

SQA Advanced Unit Specification

General information for centres

Unit title: Understanding and Managing Financial Resources: An Introduction

Unit code: HV77 47

Unit purpose: This Unit will enable candidates to understand how an organisation is funded and managed in order to safeguard its financial survival. It is designed to provide candidates with the opportunity to gain an understanding of the types of users of financial information and how an organisation gains finance to fund projects. It also allows candidates to participate in the financial planning process by planning and budgeting for a specific project.

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

1. Assess the current financial position of an organisation from the perspective of the main stakeholders
2. Describe the various sources of finance available to an organisation
3. Plan and budget for a project
4. Report on the financial progress of a project

Credit value: 1 SQA Credit at SCQF level 7: (8 SCQF credit points at SCQF level 7)

SCQF (the Scottish Credit and Qualifications Framework) brings Scottish qualifications into a single framework of 12 levels ranging from SQA National 1 to doctorates. The SCQF includes degrees; SQA Advanced Certificate/Diplomas; SQA National Qualifications; and SVQs. Each SQA Unit is allocated a number of SCQF credit points at a specific level. 1 SCQF point = 10 hours of learning. Candidates are normally expected to input a further number of hours, matched to the credit value of the Unit, of non-contact time or candidate-led effort to consolidate and reinforce learning.

Recommended prior knowledge and skills: Access to this Unit is at the discretion of the centre, but it would be beneficial if the candidate had competence in numeracy and communication as shown by possession of the following:

- ◆ National Unit EE3T 12/F3GB 12 *Communication (NC)*
- ◆ Higher *English and Communication* or its component Units
- ◆ Core Skill Communication at SCQF level 6
- ◆ Core Skill Numeracy at SCQF level 5

Core skills: There may be opportunities to gather evidence towards Core Skills in this Unit, although there is no automatic certification of Core Skills or Core Skills components.

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Context for delivery: The Unit may be used as an introduction to understanding and managing finance in a business or other organisation where the candidate needs to gain an appreciation of the financial expertise necessary in management.

Candidates taking this Unit would not require to make detailed accounting calculations.

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.

Assessment: For those presently in employment the assessments may be based on current work projects and full time students could be set individual exercises or case studies based on a variety of relevant contexts.

It is recommended that assessment should take the form of written exercises based on the probable work situation of the candidate.

While it is recognised that each Outcome could have a separate assessment, a holistic approach to assessment is recommended for Outcomes 3 and 4. There is also the opportunity to develop a single extended business case study to cover the evidence requirements of all four Outcomes.

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SQA Advanced Unit specification: statement of standards

Unit title: Understanding and Managing Financial Resources: An Introduction

The sections of the Unit stating the Outcomes, knowledge and/or skills, and evidence requirements are mandatory.

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. Candidates 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

Assess the current financial position of an organisation from the perspective of the main stakeholders

Knowledge and/or skills

- ◆ Types of commercial and not-for-profit organisations
- ◆ Main stakeholders
- ◆ Stakeholders' valid interests in the financial state of their organisation
- ◆ Sources of financial information - both internal and external
- ◆ Application of calculations for making judgements on profitability, financial safety, liquidity and efficiency

Evidence requirements

Evidence must be produced which covers all sections of the knowledge and/or skills. The candidate will need to provide evidence to demonstrate his/her knowledge and/or skills by showing that he/she can:

- ◆ describe the structure, finance and ownership of a sole trader, partnership, limited company (private/public) and one not-for profit organisation
- ◆ identify the main stakeholders (owners, managers, staff, customers, other)
- ◆ describe the valid interests of these stakeholders in their organisations
- ◆ describe the various sources of internal (directors' and other reports) and external information (annual report/accounts/financial statements, press comment, etc)
- ◆ apply calculations to extract one key financial ratio as a measure of profitability, efficiency, financial safety and liquidity and add a useful comment

Evidence should be generated by means of an assignment, a report based on a suitable work situation, or a case study.

Evidence, if written, should be provided in the form of an extended response of between 700 and 800 words which is laid out under paragraph headings and includes any financial ratio calculations and associated comment. If oral, the response should be in the form of a presentation with a duration of between seven and ten minutes.

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The response must show understanding of all the knowledge and/or skills points and there must also be at least one calculation of a financial ratio within each of the measures of profitability, liquidity, financial safety and efficiency.

Where a case study is used, learners may be given a copy of it 7-10 days before the assessment. The questions will be given out on the day of the assessment. The final written or oral response should be made under supervised and timed conditions at one assessment event. Closed-book conditions should prevail.

Assessment guidelines

A brief case study of one organisation, taken from the likely or actual work environment of the candidate, would be appropriate. The assessment of this Outcome may be combined with the assessment of Outcome 2.

Outcome 2

Describe the various sources of finance available to an organisation

Knowledge and/or skills

- ◆ Revenue sources - past profits, trade credit and overdrafts
- ◆ Capital sources - present owners, potential owners and outside lenders
- ◆ Division of capital sources - short, medium and long term
- ◆ Financial returns expected by the various financing groups

Evidence requirements

Evidence must be produced for all parts of the knowledge and/or skills section. The candidate will need to provide evidence to demonstrate his/her knowledge and/or skills by showing that he/she can:

- ◆ describe the organisation's sources of capital and revenue and make the distinction between short, medium and long term finance. He/she must also describe the financial returns expected, and the likely conditions imposed by the various contributors of finance.

Evidence, if written, should be provided in the form of an extended response of between 700 and 800 words which is laid out under paragraphed headings. If oral, the response should be in the form of a presentation with a duration of between seven and ten minutes.

The assessment could be an assignment, a case study or a report with candidate responses showing an understanding of all the knowledge points.

Where a case study is used, learners may be given a copy of it 7-10 days before the assessment. The questions will be given out on the day of the assessment. The final written or oral response should be made under supervised and timed conditions at one assessment. Closed-book conditions should prevail.

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Assessment guidelines

A brief case study of an organisation, taken from the potential or actual work environment of the candidate, would be appropriate. The assessment of this Outcome may be combined with the assessment of Outcome 1.

Outcome 3

Plan and budget for a project

Knowledge and/or skills

- ◆ Understanding of the financial planning process for a chosen organisation
- ◆ Summarising of the aims of the project, and commenting on the timescale and the point at which a review will be made
- ◆ Noting the finance needed, initially and/or subsequently
- ◆ Setting out and itemisation of the anticipated project revenue and the main categories of expected expenditure
- ◆ Prediction of fixed and variable cost behaviour for the project
- ◆ Calculation of the break even point

Evidence requirements

Evidence must be produced for all parts of the knowledge and/or skills section. The candidate will need to provide evidence to demonstrate his/her knowledge and/or skills by showing that he/she can:

- ◆ write up a brief but clear project description
- ◆ produce a simple financial budget in tabular format with a row for income and also rows for four categories (ten items) of projected expenditure
- ◆ enter the budget figures at the start of the project and roll these forward to a chosen review point, the date of which must be justified
- ◆ show correct projections for the fixed and variable costs at the chosen review point and calculate the break even point

The evidence should be generated by one assessment covering all the evidence requirements.

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

The opening description should not exceed 100 words.

The exercise should be for a project which could take at least one year to complete. Both fixed and variable costs are integral to the exercise. The review point (eg six months) to which the budget is projected must be given to the candidates.

Evidence should be generated under supervised, timed, closed-book conditions at one assessment event but the scenario may be issued and discussed prior to the assessment event.

Candidates should have access to spreadsheet software or calculators.

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Assessment guidelines

A work situation, actual or prospective, should form the basis of the exercise.

Outcomes 3 and 4 should use the same situation to enable comparisons to be made between actual and budgeted figures.

Outcome 4

Report on the financial progress of a project

Knowledge and/or skills

- ◆ Comparison of the actual financial data to the budgeted data at the chosen review point
- ◆ Calculation of the difference between the actual and budgeted figures
- ◆ Consideration of the reasons for the differences
- ◆ Preparation of a brief progress report on the project

Evidence requirements

Evidence must be produced for all parts of the above knowledge and/or skills section. The candidate will need to provide evidence to demonstrate his/her knowledge and/or skills by showing that he/she can:

- ◆ present a table of the actual data against the budget at the chosen review point
- ◆ calculate the differences between all the financial items
- ◆ produce a written report of up to 400 words for management which accounts for the differences in the figures, and comments on the output level achieved in terms of break even. The report should also suggest any required management action

The evidence must be generated in response to data which is congruent with that already used in Outcome 3.

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

The data showing actual figures will be provided to the candidates who will then make calculations and produce their individual management reports.

The response to the assessment should be conducted under timed and supervised conditions at one assessment event. Closed-book conditions should prevail but a calculator is allowed.

Candidates should have access to spreadsheet software or calculators.

Assessment guidelines

Outcome 4 should use the same situations as Outcome 3 to enable comparisons to be made between actual and budgeted figures.

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ADMINISTRATIVE INFORMATION

Unit code: HV77 47

Unit title: Understanding and Managing Financial Resources: An Introduction

Superclass category: AK

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History of changes

Version	Description of change	Date

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SQA Advanced Unit Specification

SQA Advanced Unit specification: support notes

Unit title: Understanding and Managing Financial Resources: An Introduction

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

The Unit provides candidates with background knowledge about businesses and organisations and how they work.

Guidance on the delivery and assessment of this Unit

A case study of one organisation could cover the entire Unit, with a set of questions directed at obtaining the evidence for the four Outcomes.

Outcomes 1 and 2 could be taken as an integrated assessment where a case study is considered through restricted response questions. Alternatively, the candidate could be required to discuss quite different organisations through separate case studies. Outcomes 3 and 4 do have to be taken together for a particular project, where there is a budget which can be compared with the eventual actual result.

Outcome 1 deals with the structure of various commercial and not-for-profit organisations and asks candidates to think about who is likely to be concerned with the success of these organisations. Stakeholders include owners, managers, staff, customers, investors, people who live in the area, government departments and the general public.

These stakeholders need to know about how to measure the financial safety of an organisation and how profitable it is. Internal documents and the annual report/financial statements will give some data but other sources are press releases, press comment and the advertising material of the organisation itself.

The Outcome also considers accounting ratios of profit/sales/capital employed, current ratio and working capital to measure profitability, efficiency, financial safety and liquidity.

Outcome 2 considers the situation where the organisation needs an injection of money – initially, or perhaps for the sort of project which is covered by Outcomes 3 and 4. The usual sources of corporate finance are covered and timescales short, medium and long term are considered.

Financial institutions, hire purchase companies, current and prospective owners and shareholders and debenture/loan holders should all be considered as sources of finance, and their various demands for collateral, repayment, interest and profits are important.

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In Outcome 3 a specific capital project in an area of interest to the candidates is used. For example, this could be an extended promotions campaign, the development of a new publicity/PR office, the setting up of a department, the re-equipping of existing premises with updated technology or the addition of a new product and purchase of new capital equipment to support this.

The project must have a life of sufficient length as to require interim reporting. One key time point of significance has been asked for but more could, of course, be used for practice.

Candidates must consider the implications of fixed and variable costs resulting from different levels of output and also give thought to the break even point. Variations of both revenues and costs over the project life would provide useful practice.

The project budget will predict itemised revenues and costs within the broad categories across the total time of the project.

Outcome 4 demands a reconciliation at a significant point by comparing the actual data, which will be provided to the candidate, with the initial budget. A detailed variance analysis is not necessary.

The second task is to make a short management report explaining the significance of the variations in income and expenditure and suggesting management action – including adjustments to the original plan.

Open learning

This Unit is suitable for open and distance learning.

For further information and advice, please see *Assessment and Quality Assurance for Open and Distance Learning* (SQA, February 2001 – publication code A1030).

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

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General information for candidates

Unit title: Understanding and Managing Financial Resources: An Introduction

This Unit introduces you to how organisations manage their financial matters. You will have to make some basic business calculations, but you will not be involved in bookkeeping.

In the first part of the Unit you will cover various types of business and not-for-profit organisations and think about the groups of people that are interested in how they operate and also how successful these organisations are.

You will discuss the need of all organisations for financial capital and then go on to look at the various sources of finance.

The second part of the Unit involves setting a budget for a particular project and predicting the income and expenditure at various points over its life. Finally, you will compare actual figures with your budget, work out the differences and make a short report suggesting reasons for the variations.

The Unit has four assessments which will usually take place in your centre, but some of the preliminary work may be done in your own time. The assessments consist of written or oral work with some business calculations.

On completion of the Unit you should be able to:

1. Assess the current financial position of an organisation from the perspective of the main stakeholders
2. Describe the various sources of finance available to an organisation
3. Plan and budget for a project
4. Report on the financial progress of a project