

SQA Advanced Unit specification

General information for centres

Unit title: Accounting for Specialised Transactions

Unit code: HR1M 48

Unit purpose: This Unit is designed to enable candidates to incorporate more specialised financial transactions into the accounting records and the financial statements of an organisation.

This Unit is primarily intended for candidates who expect to take up a career or further study in accounting. It is also relevant to those with appropriate work experience and who wish to formalise their accounting skills.

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

- 1 Record financial transactions and prepare extracts from the financial statements for shares and debentures in a limited company.
- 2 Record financial transactions and prepare extracts from the financial statements for leasing transactions.
- 3 Record financial transactions and prepare extracts from the financial statements for long-term contracts.

Credit points and level: 1 SQA Credit at SCQF level 8: (8 SCQF credit points at SCQF level 8*)

**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 National 1 to Doctorates.*

Recommended prior knowledge and skills: Access to the Unit is at the discretion of the centre. However, candidates would normally be expected to be competent in double-entry bookkeeping and the preparation of financial statements for limited companies for internal use. This may be demonstrated by achievement of the SQA Advanced Units *HP04 47: Recording Financial Information* and *HR12 47: Preparing Financial Statements* or similar qualifications or experience.

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

- ♦ Using Number at SCQF level 5

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.

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Assessment: The Unit could be assessed by three separate assessments.

An exemplar instrument of assessment and marking guidelines have been produced to show the national standard of achievement required at SCQF level 8.

Since the Using Number component of the *Numeracy* Core Skill at SCQF level 5 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 verification of the assessment instrument(s) you intend to use to ensure that the Core Skill is still covered.

Unit specification: statement of standards

Unit title: Accounting for Specialised Transactions

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

Outcome 1

Record financial transactions and prepare extracts from the financial statements for shares and debentures in a limited company.

Knowledge and/or Skills

- ◆ Issue of shares at a premium
- ◆ Issue of bonus shares
- ◆ Issue of debentures
- ◆ Capital structure in the financial statements

Evidence Requirements

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

- ◆ Record financial transactions in the accounting records for the application, allotment and call stages of a share issue at a premium and show the effect on the capital and reserves section of the Statement of Financial Position and Statement of Changes in Equity.
- ◆ Record financial transactions in the accounting records for the issue of bonus shares, show the effect on the capital and reserves section of the Statement of Financial Position and Statement of Changes in Equity and explain how bonus issues can be used to change the capital structure of a company.
- ◆ Record financial transactions in the accounting records for the issue of debentures and show the effect on the Statement of Financial Position.

The evidence should be generated under closed book supervised conditions.

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

Assessment Guidelines

It is recommended that the assessment of this Outcome be completed within one and a half hours. The assessment could be presented as a practical exercise with an explanation of how the bonus issue achieves a change in the capital structure.

Outcome 2

Record financial transactions and prepare extracts from the financial statements for leasing and hire purchase transactions.

Knowledge and/or Skills

- ◆ Leases and rental agreements
- ◆ Allocation of finance charges
- ◆ Disclosure requirements in financial statements

Evidence Requirements

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

- ◆ Calculate the allocation of finance charges using the implicit rate method and the sum of the digits method.
- ◆ Record financial transactions in the accounting records for the acquisition of an asset under a lease showing the disclosure in the Income Statement and the Statement of Financial Position.
- ◆ Record financial transactions in the accounting records for the provision of an asset under a lease calculating the allocation of profit and showing the disclosure in the Income Statement and the Statement of Financial Position.
- ◆ Explain the key features of a lease and a rental agreement.
- ◆ Describe a minimum of three differences between a lease and a rental agreement and explain the treatment of a rental agreement in the financial statements.
- ◆ Detail the lease agreements exempt from the provisions of IFRS 16.

The evidence should be generated under closed book supervised conditions.

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

Assessment Guidelines

It is recommended that the assessment of this Outcome be completed within one and a half hours. The assessment could be presented as a practical exercise with explanations of the difference between a lease and other rental agreements and the treatment of a rental agreement in the financial statements.

Outcome 3

Record financial transactions and prepare extracts from the financial statements for long-term contracts.

Knowledge and/or Skills

- ◆ Contract revenues, contract costs, future costs and progress payments received
- ◆ Revenue, cost of sales and interim profit applying the percentage of completion method
- ◆ Loss recognition
- ◆ Disclosure requirements in financial statements

Evidence Requirements

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

- ◆ Calculate the amounts to be transferred to the Income Statement in respect of two long term contracts, one of which should result in a projected loss, applying the percentage of completion method.
- ◆ Calculate the amounts to be included in the Statement of Financial Position in respect of two long term contracts.
- ◆ Record transactions for two long term contracts in contract accounts and contract receivables accounts.
- ◆ Prepare extracts from the Income Statement and the Statement of Financial Position for the contracts.

The evidence should be generated under closed book supervised conditions.

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

Assessment Guidelines

It is recommended that the assessment of this Outcome be completed within one hour. The assessment could be presented as a practical exercise to include two contracts, one of which should result in a projected loss.

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Administrative Information

Unit code:	HR1M 48
Unit title:	Accounting for Specialised Transactions
Superclass category:	AK
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History of changes:

Version	Description of change	Date
02	Changes to the treatment of lease agreements in accordance with the IFRS 16	31/01/20

Source: SQA

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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](#).

Unit specification: support notes

Unit title: Accounting for Specialised Transactions

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

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

Guidance on the content and context for this Unit

This Unit is primarily intended for candidates who expect to take up a career or further study in accounting. It is also relevant to those with appropriate work experience and who wish to formalise their qualifications.

For those candidates who successfully achieve this Unit as part of an SQA Advanced Certificate/SQA Advanced Diploma in Accounting group award, there may be opportunities to gain exemptions from a number of professional accounting bodies. Centres should contact the relevant professional bodies to ascertain their current exemption policies.

Outcome 1 covers the entries required in the accounts to record the issue of shares and debentures and their effect on the Statement of Financial Position and Statement of Changes in Equity.

- ◆ Issue of ordinary shares at nominal value and at a premium
- ◆ Entries at application, allotment and at call
- ◆ Issue of bonus shares from reserves to achieve a re-structuring of the capital of a company
- ◆ Issue of debentures
- ◆ Effects of above on the capital and reserves section of the Statement of Financial Position and Statement of Changes in Equity

Outcome 2 looks at different types of leases and the recording of lease transactions in the accounting records and the financial statements.

- ◆ The distinction between leases and rental agreements
- ◆ Acquisition of assets under a lease agreement
- ◆ Provision of assets under lease agreement
- ◆ Implicit rate and sum of the digits methods for allocation of finance charges
- ◆ Calculation of amounts receivable and obligations under leases and their inclusion in the Statement of Financial Position
- ◆ Disclosures in the financial statements regarding leases

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Outcome 3 covers the treatment of long term contracts and the recording in the accounting records and financial statements.

- ◆ Calculation of appropriate interim profits, transfer to revenue and transfer to cost of sales for long-term contracts applying the percentage of completion method
- ◆ Accounting for contracts that indicate a projected loss
- ◆ Extract from the Income Statement to show the effect on profit of contracts
- ◆ Extract from the Statement of Financial Position to show inclusion of balances on contract and contract receivables accounts
- ◆ Preparation of double-entry contract accounts and contract receivables accounts

Guidance on the delivery and assessment of this Unit

This Unit is likely to form part of a Group Award designed to provide candidates with the knowledge and skills for further study or employment within an accounting environment.

Where this Unit is being delivered as part of the SQA Advanced Diploma in Accounting Group Award, it is recommended that the Unit be delivered towards the beginning of the second year of the Group Award to give candidates a good understanding of the Unit prior to sitting the Graded Unit 3 examination.

The assessment of each Outcome may be treated as a stand-alone assessment.

The evidence for all Outcomes should be produced under closed book conditions.

Opportunities for developing Core Skills

The achievement of this Unit gives automatic certification of the Using Number component of the Core Skill *Numeracy* at SCQF level 5. Throughout all 3 Outcomes of this Unit, candidates apply a wide range of numerical skills to solve work related problems.

Open learning

This Unit could be delivered by distance learning. However it would require planning by the centre to ensure the authenticity of candidate evidence. Arrangements would have to be made to ensure that evidence is generated under the assessment conditions specified for each Outcome.

Further advice can be found on SQA's website www.sqa.org.uk

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.

General information for candidates

Unit title: Accounting for Specialised Transactions

This Unit is designed to enable you to extend your knowledge and understanding of more specialised financial transactions and how they are recorded in the accounting records and the financial statements of an organisation.

In Outcome 1 you will look at the issue of shares and debentures, how to record them in the accounting records and the information to be included in the financial statements of limited liability companies.

In Outcome 2 you will look at the different types of agreements available to businesses to enable the use of assets and how to distinguish between them. You will also learn about the recording of the different types of agreements in the accounting records and financial statements of limited liability companies in accordance with accounting and financial reporting standards.

In Outcome 3 you will learn about the treatment of long-term contracts (ie those that span more than one accounting period) in the accounting records and financial statements of a limited liability company in accordance with accounting and financial reporting standards.

Each Outcome may be assessed separately. The assessments will be carried out under closed book supervised conditions.

You will have opportunities to develop components within the Core Skill of *Numeracy* in this Unit. Achievement of this Unit gives automatic certification of Using Number at SCQF level 5.