

Preparing Management Accounting Information

SCQF: level 5 (6 SCQF credit points)

Unit code: J1XY 75

Unit outline

The aim of this Unit is to allow learners to develop the knowledge and understanding of internal accounting information and the ability to prepare such information, using a range of basic accounting techniques. The information produced will be used by management in making decisions about the future planning and control of the business.

Learners who complete this Unit will be able to:

- 1 Describe management accounting concepts
- 2 Prepare management accounting statements

This Unit is available as a free-standing Unit. The Unit Specification should be read in conjunction with the *Unit Support Notes*, which provide advice and guidance on delivery, assessment approaches and development of skills for learning, skills for life and skills for work. Exemplification of the standards in this Unit is given in *Unit Assessment Support*

Recommended entry

Entry to this Unit is at the discretion of the centre. However, learners would normally be expected to have attained the skills, knowledge and understanding required by one or more of the following or equivalent qualifications and/or experience:

- ◆ National 4 Business Course
- ◆ National 4 Mathematics Course

Examples of other such relevant prior learning and experiences would include the development of logical and analytical thinking skills and the ability to use ICT, particularly spreadsheets

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. For further information, please refer to the *Unit Support Notes*.

Standards

Outcomes and assessment standards

Outcome 1

The learner will:

1 Describe management accounting concepts by:

- 1.1 Describing direct and indirect costs and classifying the elements of these costs
- 1.2 Describing fixed and variable costs and classifying them in order to aid break-even analysis
- 1.3 Defining a cash budget and outlining why it is prepared

Outcome 2

The learner will:

2 Prepare management accounting statements by:

- 2.1 Preparing accounting statements from a given range
- 2.2 Calculating break-even information
- 2.3 Preparing a cash budget from given data for a specified accounting period

Evidence Requirements for the Unit

Assessors should use their professional judgement, subject knowledge and experience, and understanding of their learners, to determine the most appropriate ways to generate evidence and the conditions and contexts in which they are used.

Evidence for this Unit may be presented in a written response, as an ICT printout or by electronic means, and must use relevant accounting layouts and concepts.

Assessors should also use their professional judgement when giving learners credit for an appropriate degree of accuracy. This may mean giving credit for solutions which are numerically incorrect, but which show correct application of accounting concepts and methods.

In Outcome 1, the principal elements of costs are labour, materials and overheads.

In Outcome 2, the range of management accounting statements includes 'First in First Out', 'Last in First Out', overhead analysis statements and job cost statements and the break-even information may be ascertained by using formulae or charts.

Evidence may be presented for individual Outcomes or it may be gathered for the Unit as a whole through combining assessment in one single activity. If the latter approach is used, it must be clear how the evidence covers each Outcome.

Exemplification of assessment is provided in *Unit Assessment Support*. Advice and guidance on possible approaches to assessment is provided in the *Unit Support Notes*.

Assessment standard thresholds

If a candidate successfully meets the requirements of the specified number of Assessment Standards they will be judged to have passed the Unit overall and no further re-assessment will be required.

The specific requirements for this Unit is as follows:

- ◆ 5 out of 6 Assessment Standards must be achieved.

It should be noted that there will still be the requirement for candidates to be given the opportunity to meet all Assessment Standards. The above threshold has been put in place to reduce the volume of re-assessment where that is required.

Development of skills for learning, skills for life and skills for work

It is expected that learners will develop broad, generic skills through this Unit. The skills that learners will be expected to improve on and develop through the Unit are based on SQA's *Skills Framework: Skills for Learning, Skills for Life and Skills for Work* and drawn from the main skills areas listed below. These must be built into the Unit where there are appropriate opportunities.

2 Numeracy

- 2.1 Number processes
- 2.2 Money, time and measurement
- 2.3 Information handling

4 Employability, enterprise and citizenship

- 4.1 Employability
- 4.2 Information and communication technology (ICT)

5 Thinking skills

- 5.2 Understanding
- 5.3 Applying

Amplification of these is given in SQA's *Skills Framework: Skills for Learning, Skills for Life and Skills for Work*. The level of these skills should be at the same SCQF level of the Unit and be consistent with the SCQF level descriptor. Further information on building in skills for learning, skills for life and skills for work is given in the *Unit Support Notes*.

Appendix: Unit support notes

Introduction

These support notes are not mandatory. They provide advice and guidance on approaches to delivering and assessing this Unit. They are intended for teachers and lecturers who are delivering this Unit. They should be read in conjunction with:

- ◆ the *Unit Specification*
- ◆ the *Unit Assessment Support packs*

Developing skills, knowledge and understanding

Teachers and lecturers are free to select the skills, knowledge, understanding and contexts which are most appropriate for delivery in their centres.

Approaches to learning, teaching and assessment

Centres are reminded that the sole trader is the only business structure covered in *Preparing Financial Accounting Information Unit* and teachers/lecturers should try to contextualise learning to this business structure.

Learning and teaching approaches should be learner-centred, participative and practical in nature. The underpinning knowledge should be integrated with practical activities and placed in the context of those activities. There should be an appropriate balance between whole-class teaching and activity-based learning.

The table below suggests some activities which could support the delivery of this Unit and which may suit the needs of learners with different learning styles.

Preparing Management Accounting Information

Topic	Skills, knowledge and understanding	Suggested experiences and activities
Role of management accountant	Duties, scope and responsibilities of the management accountant.	<ul style="list-style-type: none"> ◆ Brainstorming ◆ Researching the internet or text books ◆ Visiting local organisations and/or visiting speakers coming to class ◆ Presenting research findings to peers
Costing	Classification of fixed/variable/direct/indirect costs; Material — calculate inventory (stock) values using first in first out (FIFO), last in first out (LIFO) using inventory (stock) control cards. Labour — record and calculate wages using time/piece/flat-rate methods of remuneration. Overheads — production of overhead analysis statement, showing apportionment and allocation of overheads to cost centres re-apportionment of overheads. Calculate unit cost of production. Prepare job cost statements.	<ul style="list-style-type: none"> ◆ Adopting a scenario-based approach to illustrate the three elements of cost involved in the calculation of the total of cost per unit eg the manufacture of t-shirts. ◆ Through an enterprise project, learners will develop a working knowledge of costing. ◆ Using movie files may to illustrate the production and cost tracking process. ◆ Visiting storerooms and canteens to illustrate the working environment where these procedures

Topic	Skills, knowledge and understanding	Suggested experiences and activities
		<p>may be witnessed.</p> <ul style="list-style-type: none"> ◆ Completing partially prepared electronic templates to emphasise the presentation layouts required. ◆ Individually practising, constructing and completing the required layouts from given tasks.
Break-even	<p>Fixed and variable costs; contribution; calculation of break-even point (in units and currency); calculation of margin of safety (in units and currency); using formulae to ascertain units required to achieve a given profit; using formulae to ascertain profit/loss at a given amount of units.</p> <p>Identification of relevant costs and revenue information using charts.</p>	<ul style="list-style-type: none"> ◆ Discussing cost behaviour and illustrating how to prepare break-even charts — teacher-led activity. ◆ Learners then individually producing charts manually and/or electronically. ◆ Using break-even formulae in given tasks.
Cash budgets	<p>Basic principles and benefits of budgeting.</p> <p>Preparation of cash budget for a time period of up to three months.</p>	<ul style="list-style-type: none"> ◆ Discussing personal and family budgets to contextualise learning to introduce this topic. ◆ Completing partially prepared electronic templates to illustrate and emphasise the presentation layouts required. ◆

The table above gives examples of learning and teaching activities that may be used when delivering the Unit. This would be classified as naturally occurring evidence which could be used to demonstrate that the learner has met the Assessment Standards within the Unit Specification.

There are a number of assessment strategies that could be used in this Unit, including:

- ◆ completing computer- or paper-based accounting tasks that include short answer theory questions
- ◆ a portfolio of tasks could be submitted by learners

Combining assessment within Units

Assessment could be combined in this Unit by holistically assessing all the Outcomes of the Unit in a single assessment. When assessment within the Unit is holistic, teachers and lecturers should take particular care to track the evidence for each individual Outcome.

Ratio formulae (new terminology)

Ratio	Formula
Profitability ratios:	
Return on equity employed	$\frac{\text{Profit for the year}}{\text{Opening Equity}} \times 100 = \%$
Gross profit ratio	$\frac{\text{Gross profit}}{\text{Sales revenue}} \times 100 = \%$
Profit for the year ratio	$\frac{\text{Profit for the year}}{\text{Sales revenue}} \times 100 = \%$
Liquidity ratio:	
Current ratio	Current assets : current liabilities Answer should be expressed as 2.35:1
Acid test ratio	Current assets — closing inventory : current liabilities Answer should be expressed as 1.27:1
Efficiency ratios:	
Rate of inventory turnover	$\frac{\text{Cost of sales}}{\text{Average inventory}} = \text{times}$
Expense ratio	$\frac{\text{Expenses}}{\text{Sales revenue}} \times 100 = \%$ *This figure may be for the total expenses or for one individual expense, eg advertising
Trade payables period	$\frac{\text{Average trade payables}}{\text{Credit purchases}} \times 365 = \text{days (or } \times 52 = \text{weeks, or } \times 12 = \text{months)}$ NB — where only one figure is given for trade payables, this will be taken as the average.
Trade receivables period	$\frac{\text{Average trade receivables}}{\text{Credit sales revenue}} \times 365 = \text{days (or } \times 52 = \text{weeks, or } \times 12 = \text{months)}$ NB — where only one figure is given for trade receivables, this will be taken as the average.
Non-current asset turnover	$\frac{\text{Sales revenue}}{\text{Non-current assets at net book value}} \times 100 = \%$ Answers should be expressed as a ratio, eg 0.75:1

Administrative information

Published: July 2019 (version 2.0)

Superclass: AK

History of changes to National Unit Specification

Version	Description of change	Authorised by	Date
1.1	Assessment standard thresholds added Unit support notes added	Qualifications Manager	September 2018
2.0	Unit code updated	Qualifications Manager	July 2019

This specification may be reproduced in whole or in part for educational purposes provided that no profit is derived from reproduction and that, if reproduced in part, the source is acknowledged. Additional copies of this Unit can be downloaded from SQA's website at www.sqa.org.uk.

Note: readers are advised to check SQA's website: www.sqa.org.uk to ensure they are using the most up-to-date version of the Unit Specification.

© Scottish Qualifications Authority 2019