



Higher National Accounting Units

There are a range of Higher National Accounting Units that are included in a number of the HND fixed frameworks. These are:

HH81 33/F847 33	Recording Financial Transactions
F7JV 34	Recording Financial Information
F84M 34	Business Accounting
HC43 35	Financial Reporting and Analysis
F82J 35	Management Accounting for Decision Making
F84R 35	Preparing Financial Forecasts
F7JR 34	Cost Accounting

Error Tolerance Guidance Notes

The marking guidelines for the HN Accounting Units changed in 2010 from students having to reach a percentage of available marks to achieve an Outcome (usually 70%), to an Error Tolerance approach consisting of arithmetic errors and errors of principle. An Error Tolerance statement is provided within each Unit specification under the Evidence Requirements for each Outcome. This statement clearly indicates the acceptable number of errors (ie the threshold) a student may make within the evidence they produce for each Outcome.

Centres must note:

- ◆ The Error Tolerance approach is **only** applicable to the Units listed above and where indicated within the Unit specification.
- ◆ It is the centre's responsibility to ensure that the most **current** Unit specification is being used at the time of assessment. Error Tolerances may be reviewed and amended from time to time.

The types of error which constitute errors of principle and arithmetic errors have been widely discussed and input has been received from stakeholders. To help assessors develop an understanding of the use of Error Tolerance SQA has produced a list for each category. Guidance on what constitutes an error of principle or arithmetic have been identified with some narrative guidance from the EV team to assist in the application of Error Tolerance principles. The information which follows is not meant to be an exhaustive list, merely a guidance note to assist assessors in making assessment decisions.

Assessors and Internal Verifiers are reminded that the error tolerance levels for each Outcome of each Unit are reviewed on a regular basis and care must be taken to ensure that the error tolerance thresholds for each Outcome is up to date at the time of the assessment decisions being made. It should be noted that the error tolerances here are correct at the time of preparing this document (July 2017).

As with all Units, the professional judgement of the assessor will be at the centre of assessment decisions.

In addition to the list provided, examples of marked scripts are also available to illustrate the marking of assessments under the Error Tolerance guidelines. The scripts have been taken from submissions for *Business Accounting (F84M 34)* Outcomes 1 and 2, and Preparing Financial Forecasts (F84R 35) Outcomes 1 and 2. The script for *Business Accounting (F84M 34)* uses terminology and layout to comply with Financial Reporting Standard (FRS) 102 requirements.

The scripts are intended to provide assessors with guidance about error tolerance application in particular Units.

This is a secure document as the assessment instruments referred to in the scripts are live documents. This document **MUST** be kept in a secure manner along with the Assessment Support Packs.

Types of Errors

Commonly in the unit specifications, two types of errors will be mentioned – Arithmetic Errors and Errors of Principle.

Arithmetic Errors

Common types of errors which are likely to be classified as arithmetic are:

- Transposition errors
- Errors where candidates write 'add' but subtract the figure instead
- Incorrect processing of £000s where a trial balance, for example, is presented in £000 but the notes to the accounts provide the full figures and the candidate has included the full figure, including the £000
- Incorrect totals – the individual figures may be correct but the addition and subtraction has been incorrectly completed
- Running balances in ledger accounts not correctly identified as Debit or Credit
- Incorrect calculations of inventory in inventory valuation tasks
- Incorrect application of time multiplied by rate for example in wages calculations
- Incorrect calculation of proportions in overhead analysis

Errors of Principle

Common types of errors which are likely to be classified as errors of principle are:

- Error of commission
- Error of omission
- Reversal of entries
- Incorrect classification of items in financial statements – eg Trade Payables included in current assets
- Incorrect use of inventory valuation methods – ie FIFO instead of Weighted Average
- Inclusion of depreciation in a Cash Budget
- Wrong equations used in variances
- Wrong figures selected for ratios
- Gross figures entered in the general ledger
- VAT calculations not correct
- Inappropriate method of apportionment
- When preparing master budgets, incorrect figures included in financial statements – eg figure for materials consumed included rather than materials purchased
- Depreciation calculations incorrectly carried out – ie reducing balance rather than straight line
- Incorrect calculation of contribution
- Outputs and inputs reversed in VAT
- Process costs calculated not taking wastage into account
- Ledger balances posted to the Trial Balance incorrectly – ie credit balances on inventory accounts; sales in the DR column
- Capital allowances incorrectly identified