



Higher National Unit specification

General information for centres

Unit title: Accounting for Specialised Transactions

Unit code: F7R5 35

Unit purpose: This Unit is designed to enable candidates to incorporate more specialised financial transactions into the accounts 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 into the accounts and prepare extracts from the financial statements in relation to shares and debentures in a limited company.
- 2 Record financial transactions into the accounts and prepare extracts from the financial statements in relation to leasing and hire purchase transactions.
- 3 Record financial transactions into the accounts and prepare extracts from the financial statements in relation to long-term contracts.

Credit points and level: 1 HN 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 Access 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 HN Units *F7JV 34: Recording Financial Information* and *F7JT 34: Preparing Final Accounts* 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.

General information for centres (cont)

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.

Higher National Unit specification: statement of standards

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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

Record financial transactions into the accounts and prepare extracts from the financial statements in relation to shares and debentures in a limited company.

Knowledge and/or Skills

- ◆ Issue, forfeiture and re-issue of shares
- ◆ Issue of bonus shares
- ◆ Issue and redemption of debentures using a sinking fund

Evidence Requirements

Evidence for the Knowledge and/or Skills items will be generated through sampling. The first Knowledge and/or Skills item must be assessed on each assessment occasion. Evidence for the remaining Knowledge and/or Skills items in this Outcome will be provided through sampling. To ensure that candidates will not be able to foresee what they will be questioned about, a different sample of one of the last two Knowledge and/or Skills items is required each time the Outcome is assessed.

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

- ◆ Record financial transactions into the books of account concerning the application, allotment and call stages of a share issue at a premium, forfeiture and re-issue of forfeited shares and show the effect on the capital and reserves section of the balance sheet
- ◆ Record financial transactions in the books of account concerning the issue of bonus shares, show the effect on the capital section of the balance sheet and explain how bonus issues can be used to change the capital structure of a company, **or**
- ◆ Record financial transactions in the books of account concerning the issue of debentures at a discount, the funding of a sinking fund for their redemption, redemption at a discount and show the effect on the balance sheet

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 four errors of principle.

Higher National Unit specification: statement of standards (cont)

Unit title: Accounting for Specialised Transactions

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 practical exercises with, when included in the sample, an explanation of how the bonus issue achieves a change in the capital structure.

Outcome 2

Record financial transactions into the accounts and prepare extracts from the financial statements in relation to leasing and hire purchase transactions.

Knowledge and/or Skills

- ◆ Finance leases, hire purchase agreements and operating leases
- ◆ 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 actuarial method **or** the sum of the digits method.
- ◆ Record financial transactions in the books of account to show **one** of the following:
 - The acquisition of an asset under a finance lease or the purchase of an asset under a hire purchase agreement, showing the disclosure in the profit and loss account and balance sheet.
 - The provision of an asset under a finance lease or the sale of an asset under a hire purchase agreement, calculating the allocation of profit and showing the disclosure in the profit and loss account and balance sheet.
- ◆ Explain the key difference between a finance lease and a hire purchase agreement.
- ◆ Describe a minimum of three differences between a finance lease and an operating lease and explain the treatment of each lease in the financial statements.

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 accompanied by extended response questions.

Higher National Unit specification: statement of standards (cont)

Unit title: Accounting for Specialised Transactions

Outcome 3

Record financial transactions into the accounts and prepare extracts from the financial statements in relation to long-term contracts.

Knowledge and/or Skills

- ◆ Contract costs and contract payments received
- ◆ Turnover, cost of sales and interim profit attributable to the stage of completion of contracts
- ◆ 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 profit and loss account in respect of two long term contracts, one of which should result in a projected loss; the other **either** between 30% and 80% complete **or** more than 80% complete
- ◆ Calculate the amounts to be included in the balance sheet in respect of long term contracts
- ◆ Record transactions concerning long term contracts in contract accounts and contract debtors' accounts
- ◆ Prepare extracts from the profit and loss account and balance sheet to show the effects of accounting for the contracts

The evidence should be generated under supervised conditions with access restricted to formulae for the calculation of interim profits, turnover and cost of sales only.

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 will result in a projected loss.

Administrative Information

Unit code:	F7R5 35
Unit title:	Accounting for Specialised Transactions
Superclass category:	AK
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History of changes:

Version	Description of change	Date
02	Error tolerance for Outcomes 1, 2 and 3 revised. Recommended assessment time for Outcomes 2 and 3 revised.	23/07/13

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Higher National 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 HNC/HND 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 balance sheet.

- ◆ Issue of ordinary shares at nominal value and at a premium
- ◆ Forfeiture of shares at application and allotment and at call
- ◆ Re-issue of forfeited shares
- ◆ Issue of bonus shares from reserves to achieve a re-structuring of the capital of a company
- ◆ Issue of debentures at par and at a discount
- ◆ Set up of a sinking fund to provide for debenture redemption
- ◆ Redemption of debentures at a discount
- ◆ Effects of above on the capital and reserves section of the balance sheet

Outcome 2 looks at different types of leases and how to record lease transactions in the accounts.

- ◆ The distinction between finance leases, hire purchase contracts and operating leases
- ◆ Acquisition of assets under a finance lease and purchase of assets under a hire purchase agreement
- ◆ Provision of assets under a finance lease and sale of assets under a hire purchase agreement
- ◆ Actuarial and sum of the digits methods for allocation of finance charges
- ◆ Calculation of amounts receivable and obligations under finance leases/hire purchase agreements and their inclusion in the balance sheet
- ◆ Disclosures in the financial statements regarding leases and hire purchase agreements

Higher National Unit specification: support notes (cont)

Unit title: Accounting for Specialised Transactions

Outcome 3 covers the treatment of long term contracts and how the entries are recorded in the accounts.

- ◆ Calculation of appropriate interim profits, transfer to turnover and transfer to cost of sales for contracts less than 30% complete, between 30% and 80% complete and more than 80% complete
- ◆ Accounting for contracts that indicate a projected loss
- ◆ Extract from profit and loss account to show the effect on profit of contracts
- ◆ Extract from balance sheet to show inclusion of balances on contract and contract debtors' accounts
- ◆ Preparation of double-entry contract accounts and contract debtors' accounts
- ◆ Memorandum trading accounts for each contract

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 HND 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. Where sampling is required, a different aspect should be assessed each time the Outcome is assessed.

The evidence for Outcomes 1 and 2 should be produced under closed book conditions. The evidence for Outcome 3 should be produced under supervised conditions with access restricted to formulae for the calculation of interim profits, turnover and cost of sales only.

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.

Higher National Unit specification: support notes (cont)

Unit title: Accounting for Specialised Transactions

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

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

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 accounts and the financial statements.

In Outcome 1 you will look at the issue of shares and debentures, how to record them in the accounts 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 leases and how to distinguish between them. You will also learn about the recording of the different types of leases in the accounts and financial statements of limited liability companies in accordance with accounting 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 accounts and financial statements of a limited liability company.

Each Outcome may be assessed separately. The assessments will be carried out under 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.