

National Unit Specification: general information

UNIT	Management Accounting (Intermediate 1)
NUMBER	DF4T 10
COURSE	Accounting (Intermediate 1)

SUMMARY

This Unit is designed as an introduction to management accounting. It will allow candidates to develop the skills and techniques which will enable them to calculate the principle elements of costs; prepare job and service cost statements, simple process accounts; apply break-even analysis techniques; prepare cash budgets for planning and control using spreadsheets and use information technology as an accounting tool. It will also develop a knowledge and understanding of the theory relating to management accounting.

This Unit is ideal for candidates who:

- ◆ are undertaking the study of this subject for the first time
- ◆ wish to obtain a basic knowledge of Accounting as an interest subject
- ◆ are considering starting their own business and wish to develop a basic understanding of accounting principles and procedures

OUTCOMES

1. Identify and calculate the principal elements of cost.
2. Prepare cost statements and describe their uses.
3. Apply break-even analysis technique for decision making.
4. List the benefits of using information technology in management accounting and prepare a simple cash budget using a spreadsheet.

Administrative Information

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National Unit Specification: general information (cont)

UNIT Management Accounting (Intermediate 1)

RECOMMENDED ENTRY

Entry is at the discretion of the centre. Candidates do not need any previous knowledge or experience of accounting, however it may be beneficial if candidates have attained the following or equivalent:

- ◆ Standard Grade Accounting and Finance at Foundation level

CREDIT VALUE

1.5 credits at Intermediate 1 (9 SCQF credit points at SCQF level 4*).

**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

There is no automatic certification of Core Skills or Core Skills components in this Unit.

National Unit Specification: statement of standards

UNIT Management Accounting (Intermediate 1)

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 the Scottish Qualifications Authority.

OUTCOME 1

Identify and calculate the principal elements of cost.

Performance Criteria

- a) Identify the different cost elements involved in producing a product.
- b) Explain the procedures used to control the principal elements of costs — material, labour and overheads.
- c) Complete a partially prepared stock record card using First in, First out (FIFO).
- d) Calculate gross wages where time, piece, bonus and overtime rates are applied consistently with the information or time sheets and/or clock cards supplied.
- e) Prepare a simple overhead analysis statement where overheads are allocated and applied to all departments, and where service department overheads are reapportioned to production departments

OUTCOME 2

Prepare cost statements and describe their uses.

Performance Criteria

- a) Describe the uses of cost statements.
- b) Complete a cost statement to calculate the job or service cost from the information supplied.
- c) Complete a simple process account.
- d) Record direct materials and labour costs consistently with the information supplied.
- e) Record other fixed and variable costs consistently with the information supplied.
- f) Calculation of cost per job, process or unit of service is accurate.

OUTCOME 3

Apply break-even analysis techniques for decision-making.

Performance Criteria

- (a) State the benefits to a business organisation of using the break-even analysis technique.
- (b) Prepare or interpret a break-even chart.
- (c) Distinguish between fixed and variable costs, consistent with information supplied.
- (d) Calculation of contribution per unit is consistent with information supplied.
- (e) Calculation of break-even units and values is consistent with information supplied.

National Unit Specification: statement of standards (cont)

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- f) Calculation of profit is consistent with information supplied.
- g) Draw accurate conclusions on the effect of increasing selling price, fixed and/or variable costs on profit and/or break-even point.

OUTCOME 4

List the benefits of using information technology in management accounting and prepare a simple cash budget using a spreadsheet.

Performance Criteria

- a) Explain the benefits of budgeting to an organisation.
- b) List the benefits of using information technology in management accounting.
- c) Prepare a cash budget for a three month period using a spreadsheet.
- d) Entries in the cash budget are consistent with the information supplied.
- e) The use of spreadsheet formulae is comprehensive and consistent with information supplied.
- f) Spreadsheet printouts for data and formulae are produced with gridlines and row and cell references displayed.

EVIDENCE REQUIREMENTS FOR THE UNIT

The contents for this Unit are specified in Appendix One — Unit Content.

Candidates are required to demonstrate knowledge and understanding of the Unit content by completion of short response questions drawn from all areas of the Unit.

Candidates are also are also required to demonstrate that they can apply knowledge and understanding of the Unit content by the:

- ◆ completion of a stock record card
- ◆ completion of a job cost and/or service cost statement or process account
- ◆ completion of an overhead analysis statement
- ◆ preparation and interpretation of a break-even chart
- ◆ apply break-even analysis technique to calculate contribution, costs, profits for given levels of output
- ◆ preparation of a cash budget using a spreadsheet and production of printouts showing data and formulae

Evidence will be produced by the candidate completing a number of computational and theory questions and by using a spreadsheet to prepare cost statements.

National Unit Specification: statement of standards (cont)

UNIT Management Accounting (Intermediate 1)

The assessment will be a closed-book assessment covering all the Outcomes.

Calculators may be used for the non-spreadsheet parts of this assessment.

The maximum time allowable is 1 hour 30 minutes.

Assessment can be carried out in a single event or broken down into two sessions of 45 minutes.

If a re-assessment is required, it should contain a different sample from the range of content.

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

National Unit Specification: support notes

UNIT Management Accounting (Intermediate 1)

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 60 hours.

GUIDANCE ON THE CONTENT AND CONTEXT FOR THIS UNIT

This Unit deals with the management accounting aspects of the Accounting Intermediate 1 Course, including:

- ◆ identification of direct/variable and fixed/indirect costs and calculation of elements of costs:
 - material costs including the production of stock record cards and valuation cards using FIFO
 - labour costs where the calculations are based on time, piece, and bonus rates and overtime rates at double time
 - fixed overheads including the production of an overhead analysis statement.
- ◆ preparation of job or service cost statement or process account
- ◆ use of break-even analysis techniques to include the preparation and interpretation of a break-even chart and the calculation of contribution, costs and profits for a given level of output and break-even point
- ◆ using a spreadsheet to prepare and update cash budgets for forecasting and control purposes
- ◆ theory relating to the above

The extent of the knowledge required for each Outcome in this Unit is detailed in Appendix One — Unit Content.

GUIDANCE ON LEARNING AND TEACHING APPROACHES FOR THIS UNIT

The emphasis throughout the Unit should be on a candidate-centred approach where candidates undertake practical exercises which enable each candidate to progress at his/her own pace. It is important that candidates' computational skills and knowledge and understanding are developed simultaneously throughout the Unit, particularly for those candidates undertaking this Unit as part of Intermediate 1 Accounting Course.

Information technology skills will be developed throughout the Unit as spreadsheets should be used for practical exercises.

National Unit Specification: support notes (cont)

UNIT Management Accounting (Intermediate 1)

GUIDANCE ON APPROACHES TO ASSESSMENT FOR THIS UNIT

Assessment of this Unit should be carried out towards the end of the 60 hours of study, although care should be taken to ensure that sufficient time is allowed for remediation and reassessment if required.

The nature of the holistic assessment in Accounting makes it difficult for candidates to be re-assessed solely on these Outcomes and Performance Criteria in which they did not demonstrate competence.

If a re-assessment is required, it should contain a different sample from the range of content.

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

Candidates will be required to:

- ◆ identify the principal elements of costs and:
 - calculate material costs and prepare stock record cards
 - calculate labour costs using basic rate, time rate, piece rate, bonus rate and overtime rate at double time
 - calculate fixed overheads and prepare an overhead analysis statement
- ◆ prepare a job and/or service cost statement including the calculation of profit based on mark-up
- ◆ prepare a simple process account
- ◆ prepare and interpret a break-even chart
- ◆ calculate contribution and break-even point in units and sales value using formulae
- ◆ report on the effect of profit and/or break-even point of a change in costs or selling price
- ◆ prepare cash budgets for forecasting and control purposes
- ◆ produce printouts of spreadsheets showing data and formulae
- ◆ describe the use of information technology for management accounting
- ◆ prepare restricted response answers to demonstrate their knowledge and understanding in the above areas

For the purposes of assessment, candidate errors refers to any mistakes involving:

- ◆ recording of accounting information
- ◆ arithmetical calculations
- ◆ application of management accounting principles

SPECIAL NEEDS

This Unit specification is intended to ensure that there are no artificial barriers to learning or assessment. Special needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments or considering special alternative Outcomes for Units. For information on these, please refer to the SQA document *Guidance on Special Assessment Arrangements* (SQA, September, 2003).

National Unit Specification: statement of standards

Unit — Management Accounting (Intermediate 1)

Appendix One — Unit Content

NB This appendix is within the statement of standards, ie the mandatory requirements of the unit

Role of the Management Accountant	Candidates should be able to describe the role and scope of the Management Accountant.
Classification of Costs	Candidates should be able to: identify, describe and classify costs as direct/variable and indirect/fixed.
Direct Costs - Material*	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ complete and describe the use of the documents required for the inventory control cycle — purchase requisition and requisition forms, stock record cards, bin cards, goods received notes ◆ identify materials and value stock at cost ◆ complete stock record cards valuing stocks at First in, First out (FIFO)
Direct Costs - Labour*	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ identify and complete the documents required for the efficient recording of hours worked — clock cards, time sheets, job sheets ◆ calculate hours worked using clock cards, time sheets or job sheets ◆ calculate gross wages applying basic, time, piece rate, bonus rate and overtime rates where overtime rates are applied at double time
Indirect Costs - Overheads*	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ describe and identify cost centres and cost units ◆ allocate and apportion costs to production and service departments based on floor area; number of employees; value of fixed assets ◆ apportion the costs of a service department to production departments on a percentage basis ◆ calculate total production department costs ◆ calculate an overhead recovery rate based on direct labour hours

National Unit Specification: statement of standards (cont)

Unit — Management Accounting (Intermediate 1)

<p>Job costing*</p>	<p>Candidates should be able to prepare:</p> <ul style="list-style-type: none"> ◆ job cost statements which include direct materials, labour, variable overheads ◆ apply fixed overhead absorption rate to job cost statements using pre-determined rates of absorption based on direct labour hours
<p>Service costing*</p>	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ prepare simple service costing statements which includes direct costs, indirect costs, fixed overheads and profit where the profit percentage is given ◆ calculate unit cost and profit percentage based on mark up
<p>Process costing*</p>	<p>Candidates should have an awareness of :</p> <ul style="list-style-type: none"> ◆ the general principles of process costing and an understanding of the terms used in process costing. ◆ Simple process accounts showing inputs and outputs taking account of waste, with no value, and transfer to next process or finished goods. <p>Note: all relevant values will be given.</p>
<p>Marginal costing and decision-making*</p>	<p>Candidates should have a basic understanding of break-even analysis techniques.</p> <p>Candidates should be able to identify, describe and calculate:</p> <ul style="list-style-type: none"> ◆ fixed and variable costs ◆ contribution ◆ break-even point in units and sales value ◆ profit or loss for given levels of output <p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ prepare and interpret break-even charts; calculating selling price per unit, variable cost per unit, break-even point in units and total sales value ◆ calculate and comment on the effects of the changes in selling price, fixed and variable costs on the profit and break-even point for a single product

National Unit Specification: statement of standards (cont)

Unit — Management Accounting (Intermediate 1)

<p>Budgeting*</p>	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ prepare a simple cash budget for a three month period from information provided <p>The information provided will consist of:</p> <ul style="list-style-type: none"> ◆ opening balance, sales units and production units, selling price and unit production costs, cash and credit sales, receipts from debtors and payments to creditors, other receipts and payments and should include time delays <p>Candidates should be able to calculate and use the closing monthly balance.</p> <p>This topic will be assessed using a spreadsheet.</p> <p>The formulae used for spreadsheets will be restricted to:</p> <ul style="list-style-type: none"> ◆ adding, subtracting, multiplying, dividing and use of sum function <p>Candidates are required to produce printouts of the spreadsheets showing data and formulae. Gridlines and cell and row references should be printed.</p>
<p>IT and Accounting</p>	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ describe the use of information technology (IT) in accounting ◆ demonstrate the use of IT in management accounting — particularly the use of spreadsheets as a calculation tool
<p>Use of Spreadsheets</p>	<p>Spreadsheets should be used throughout this Unit. Topics where this is most suitable have been indicated by *.</p> <p>The formulae used for spreadsheets will be restricted to:</p> <ul style="list-style-type: none"> ◆ adding, subtracting, multiplying, dividing and use of sum function, copying relatively and absolutely <p>Candidates are required to produce printouts of the spreadsheets showing data and formulae with gridlines, cell and row references shown.</p>

* Topics where the use of spreadsheet is most suitable.