

For Use in Session 2015/16

Administrative Information

Unit code: F84M 34

Unit title: Business Accounting

Superclass category: AK

Original date of publication: August 2010

Version: 03 (July 2014)

History of changes:

Version	Description of change	Date
03	Terminology and reference to financial statements revised to reflect requirements of FRS 102.	02/02/15
02	Requirement to apply dividends as an adjustment in Outcome 1 removed in line with new accounting standards.	08/02/11

Source: SQA

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Higher National Unit specification: support notes

Unit title: Business Accounting

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 80 hours.

Guidance on the content and context for this Unit

This Unit is primarily intended for candidates who expect to take up a career or further study in business. It will provide candidates with an understanding of the use of accounting information within a business organisation and it could be of value to those working in commerce, government or industry.

Outcome 1 looks at the purpose and use of financial statements.

- Financial statements: income statements, statements of financial position, statement of change in equity.
- Adjustments: other payables, other receivables, depreciation, closing inventory, dividends, debenture finance costs, corporation tax.
- Presentation and terminology used within financial statements in line with current practice/legislation

Outcome 2 covers the preparation of cash budgets and the calculation of break-even point.

- Cash budgets.
- Fixed and variable costs — costs should include the following: purchases (cash and credit), raw materials, labour hours and rates, variable production overhead rate, fixed costs, fixed production overheads. Sales should include both cash and credit sales.
- Break-even point.

Outcome 3 looks at the users of financial information and the purposes for which they require the information.

- Users of financial information: present shareholders, potential shareholders, short term creditors, long term creditors, authorities, competitors, employees, analysts and management.
- Sources of financial information — income statement, statement of financial position, statement of changes in equity, statement of cash flows, ratios and budgets.
- Purpose for which the financial information may be used.

Outcome 4 covers the sources of finance.

- Sources of finance: current liabilities, loan capital, share capital, and retained profit.
- Characteristics of the sources of finance.
- Short and long term finance.

Outcome 5 involves the analysis of business performance.

- Statement of cash flows: cash inflows and cash outflows.
- Accounting ratios — profitability, liquidity, efficiency and capital structure.

For use in session 2015/16

Higher National Unit specification: support notes (cont)

Unit title: Business Accounting

Guidance on the delivery and assessment of this Unit

This Unit is designed to provide candidates with the knowledge and understanding for further study or employment within a business environment. It will give candidates knowledge of accounting and finance from a business perspective. This Unit is mandatory within HNC/HND Business (G9ML 15 and G9MM 16) but may form part of other group awards and may be delivered as a stand-alone Unit.

Where this Unit is being delivered as part of an HNC/HND Business Group Award, it is recommended that delivery commences early in the course programme to enable candidates to utilise the skills and knowledge gained to analyse business situations within other Units.

The focus on Outcome 1 is on the purpose and use of financial statements and there is no requirement for candidates to have a detailed knowledge of double-entry book-keeping. Although candidates are not assessed on their understanding of fundamental accounting concepts they may be covered in the delivery of the Unit as it may assist candidates in their understanding of the construction and use of financial statements. It is recommended that candidates are introduced to the relevant calculations involving dividend payments although this is not assessed.

A specific capital project, for example the launch of a new or modified product line, may be used for Outcome 2. Candidates could consider the classification of fixed and variable costs and calculate the break-even point.

An integrated approach to the delivery and assessment of Outcomes 3, 4 and 5 could be adopted. Candidates could be encouraged to link users to sources of finance and consider the key accounting ratios, which could be of interest to particular user groups. The construction of very basic statements of cash flows could be covered to assist candidates with the analysis of cash flow. Spreadsheets could be used to prepare budget reports.

Where the assessment of Outcomes 3, 4 and 5 is combined one case study should be used. If Outcomes 3, 4 and 5 are assessed independently a significantly different case study/scenario should be used for each Outcome.

During the delivery of this Unit it is recommended that candidates be made aware of the existence of current accounting standards and legislation.

Opportunities for developing Core Skills

The achievement of this Unit gives automatic certification of the following:

- The Core Skill component Using Number at SCQF level 6

The delivery and assessment of this Unit may contribute towards the development of the Core Skill of *Communication* at SCQF level 5. Throughout the Unit candidates read, interpret and analyse written and numerical information and draw conclusions into a coherent response. Candidates are expected to interpret figures and written information and compare conclusions with previous performance.

Candidates will prepare the financial statements of a business, prepare a cash budget and analyse and interpret these statements. Candidates will calculate profit after making adjustments for other payables, other receivables, depreciation, closing inventory, debenture finance costs and corporation tax.

For Use in Session 2015/16

Higher National Unit specification: support notes (cont)

Unit title: Business Accounting

Open learning

If this Unit is delivered by open or distance learning methods, additional resources will be required for candidate support, assessment and quality assurance. It would require planning by the centre to ensure the sufficiency and authenticity of candidate's evidence.

Disabled candidates and/or those with additional support needs

The additional support needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments, or considering whether any reasonable adjustments may be required. Further advice can be found on our website **www.sqa.org.uk/assessmentarrangements**

For Use in Session 2015/16

General information for candidates

Unit title: Business Accounting

This Unit is designed to provide you with an understanding of the use of accounting information within businesses.

In Outcome 1 you will learn how to prepare income statements, statements of financial position and statements of changes in equity for limited companies.

In Outcome 2 you will develop skills in management accounting by preparing cash budgets and calculating the break even point.

In Outcome 3 you will learn about the different users of financial information, the sources of financial information and the purposes for which the users require the information.

Outcome 4 covers the sources of finance available to business. You will learn how to identify the sources of finance, their characteristics and to categorise them into short or long term. You will also investigate sources of finance for a particular project.

In Outcome 5 you will prepare statements of cash flows and learn how to analyse the performance of a business using accounting ratios.

Each Outcome may be assessed separately or the assessment of Outcomes 3, 4 and 5 may be combined.

Achievement of this Unit gives automatic certification of the Core Skills component Using Number at SCQF level 6. You may also have opportunities to develop the Core Skills of *Numeracy* and *Communication* in this Unit.

For Use in Session 2015/16