



National Unit specification: general information

Unit title: Maintaining Costing Systems (SCQF Level 5)

Unit code: FN13 11

Superclass: AK

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Summary

The purpose of this Unit is to provide candidates with the basic knowledge and skills to identify costing information, prepare reports on the value of stocks including the effect on gross profit and maintain systems for the allocation, apportionment and absorption of indirect costs.

This is an optional Unit within the National Certificate in Accounting (SCQF level 5) but is also available as a freestanding Unit.

This Unit is suitable for candidates pursuing a career in accounting or financial administration or to undertake further study in these areas. The NC Accounting is an introductory qualification to prepare candidates for further study or entry into employment.

Outcomes

- 1 Identify costing information for reporting costs
- 2 Prepare reports on the value of stocks including the effect on gross profit
- 3 Maintain systems for the allocation, apportionment and absorption of indirect costs

Recommended entry

While entry is at the discretion of the centre, candidates would normally be expected to have basic competence in arithmetic/numeracy which could be evidenced by the achievement of Standard Grade Maths at 1–3, Intermediate 1 Maths or equivalent experience. It would be beneficial if candidates had prior experience in areas such as stock control, cash handling, processing pay information and operating a double entry book-keeping system.

National Unit specification: general information (continued)

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Credit points and level

1 National Unit credit at SCQF Level 5: (6 SCQF credit points at SCQF level 5*)

**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.*

Core Skills

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

- ◆ Using Number at SCQF level 5

There are also opportunities to develop aspects of Core Skills which are highlighted in the Support Notes of this Unit specification.

National 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.

Outcome 1

Identify costing information for reporting costs

Performance Criteria

- (a) Cost data are correctly related to cost classification
- (b) Cost data are correctly classified by nature
- (c) Cost data are correctly classified by function
- (d) Cost data are correctly aggregated into cost elements

Outcome 2

Prepare reports on the value of stocks

Performance Criteria

- (a) Stocks are correctly classified as raw materials or finished goods
- (b) Stock values are correctly related to FIFO and AVCO valuation bases
- (c) Calculation of the value of stocks is accurate
- (d) Gross profit is correctly calculated for each valuation base

Outcome 3

Maintain systems for the allocation, apportionment and absorption of indirect costs

Performance Criteria

- (a) Indirect costs are correctly attributed to cost centres using costing methods
- (b) Service costs are correctly attributed to production cost centres using costing methods
- (c) Production cost centre overheads are correctly attributed to cost units using absorption bases.

National Unit specification: statement of standards (continued)

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Evidence Requirements for this Unit

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

Assessments will be carried out under closed-book supervised conditions.

Outcome 1 The candidate is required to:

- ◆ describe the behaviour of two types of cost from variable, semi-variable and fixed
- ◆ classify ten costs as direct or indirect with no errors.
- ◆ classify ten costs as fixed or variable or semi-variable (these costs could be the same ten costs as used for the direct/indirect classification task). Eight out of ten costs should be correctly identified.
- ◆ classify twelve costs under the headings direct materials, direct labour, factory indirect expenses, administration expenses, selling and distribution expenses and financial charges. Ten out of twelve costs should be correctly identified.
- ◆ arrange a provided list of cost items into an appropriate layout, calculating the prime cost, cost of production and total cost with no errors permitted.

Outcome 2 The candidate is required to:

- ◆ classify twelve stock items as raw materials or finished goods. Ten out of twelve items should be correctly classified.
- ◆ calculate the value of the closing stock of a business using both the FIFO (First In, First Out) and weighted average methods for a list of at least 4 receipts and 4 issues. One error in each calculation method is acceptable.
- ◆ calculate the value of the material issued to a particular job using both the FIFO and weighted average methods. One error in each calculation method is acceptable.
- ◆ calculate the gross profit for a product having been given the FIFO and weighted average stock valuations with no errors permitted.

Outcome 3 The candidate is required to:

- ◆ prepare an overhead analysis sheet showing the distribution of budgeted overhead costs to three production departments and two service departments, using prime cost, machine hours, and direct labour hours as methods of apportionment.
- ◆ apportion the service department costs to the production departments, using the elimination method. One error within the complete overhead analysis sheet is acceptable.
- ◆ calculate the overhead absorption rate for the three production departments with no errors permitted
- ◆ calculate the cost of a job including overheads at the appropriate rate with no errors permitted

National Unit specification: support notes

Unit title: Maintaining Costing Systems (SCQF Level 5)

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 within the National Certificate in Accounting at SCQF level 5, but can also be taken as a free-standing Unit.

In completing this Unit candidates will be developing aspects of the following National Occupational Standards produced by the Financial Skills Partnership:

MA-1 Provide cost and revenue information

MA-2 Provide management information

In this Unit candidates should achieve a level of competence of someone who is expected to carry out, under supervision, the routine recording of costing transactions in the books of a range of organisations. There should be an emphasis on the generation of working papers/work product which is clear and informative.

It is envisaged that candidates successfully completing this Unit will have the underpinning knowledge for the HN Unit Cost Accounting (F7JR 34).

In this Unit candidates should consider the classification of costs, not just in a factory environment, but in other types of private and public sector organisations. They should be made aware of procedures for ordering, receiving and issuing stock and of the importance of controlling access to stock. This could be illustrated by a role-play exercise using goods received notes, requisitions etc. Segregation of duties should also be discussed in the context of prevention of fraud. The effect of apportionment methods on stock valuation and the pricing of products should also be considered.

This Unit should prepare candidates for progression to further study in accounting or for employment at accounts assistant level in both large and small organisations within the private, public or voluntary sectors. The Unit would also be of benefit to those working in an administrative role who are responsible for the management of stocks, for example of office consumables, and for the recording of costs.

National Unit specification: support notes (continued)

Unit title: Maintaining Costing Systems (SCQF Level 5)

Guidance on learning and teaching approaches for this Unit

The emphasis through the Unit should be on a candidate-centred approach where candidates undertake practical exercises which enable them to develop the necessary skills. Knowledge, understanding and computational skills can be developed simultaneously throughout the Unit.

For Outcome 1 candidates could be presented with a series of progressive exercises which will give them the necessary skills to identify the correct classification, nature and function of costs and to be able to summarise cost data into a suitable format which highlights the most important elements/totals.

For Outcome 2 candidates could be presented with a series of progressive exercises which will give them the necessary skills to identify whether a given stock item should be classified as raw material or finished goods stock. Candidates could also practice the calculation of raw material stock values under both the FIFO and weighted average methods and be able to calculate the gross profit of a business using both these valuation methods. The LIFO (last in, first out) method of valuation should be discussed but is not assessed.

For Outcome 3 candidates could be presented with a series of progressive exercises which will give them the necessary skills to apportion overheads and service department costs to production departments, based on appropriate methods of apportionment, and to calculate overhead absorption rates for job costing purposes.

This Unit provides suitable preparation for the Unit Management Accounting at SCQF level 5.

Opportunities for developing Core Skills

In this unit candidates will analyse costing information, prepare reports on the value of stocks and maintain systems for the allocation, apportionment and absorption of indirect costs. There is opportunity throughout this unit for candidates to apply a wide range of numerical skills to practical tasks.

Candidates will:

- ◆ Record costing transactions in the books of a range of organisations.
- ◆ Generate working papers/work products which are clear and informative.
- ◆ Consider the classification of costs, not just in a factory environment, but in other types of private and public sector organisations.
- ◆ Be aware of procedures for ordering, receiving and issuing stock and of the importance of controlling access to stock.
- ◆ Use recognised spreadsheet packages

National Unit specification: support notes (continued)

Unit title: Maintaining Costing Systems (SCQF Level 5)

Guidance on approaches to assessment for this Unit

This Unit has the Numeracy component of Using Number embedded in it, so when candidates achieve this Unit their Core Skills profile will be updated to show they have achieved Using Number at SCQF Level 5. In addition, as candidates are doing this Unit they will be developing aspects of the Core Skills in Problem Solving, Communication and Information and Communication Technology.

The following approaches to assessment are suggested:

Outcome 1

Candidates should be able to describe the behaviour, as the volume of production changes, of fixed costs, variable costs and semi-variable costs. They should also be able to distinguish between direct and indirect costs. They should be able to classify examples of costs under headings such as direct materials, direct labour, factory expenses, administration expenses, selling and distribution expenses and finance costs. They should be able to summarise cost data into an appropriate format which highlights the prime cost, the factory cost and the total cost. Candidates should be able to complete the task within one hour

Outcome 2

Candidates should be able to distinguish between stocks of raw materials and stocks of finished goods. They should be aware of the effect on gross profit of the use of different valuation bases of stock and be able to calculate the value of stocks using the FIFO (first in, first out) and weighted average methods. Candidates should be able to complete the task within one and a half hours.

Outcome 3

Candidates should be able to choose an appropriate method (e.g. floor area, number of employees, direct labour hours, and machine hours) for indirect material, labour and expenses costs to be apportioned to production departments. They should be able to carry out the appropriate calculations correctly and, where necessary, reallocate service department costs (e.g. stores, maintenance) to production departments. Candidates should be able to calculate overhead absorption rates for each production department and apply these to a job.

Assessments may be carried out manually or by use of a recognised spreadsheet package with pre-created layouts. However, if a spreadsheet is used, candidates should be required to enter any formulae themselves, to demonstrate their understanding of the calculations required. Candidates should be able to complete the task within one and a half hours.

Time should be allowed for any necessary re-assessment.

National Unit specification: support notes (continued)

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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 Communication 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)*.

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

History of changes to Unit

Version	Description of change	Date
02	Core Skills Component Using Number at SCQF level 5 embedded.	08/08/2011

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