

## **SQA Advanced Unit specification**

### **General information**

**Unit title:** Investment (SCQF level 8)

**Unit code:** HP1C 48

**Superclass:** AL

**Publication date:** August 2017

**Source:** Scottish Qualifications Authority

**Version:** 01

### **Unit purpose**

This Unit is designed to allow learners to apply investment theories and data to given situations. It will examine theoretical and practical aspects of investment and will enable the learner to prepare for further study at a higher level. The Unit is relevant to those who are preparing for a career in the financial services industry with a view to employment in banking, insurance, pensions or investment companies. It is also suitable for those who have some limited knowledge or who may have a particular interest in the subject material.

### **Outcomes**

On successful completion of the Unit the learner will be able to:

- 1 Apply the principles and theories relating to investment in bond markets.
- 2 Examine the use of shares as part of a company's capital structure.
- 3 Interpret the performance of shares in given situations.
- 4 Examine additional options for investment available to investors.

### **Credit points and level**

2 SQA Credits at SCQF level 8: (16 SCQF credit points at SCQF level 8)

### **Recommended entry to the Unit**

Access to the Unit is at the discretion of the centre, however it is recommended that learners have good written communication and numerical skills. These may be demonstrated by the achievement of Core Skill *Communication* at SCQF level 5, or by possession of National 5

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English or English and Communication, or a suitable NC (National Certificate) Unit, and Core Skill *Numeracy* at SCQF level 5 or by possession of a relevant Unit.

### Core Skills

Achievement of this Unit gives automatic certification of the following Core Skills component:

Complete Core Skill	None
Core Skill component	Critical Thinking at SCQF level 6 Using Number at SCQF level 6

### 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.

The Assessment Support Pack (ASP) for this Unit provides assessment and marking guidelines that exemplify the national standard for achievement. It is a valid, reliable and practicable assessment. Centres wishing to develop their own assessments should refer to the ASP to ensure a comparable standard. A list of existing ASPs is available to download from SQA's website (<http://www.sqa.org.uk/sqa/46233.2769.html>).

### Equality and inclusion

This Unit specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence.

Further advice can be found on our website [www.sqa.org.uk/assessmentarrangements](http://www.sqa.org.uk/assessmentarrangements).

## SQA Advanced 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.

Where evidence for Outcomes is assessed on a sample basis, the whole of the content listed in the Knowledge and/or Skills section must be taught and available for assessment. Learners should not know in advance the items on which they will be assessed and different items should be sampled on each assessment occasion.

### Outcome 1

Apply the principles and theories relating to investment in bond markets.

#### Knowledge and/or Skills

- ◆ Use of government or corporate bonds
- ◆ Types of government or corporate bonds
- ◆ Procedures for purchasing or selling government or corporate bonds
- ◆ Calculating costs of purchasing government bonds
- ◆ Calculating yields from government bonds
- ◆ Methods of repayment of government or corporate bonds

### Outcome 2

Examine the use of shares as part of a company's capital structure.

#### Knowledge and/or Skills

- ◆ Use of shares as part of the capital structure of a company
- ◆ Types of shares issued by companies
- ◆ Rights applicable to shareholders
- ◆ Operation of the new issues markets of the London Stock Exchange
- ◆ Use of rights and bonus issues
- ◆ Calculating of rights and bonus issues
- ◆ Operation of the secondary market of the London Stock Exchange
- ◆ Procedures for purchase and sale of stocks and shares
- ◆ Theory of acquisitions and mergers

### Outcome 3

Interpret the performance of shares in given situations.

#### Knowledge and/or Skills

- ◆ Theory of fundamental analysis as a method of share interpretation
- ◆ Calculating accounting and investment data and ratios
- ◆ Interpreting accounting and investment data and ratios in given situations

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- ◆ Theory of technical analysis as a method of share interpretation
- ◆ Development of investment theories
- ◆ Interpreting of stock indices
- ◆ Sources of information available to investors and analysts

### Outcome 4

Examine additional options for investment available to investors.

#### Knowledge and/or Skills

- ◆ Role and function of managed investment funds
- ◆ Benefits and drawbacks of investing in property
- ◆ Benefits and drawbacks of investing overseas
- ◆ Benefits and drawbacks of investing in chattels
- ◆ Benefits and drawbacks of investing in pensions
- ◆ Benefits and drawbacks of investing in insurance based products
- ◆ Taxation implications relating to investment
- ◆ Risks attached to investment
- ◆ Importance of portfolio planning

#### Evidence Requirements for this Unit

##### Outcome 1

Each Knowledge and Skill is matched by a corresponding Evidence Requirement.

To ensure that a learner has successfully achieved the standard required of each of the Knowledge and Skills listed above the corresponding Evidence Requirement from the list below should be met.

Evidence for the Knowledge and Skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a written report or in response to a specific question or questions. Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome. Calculations must be accurate within a tolerance of one arithmetic or computational error. No errors of principle are permitted.

The sample must comprise of **two** of the Knowledge and Skills with a different sample of Knowledge and Skills being used each time the Outcome is assessed. **It is a requirement that one of the items sampled require the learner to complete calculations.**

Where an item is sampled, a learner's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing that the learner is able to:

- ◆ identify situations where a government or a company would choose to issue bonds, with a clear explanation of the advantages and disadvantages of doing so.
- ◆ explain the features of government bonds or corporate bonds.
- ◆ summarise the procedures for buying or selling bonds either from the viewpoint of the investor or from the viewpoint of the market maker.

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- ◆ apply arithmetical principles to calculate the cost of buying or selling **two** government bonds using the Accrued Interest Scheme — other costs such as brokerage fees should be ignored.
- ◆ calculate **two** redemption yields for **two** government bonds.
- ◆ summarise the methods used to repay either a government bond or a corporate bond.

### Outcome 2

Each Knowledge and Skill is matched by a corresponding Evidence Requirement.

To ensure that a learner has successfully achieved the standard required of each of the Knowledge and Skills listed above the corresponding Evidence Requirement from the list below should be met.

Evidence for the Knowledge and Skills in the Outcome will be provided in a sample basis. This evidence may be presented as part of a written report, or in response to a specific question or questions. Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome.

Calculations must be accurate within a tolerance of one arithmetic or computational error. No errors of principle are permitted.

The sample must comprise of **two** of the Knowledge and Skills with a different combination of Knowledge and Skills used each time the Outcome is assessed.

Where an item is sampled, a learner's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing the learner is able to:

- ◆ explain the use of shares as part of the capital structure of a company.
- ◆ explain the types of share capital issued by a company.
- ◆ explain the rights of shareholders in a company.
- ◆ explain the methods of issuing shares on the primary market of the London Stock Exchange.
- ◆ explain the effect of bonus issues or rights issues on the capital structure of a company.
- ◆ calculate the theoretical impact of a rights or bonus issue on the pricing of shares.
- ◆ explain the operation of the secondary market of the London Stock Exchange.
- ◆ explain the procedures for buying or selling shares on the Stock Exchange.
- ◆ explain the purpose of a corporate acquisition or merger.

### Outcome 3

Each Knowledge and Skill is matched by a corresponding Evidence Requirement.

To ensure that a learner has successfully achieved the standard required of each of the Knowledge and Skills listed above the corresponding Evidence Requirement from the list below should be met.

Evidence for the Knowledge and Skills in the Outcome will be provided in a sample basis. This evidence may be presented as part of a written report, or in response to a specific question or questions. Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome.

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Calculations must be accurate within a tolerance of one arithmetic or computational error. No errors of principle are permitted.

The sample must comprise of **two** of the Knowledge and Skills with a different combination of Knowledge and Skills used each time the Outcome is assessed.

Where an item is sampled, a learner's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing the learner is able to:

- ◆ interpret financial data as a guide to share performance.
- ◆ calculate accounting or investment ratios.
- ◆ interpret accounting or investment ratios.
- ◆ use graphs to interpret share information.
- ◆ summarise one or more recognised investment theories.
- ◆ interpret Stock Exchange index information.
- ◆ identify four sources of investor information other than company accounts.

### Outcome 4

Each Knowledge and Skill is matched by a corresponding Evidence Requirement.

To ensure that a learner has successfully achieved the standard required of each of the Knowledge and Skills listed above the corresponding Evidence Requirement from the list below should be met.

Evidence for the Knowledge and Skills in the Outcome will be provided in a sample basis. This evidence may be presented as part of a written report, or in response to a specific question or questions. Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome, and show accurate calculations where required.

The sample must comprise of **one** of the Knowledge and Skills with a different combination of Knowledge and Skills used each time the Outcome is assessed.

Learners must provide a satisfactory response to the theoretical question.

Where an item is sampled, a learner's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing the learner is able to:

- ◆ explain the role and function of managed investment funds.
- ◆ explain the benefits and drawbacks of investing in property.
- ◆ explain the benefits and drawbacks of investing overseas.
- ◆ explain the benefits and drawbacks of investing in chattels.
- ◆ explain the benefits and drawbacks of investing in pensions.
- ◆ explain the benefits and drawbacks of investing in insurance linked products.
- ◆ explain the tax implications of investing as a basic or high rate taxpayer.
- ◆ explain the risks that investors may face in, and the methods of reducing the risks of, investment planning.
- ◆ summarise the importance of careful portfolio planning.

As the Knowledge and/or Skills for each Outcome are sampled, assessment must be carried out under closed-book supervised conditions.

## SQA Advanced Unit Support Notes

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Unit Support Notes are offered as guidance and 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 to prepare learners for employment or further study in financial services.

**The following guidance was prepared in June 2015 based on current investment products, practices and regulations. Centres should ensure that learners use current information in their learning and that assessment content and assessment checklists reflect the current situation, which may be a result, differ from the guidance below in terms of products, practices and/or regulations listed.**

**Outcome 1** examines the operation and use of fixed interest securities as investments.

Learners should become familiar with relevant terminology and should make use of this.

It is expected that centres will cover the following topics:

- ◆ Government securities: rationale for issue; coupon and redemption; yields; maturities; index-linked; new issues; methods and costs of purchase and sale; role of the Debt Management Office (DMO); role of the Bank of England; Crestco
- ◆ Company fixed interest securities: types of fixed interest securities; yields; deep discounting; use of sinking funds for repayment; benefits to company and investor; bond values; impact of interest rates on prices

**Outcome 2** examines the use of share capital within companies and examines the types of shares issues, the rights these confer of shareholders and the impact of new and future issues. It also examines the operation of the stock market and the methods used for trading shares.

Learners should become familiar with relevant terminology and should make use of this.

It is expected that centres will cover the following topics:

- ◆ Rationale for share issue
- ◆ Formation of companies
- ◆ Rights and duties of shareholders
- ◆ Company meetings
- ◆ Classification of equities: classes of ordinary shares; classes of preference shares
- ◆ Methods of new issues: offer for sale; introduction; private placing
- ◆ Rights and bonus issues: impact on balance sheet; impact on prices; split of rights; use of the provisional allotment letter
- ◆ Parties operating on the Stock Markets: broker/dealer; market maker; inter-dealer brokers; stock exchange money brokers
- ◆ Procedures for buying and selling shares

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- ◆ Use of contract notes
- ◆ Settlement procedures
- ◆ Rationale for takeover and merger

**Outcome 3** looks at the use of financial accounting statements and company information as a means of interpreting current and future share performance. It also considers the use of technical analysis, examines investment theories and looks at sources of information available to shareholders and analysts.

Learners should become familiar with relevant terminology and should make use of this.

It is expected that centres will cover the following topics:

- ◆ Fundamental analysis: earnings and dividends returns (yields and ratios) and forecasts; prediction of future share prices; analysis of company accounts
- ◆ Technical analysis: use of charts; how to spot trends; hatch system; efficient market hypothesis
- ◆ Stock indices: FTSE30; FTSE100; FTSE250; FTSE350; FTSE All Share; FTSE Smallcap; FTSE Techmark
- ◆ Sources of information: newspapers; magazines; television programmes; internet; phone applications (apps)

**Outcome 4** examines a range of investment products and services.

Learners should become familiar with relevant terminology and should make use of this.

It is expected that centres will cover the following topics:

- ◆ Managed funds: features, advantages and disadvantages of Unit trusts; investment trusts; open ended investment companies
- ◆ Property: advantages and disadvantages of investing in residential property, leasing property, commercial property, overseas property
- ◆ Investing overseas: opportunities and risks
- ◆ Chattels: antiques; jewellery; vintage cars; collections
- ◆ Pensions: features of workplace schemes; personal pensions; auto enrolment; additional contributions; stakeholder pension schemes
- ◆ Insurance linked products: endowments including Unit linked; single premium policies; bonds; property bonds; managed bonds; annuities
- ◆ Tax implications: income tax on savings and investment; capital gains tax; inheritance tax; tax free products; methods of reducing tax liabilities
- ◆ Portfolio planning: fact finding; diversification; attitudes to investment; trustees holding portfolios



## Guidance on approaches to delivery of this Unit

Each Outcome requires a minimum number of Knowledge and Skills to be assessed. Some Outcomes will require more evidence than others. This may be due to the fact some Knowledge and Skills require less depth of understanding and therefore may require the learner to produce less evidence. In some Outcomes calculations are an essential part of the evidence and should be assessed on each occasion. Centres should pay particular attention to the assessment requirements for each Outcome.

The Unit is primarily intended to prepare learners for careers in the industry related to giving investment advice or providing administrative assistance to advisers. It will also assist learners in preparing for regulatory examinations. The Unit is not intended to be a substitute for, nor does it provide exemption from, the regulatory examinations. The Unit provides only the required knowledge and skills needed.

**During the delivery of this Unit, it is recommended that learners are made aware of the latest products offered to investors and also keep up-to-date with changes to practices and regulation.**

## Guidance on approaches to assessment of this Unit

Evidence can be generated using different types of assessment. The following are suggestions only. There may be other methods that would be more suitable to learners.

Centres are reminded that prior verification of centre-devised assessments would help to ensure that the national standard is being met. Where learners experience a range of assessment methods, this helps them to develop different skills that should be transferable to work or further and higher education.

It is recommended that this Unit be assessed by an instrument of assessment that would require learners to answer questions based on a case study relating to an investment scenario. It is expected that the assessment should not normally take the average learner more than two hours to complete. Assessment will be carried out under closed-book supervised conditions.

If you wish to use a different assessment mode, you may wish to seek prior verification of the assessment instrument(s) you intend to use. Please note learners must achieve all of the minimum evidence specified for each Outcome in order to pass the Unit.

An exemplar instrument of assessment and marking guidelines has been provided to indicate the national standard of achievement required at SCQF level 8.

Centres should update assessment material on an annual basis to reflect current investment products, legislative changes and changes in tax rates etc. It is acceptable to use either the Scottish or UK tax legislation in the assessment of this Unit.

### Outcome 1

Evidence could be derived from a case study with questions relating to the items being sampled.

It is suggested that the assessment of this Outcome be combined with other Outcomes as part of a larger assessment.

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A sample of a case study has been produced as part of the exemplar.

### **Outcome 2**

Evidence could be derived from a case study with questions relating to the items being sampled.

It is suggested that the assessment of this Outcome be combined with other Outcomes as part of a larger assessment.

A sample of a case study has been produced as part of the exemplar.

### **Outcome 3**

Evidence could be derived from a case study with questions relating to the items being sampled.

It is suggested that the assessment of this Outcome be combined with other Outcomes as part of a larger assessment.

A sample of a case study has been produced as part of the exemplar.

### **Outcome 4**

Evidence could be derived from a case study with questions relating to the items being sampled.

It is suggested that the assessment of this Outcome be combined with other Outcomes as part of a larger assessment.

A sample of a case study has been produced as part of the exemplar.

## **Opportunities for 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 Communication Technology (ICT), such as e-testing or the use of e-portfolios or social software. Centres which wish to use e-assessment must ensure that the national standard is applied to all learner evidence and that conditions of assessment as specified in the Evidence Requirements are met, regardless of the mode of gathering evidence. The most up-to-date guidance on the use of e-assessment to support SQA's qualifications is available at [www.sqa.org.uk/e-assessment](http://www.sqa.org.uk/e-assessment).

## **Opportunities for developing Core and other essential skills**

### **Core Skills**

Learners will have to read, understand and evaluate complex written communication and may produce written and/or oral communication evidence as part of the assessment — this offers opportunities to develop the Core Skill of *Communication* at SCQF level 6.

This Unit provides opportunities for the development of all components of the Core Skill of *Problem Solving* at SCQF level 6.

The general skills for this Unit are:

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**Critical Thinking** — Analyse a complex situation or issue

**Planning and Organising** — Plan, organise and complete a complex task

**Reviewing and Evaluating** — Review and evaluate a problem solving activity

During the delivery of this Unit learners will have the opportunity to develop the components of the Core Skill of *Information and Communication Technology (ICT)* at SCQF level 6.

The general skills for this Core Skill are:

**Accessing Information** — use *ICT* independently to carry out complex searches across a range of tasks. Learners could research and source information relating to government bonds, capital structure of companies, the operation of the London Stock Exchange, etc.

**Providing and Creating Information** — use *ICT* independently to carry out a range of processing tasks. Learners could provide and create information for formative tasks.

This Unit provides opportunities for the development of the Core Skill of *Numeracy* at SCQF level 6.

The general skills for this Core Skill are:

**Using Number** — Learners will apply a range of numerical and statistical skills to calculate costs of purchasing government bonds, calculating the yields and methods of repayment. They also have to calculate accounting and investment data and ratios and interpret the information.

**Using Graphical Information** — Learners will have to extract, analyse and interpret graphical information relating to accounting and investment ratios.

This Unit has the Critical Thinking component of Problem Solving and Using Number component of Numeracy embedded in it. This means that when candidates achieve the Unit, their Core Skills profile will also be updated to show they have achieved Critical Thinking at SCQF level 6 and Using Number at SCQF level 6.

### Other Essential Skills

Learners may be given opportunities to develop key employability skills, as well as develop an awareness and understanding of citizenship and sustainability. These include the skills of:

Team work/group work

Using initiative/being proactive

Problem solving

Paying attention to detail

Research and investigation

Applying numeracy skills

Positive attitude to work

Analysing and evaluating

Planning and organising

Time management

Adopting professional working standards and practices

Setting goals and making action plans

## History of changes to Unit

Version	Description of change	Date

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SQA acknowledges the valuable contribution that Scotland's colleges have made to the development of SQA Advanced Qualifications.

**FURTHER INFORMATION:** Call SQA's Customer Contact Centre on 44 (0) 141 500 5030 or 0345 279 1000. Alternatively, complete our [Centre Feedback Form](#).

## General information for learners

### Unit title: Investment (SCQF level 8)

This section will help you decide whether this is the Unit for you by explaining what the Unit is about, what you should know or be able to do before you start, what you will need to do during the Unit and opportunities for further learning and employment.

This Unit is designed to introduce you to some complex issues relating to Investment theory and practice.

You will be expected to cover four main areas of investment:

- ◆ Fixed interest securities
- ◆ Share capital
- ◆ Interpretation of financial data
- ◆ Investment products and services

You are likely to be asked to complete an assessment that includes a number of questions that are based on a given case study. The assessment will be carried out under closed-book supervised conditions, therefore, you will not be allowed to bring any material with you to the assessment.

You will need to complete all tasks to the required standard before achieving a pass in the Unit.

You will have the opportunity to develop the Core Skills of *Communication, Numeracy, Problem Solving* and *Information and Communication Technology (ICT)* at SCQF level 6.