



## National Unit Specification: general information

**UNIT** Management Accounting: An Introduction (SCQF level 6)

**CODE** F395 12

### SUMMARY

This Unit is designed to introduce candidates to some of the basic concepts of Management Accounting. Therefore, it is not necessary for candidates to have specific prior knowledge of Management Accounting. It covers the classification of costs and systems to control them; the completion of job cost statements from cost information; the use of break-even analysis in the decision-making process and the preparation of cash budgets. Throughout, the Unit focuses on the application of associated theory to business scenarios.

### OUTCOMES

- 1 Apply given business information to the process of controlling and recording the principle elements of cost.
- 2 Use break-even analysis in the decision-making process for a given business situation.
- 3 Prepare a cash budget from given business information.

### RECOMMENDED ENTRY

Entry is at the discretion of the centre.

### CREDIT VALUE

1 credit at Higher (6 SCQF credit points at SCQF level 6\*).

*\*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.*

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### Administrative Information

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## **National Unit Specification: general information (cont)**

**UNIT**      Management Accounting: An Introduction (SCQF level 6)

### **CORE SKILLS**

Achievement of this Unit gives automatic certification of the following:

Complete Core Skill	None
Core Skill component(s)	Using Number at SCQF level 5

This Unit provides opportunities for candidates to develop aspects of the following Core Skills:

Information Technology      (SCQF level 6)

These opportunities are highlighted in the support notes of this Unit Specification.

## **National Unit Specification: statement of standards**

### **UNIT        Management Accounting: An Introduction (SCQF level 6)**

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.

#### **OUTCOME 1**

Apply given business information to the process of controlling and recording the principle elements of cost.

##### **Performance Criteria**

- (a) Identify the different elements of cost from given business information.
- (b) Use a simple system to control the cost elements of material.
- (c) Calculate wage costs.
- (d) Complete a job cost statement.

#### **OUTCOME 2**

Use break-even analysis in the decision-making process for a given business situation.

##### **Performance Criteria**

- (a) Complete a break-even analysis from given cost information.
- (b) Draw appropriate conclusions based on the break-even analysis.

#### **OUTCOME 3**

Prepare a cash budget from given business information.

##### **Performance Criteria**

- (a) Complete a cash budget for internal decision making purposes from given business information.
- (b) Present the cash budget in appropriate format for decision making.

## **National Unit Specification: statement of standards (cont)**

### **UNIT            Management Accounting: An Introduction (SCQF level 6)**

#### **EVIDENCE REQUIREMENTS FOR THIS UNIT**

The mandatory content for this Unit can be found in the Appendix at the end of this Unit Specification.

Evidence is required to demonstrate that candidates have achieved all Outcomes and Performance Criteria.

Written and/or recorded oral evidence should be produced to demonstrate that the candidate has achieved all Outcomes and Performance Criteria. The evidence should be obtained under controlled, supervised conditions at an appropriate point in the Unit. The assessment will be closed-book and should last for no more than 90 minutes.

Candidates will be provided with the following business information based on real or simulated business scenarios:

**Outcome 1:    Apply given business information to the process of controlling and recording the principle elements of cost.**

#### **PC (a):**

- 1    Examples of fixed, variable, semi-variable costs within stimulus material.
- 2    Examples of direct and indirect costs within stimulus material.

*Note: Stimulus material may take the form of case studies, lists, web sites, etc.*

#### **PC (b):**

- 1    The principles of FIFO should be applied to the costing of materials.
- 2    Stock record cards.
- 3    Opening stock levels.
- 4    Receipt of stock information.
- 5    Issue of stock information.

#### **PC (c):**

- 1    Annual salary details.
- 2    Hourly salary details.
- 3    Overtime rates and conditions.
- 4    Piecework rates and conditions.
- 5    Bonus rates and conditions.

## **National Unit Specification: statement of standards (cont)**

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**PC (d):**

- 1 Direct cost information:
  - ◆ Material
  - ◆ Labour
  - ◆ Expenses
- 2 Overhead information either as a percentage of prime costs and/or from given overhead absorption rates.
- 3 Mark-up information as a percentage of total cost.

**The completed wage cost statement for Outcome 1c should cover the calculation of the following:**

- 1 Gross employee monthly/weekly wage from salary information.
- 2 Gross employee monthly/weekly wage from hours worked and rate per hour.
- 3 Gross employee monthly/weekly wage from hours worked, rate per hour and overtime payments.
- 4 Gross employee monthly/weekly wage from piece rate and work completed.
- 5 Gross employee monthly/weekly wage from wage information and bonus criteria.
- 6 Total department gross wage cost.

**The completed job cost statement for Outcome 1d should cover the following calculations:**

- 1 All individual direct costs.
- 2 Prime cost.
- 3 Overhead costs.
- 4 Total cost.
- 5 Mark up.
- 6 Selling price before VAT.

**Outcome 2: Use break-even analysis in the decision-making process for a given business situation.**

- 1 Unit selling price, Unit variable labour and variable material information.
- 2 Total fixed cost information for a period of production.

**The completed break even analysis for Outcome 2 should cover the calculation of the following:**

- 1 Contribution per Unit from Unit selling price and variable costs.
- 2 The breakeven point in both units and sales.
- 3 The margin of safety in Units.
- 4 Projected profit/loss for given levels of output.

## **National Unit Specification: statement of standards (cont)**

### **UNIT        Management Accounting: An Introduction (SCQF level 6)**

#### **Outcome 3:    Prepare a cash budget from given business information**

- 1    Cash and credit sales forecast information including Unit selling price with monthly sales and production forecasts in units.
- 2    Cash inflows from asset disposal.
- 3    Percentage breakdown of cash and credit sales revenue.
- 4    Credit terms with suppliers.
- 5    Credit terms for customers.
- 6    Monthly variable cost information covering material, labour and overheads.
- 7    Monthly fixed overhead information.
- 8    Opening cash balance.

**The completed cash budget for Outcome 3 should cover the calculation and insertion of the following:**

- 1    Opening cash balances.
- 2    Cash sales revenue.
- 3    Credit Sales revenue.
- 4    Other inflows of cash.
- 5    Total Inflows.
- 6    Variable outflows of cash.
- 7    Fixed outflow of cash.
- 8    Other outflows of cash from asset purchasing.
- 9    Total outflows of cash.
- 10   Net cash flow.
- 11   Monthly closing balances.

Calculations may be done manually, using a calculator or using an initially blank spreadsheet. Pre-programmed spreadsheets may not be used.

The use of a cut-off score may be appropriate for this assessment.

The Assessment Support Pack (ASP) for this Unit provides sample assessment materials and illustrates the standard to be applied and the breadth of coverage required. Centres wishing to develop their own assessments should refer to the Assessment Support Pack to ensure a comparable standard. All Outcomes should be assessed as one closed-book assessment. If re-assessment is required, it should be based on a different scenario.

## **National Unit Specification: support notes**

### **UNIT            Management Accounting: An Introduction (SCQF level 6)**

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 an optional Unit in the National Certificate Business Group Award at SCQF level 5 but can also be taken as a free-standing Unit.

It aims to provide candidates with an introduction to some of the basic concepts and ideas in Management Accounting. As a result it is not necessary for candidates to have specific prior knowledge of Management Accounting. Previous knowledge of basic accounting procedures such as recording financial transactions is, however, likely to be of help to candidates. Completion of the Unit, Accounting: Recording of Cash Transactions (Intermediate 2), would represent a suitable foundation for candidates embarking on this Unit.

This Unit complements the Unit Financial Accounting (SCQF level 6) which is also an optional Unit in the National Certificate Business Group Award at SCQF level 5. The two Units may be taken in conjunction with each other.

#### **GUIDANCE ON LEARNING AND TEACHING APPROACHES FOR THIS UNIT**

The emphasis throughout this Unit is the practical application of management accounting theory through information technology to business scenarios. Candidates should apply knowledge and understanding to practical business information and produce evidence through the completion of management accounting statements. Candidates could utilise a spreadsheet application in their completion. Candidates should also draw conclusions and suggest solutions based on completed statements.

#### **OPPORTUNITIES FOR CORE SKILL DEVELOPMENT**

Information technology skills could be developed throughout this Unit as spreadsheets could be used for practical exercises.

#### **GUIDANCE ON APPROACHES TO ASSESSMENT FOR THIS UNIT**

##### **Opportunities for the use of 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 communications technology (ICT), such as e-testing or the use of e-portfolios or e-checklists. Centres which wish to use e-assessment must ensure that the national standard is applied to all candidate evidence and that conditions of assessment as specified in the Evidence Requirements are met, regardless of the mode of gathering evidence. Further advice is available in *SQA Guidelines on Online Assessment for Further Education (AA1641, March 2003)*, *SQA Guidelines on e-assessment for Schools (BD2625, June 2005)*.

## **National Unit Specification: support notes (cont)**

### **UNIT        Management Accounting: An Introduction (SCQF level 6)**

Assessment of this Unit should be carried out at an appropriate time, although care should be taken to provide sufficient time for remediation and re-assessment if required.

All Outcomes should be assessed as one closed-book assessment. If re-assessment is required, it should be based on a different scenario.

Achievement can be decided by the use of a cut-off score. The standard to be applied and breadth of coverage are illustrated in the Assessment Exemplar Pack available for this Unit. If a centre wishes to design its own assessments for this Unit, they should be of a comparable standard.

### **CANDIDATES WITH DISABILITIES AND/OR ADDITIONAL SUPPORT NEEDS**

The additional support needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments, or considering alternative Outcomes for Units. Further advice can be found in the SQA document *Guidance on Assessment Arrangements for Candidates with Disabilities and/or Additional Support Needs* ([www.sqa.org.uk](http://www.sqa.org.uk)).



## National Unit Specification: statement of standards (cont) — Appendix 1

### UNIT Management Accounting: An Introduction (SCQF level 6)

#### Appendix 1

**NB:** This Appendix is within the statement of standards ie the mandatory requirements of the Unit.

The following provides further details of the content of the Unit and of the information to be provided to candidates for the purposes of producing evidence for the Unit.

- ◆ Direct, variable and semi-variable. Direct or indirect classifications (Outcome 1 PC (a)).
- ◆ First in, First out (FIFO) stock control methods (Outcome 1 PC (b)).
- ◆ Labour information covering basic, time, piece, bonus and various overtime rates (Outcome 1 PCs (c) and (d)).
- ◆ Contribution per unit, unit costs, profit, breakdown points (units and sales), margins of safety and projected profit/loss for given levels of output (Outcome 2 PCs (a) and (b)).
- ◆ Business information for cash budget to contain:
  - cash and credit sales forecast information
  - cash and credit payment information to suppliers
  - variable and fixed costs
  - opening cash balance
  - net cash flow and closing cash balances (Outcome 3 PCs (a) and (b)).