

---

## Preparing Financial Accounting Information

**SCQF:** level 6 (6 SCQF credit points)

**Unit code:** J21L 76

### Unit outline

The general aim of this Unit is to allow learners to develop skills, knowledge and understanding relating to the preparation of routine and complex financial accounting information. Learners will explore a range of business structures and gain understanding of the application of a range of current financial accounting regulations associated with these structures. This will provide learners with an understanding of accounting standards and practices. The information will be used to establish the historical and current financial position and performance of the organisation.

Learners who complete this Unit will be able to:

- 1 Use knowledge and understanding of financial regulations to explain factors affecting financial accounting procedures of public limited companies
- 2 Prepare extracts of period-end financial 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 Course 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 5 Accounting Course
- ◆ National 5 Mathematics Course

Examples of other 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 Use knowledge and understanding of financial regulations to explain factors affecting financial accounting procedures of public limited companies by:**
  - 1.1 Describing the main features of public limited companies in relation to ownership, control and key sources of finance
  - 1.2 Describing current legislation or Accounting Standards which affect the preparation of financial accounting statements of a public limited company

### Outcome 2

The learner will:

- 2 Prepare extracts of period-end financial accounting statements by:**
  - 2.1 Selecting relevant information from a trial balance and notes provided at year end
  - 2.2 Preparing relevant extracts of period-end financial statements from the following organisations: partnerships, public limited companies, and those involved in the manufacturing sector

## 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.

Manufacturing accounts may be assessed within the context of a partnership or public limited company and should include both the manufacturing account and the trading section of the income statement (trading account).

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*.

# 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 process
- 2.2 Money, time and measurement
- 2.3 Information handling

## **4 Employability, enterprise and citizenship**

- 4.1 Employability
- 4.2 Information and communications 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 **partnerships** and **limited companies** are the only business structures covered by this Unit.

Learning and teaching approaches should be learner-centred, participative and practical in nature. 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.

Topic	Skills, knowledge and understanding	Suggested experiences and activities
<b>Role of financial accounting</b>	Users/uses of financial accounting information, eg duties and responsibilities of the Financial Accountant, purpose and importance of financial accounting to aid an organisation, reporting and communicating procedures.	<ul style="list-style-type: none"> <li>◆ the following techniques may be used to enhance the learning experience: mind-mapping, flipcharts, role play, web research, textbook research, visits to local organisations, visiting speakers, peer/group presentations</li> </ul>
<b>Partnership</b>	<p>Legal definition, eg features of ownership, an awareness of the main principles of current partnership legislation (Partnership Agreement and Limited Partnership Legislation).</p> <p>Sources of finance, eg partners, bank loan, mortgages, government grants, leasing, appropriation of profit for the year (net profit).</p> <p>Partnership changes, eg introduction of new partner, partner leaving, change in partnership agreement, change in profit split.</p> <p>Revaluation of assets.</p> <p>Goodwill.</p> <p>Current and equity (capital) accounts.</p> <p><b>NOTE:</b> dissolution of partnership and transfer to limited company will not be included</p>	<ul style="list-style-type: none"> <li>◆ defining and giving local examples of partnerships to set the scene of the Unit and the Course</li> <li>◆ using presentation software to illustrate business structures or sources of finance</li> <li>◆ allowing learners to draw up a partnership agreement, either for a new partnership or admitting a new partner or the death or retirement of an existing partner</li> </ul> <p><b>This topic should articulate with the ‘period-end financial statements’ topic.</b></p>

Topic	Skills, knowledge and understanding	Suggested experiences and activities
<b>Public Limited Company (PLC)</b>	<p>Legal definition (eg feature of ownership: registration and share capital, an awareness of the main principles of current PLC legislation (Memorandum of Association, Articles of Association).</p> <p>Sources of finance, internal and external (eg sales of assets, shares, venture capital, grants).</p> <p>Appropriation of profit for the year (net profit) including corporation tax.</p> <p>Financial Reporting Standards (FRS3, FRS10, FRS15).</p>	<ul style="list-style-type: none"> <li>◆ defining and giving examples of local/national PLCs to set the scene of the Unit and the Course</li> <li>◆ using presentation software to illustrate business structures or sources of finance</li> <li>◆ drawing up articles and memoranda of association</li> <li>◆ downloading annual reports of a PLC and working in groups discussing the contents to obtain an overview of what is included and why, and to whom it is aimed</li> </ul> <p><b>This topic should articulate with the ‘period-end financial statements’ topic.</b></p>
<b>Period-end financial statements</b>	<p>Preparation of income statement (trading, profit and loss account) including the appropriation of profits for partnerships and Public Limited Companies (PLCs).</p> <p>Preparation of manufacturing account for PLCs.</p> <p>Adjustments at year start and end for prepayments and accruals.</p> <p>Reducing balance and straight methodologies of depreciation and revaluation of property.</p> <p>Changes in provision for doubtful debts.</p> <p>Preparation of a statement of financial position (balance sheet) for partnerships and PLCs.</p>	<ul style="list-style-type: none"> <li>◆ completing partially prepared electronic templates to illustrate and emphasise the presentation layouts required</li> <li>◆ practising making year-end adjustments after teacher-led demonstrations of how to do them</li> <li>◆ dynamically linking sheets within a spreadsheet file to demonstrate the integrative nature of financial accounting</li> <li>◆ completing tasks to prepare financial statements</li> </ul>

## Appendix 2: Ratio formulae

Capital gearing ratio	(Preference Shares + non-current (Long-term liabilities): Ordinary Shares  NB Answers to be expressed as a ratio to 1, eg 2.5:1 or 0.67:1
Investment	
Dividend yield	$\frac{\text{Ordinary dividend per share}}{\text{Market price per share}} \times 100$
Dividend cover	$\frac{\text{(Profit for year (net profit) after tax - preference dividends)}}{\text{Ordinary share dividend}}$
Earnings per share	$\frac{\text{(Profit for the year (Net profit) after tax - preference dividends)}}{\text{Number of ordinary shares}}$
Price/earnings ratio	$\frac{\text{Market price per share}}{\text{Earnings per share}}$
Interest cover	$\frac{\text{Profit for the year (Net profit) before finance cost (interest) and tax}}{\text{Finance cost (Interest)}}$



## **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.

## Administrative information

---

**Published:** July 2019 (version 3.0)

**Superclass:** AK

---

### History of changes to National Unit Specification

Version	Description of change	Authorised by	Date
1.1	Minor wording changes in 'Unit outline' section, AS 1.2 and AS 2.1 and 'Evidence requirements for the Unit' section, to clarify meaning.	Qualifications Development Manager	April 2014
2.0	Level changed from Higher to SCQF level 6. Unit support notes added.	Qualifications Manager	September 2018
3.0	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](http://www.sqa.org.uk).

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

© Scottish Qualifications Authority 2019