



## **HNC/HND ACCOUNTING**

### **Accounting Standards and Terminology Update**

#### **SQA's Plans for Academic Sessions 2014/2015 and 2015/2016**

Centres will be aware there have been a number of changes taking place in the legislation for preparing financial statements. These revisions have meant that financial reporting has been fundamentally changed and almost all accounting standards have been replaced with three new Financial Reporting Standards:

- FRS 100 Application of Financial Reporting Requirements;
- FRS 101 Reduced Disclosure Framework; and
- FRS 102 The Financial Reporting Standard applicable in the UK and ROI

This means the familiar UK financial reporting format (UK GAAP) is about to disappear and all Financial Reporting Standards (FRSs) and Statements of Standard Accounting Practice (SSAPs) are being replaced by a single financial reporting standard (FRS 102). This is broadly based on the International Financial Reporting Standard (IFRS) for Small to Medium Sized Enterprises (SMEs).

The majority of large and medium-sized UK companies will apply this new standard in their annual financial statements. Since FRS 102 is a simplified version of the full IFRSs, this has the effect that any entity not required to apply full IFRSs will be able to apply FRS 102.

**FRS 102 (the new UK GAAP) will have the effect of replacing the current UK GAAP with effect for periods beginning on or after 1 January 2015.**

Within the Higher National (HN) Unit specifications for Accounting the focus is generally on presenting accounts for internal use for smaller companies such as sole traders, partnerships and limited companies. The new legislation will mean this could effectively still happen, but FRS 102 requires changes to terminology and some layouts.

### **For session 2014/2015**

There are no changes to the Unit specifications and Assessment Exemplars/Assessment Support Packs for academic session 2014/2015 and centres can deliver/assess using either UK GAAP or IAS.

SQA is in the process of updating all relevant HN Unit specifications and related Assessment Support Packs (ASPs) to conform to FRS 102 requirements. This work will be carried out in two tranches – Table 1 lists the Units to be revised in the first tranche and Table 2 the Units to be revised in the second tranche.

Centre practitioners will be provided with further guidance at the next planned HN Accounting Network Support Event planned for the first quarter of 2015. SQA strongly recommends that centres ensure that all appropriate staff familiarise themselves with the relevant Accounting terminology and that they make the necessary plans to incorporate the new terminology into the appropriate materials, etc. The revised terminology, as taken from FRS 102, is attached. Whilst centres are not required to update materials until the introduction of the revised Unit specifications in August 2015 they may choose to introduce these earlier.

### **For session 2015/2016**

SQA aims to produce revised Unit specifications and ASPs before the end of session 2014/2015 for the Units listed in Table 1. From August 2015 it will be mandatory for all centres to teach and assess these Units using the new terminology and layouts. Suggested layouts have been produced and are provided in Appendix 2. Other alternative layouts, conforming to FRS 102, are also acceptable.

Centres should note that the changes will have a greater impact on the more advanced Accounting Units ie Financial Reporting and Analysis (F7R4 35) and Accounting: Graded Unit 3 (F8KG 35). SQA will continue to work on the provision of necessary advice and guidance for centres during 2014/2015. Centres will be kept informed as and when necessary. It is also anticipated that there will be a further HN Accounting Network Support Event in the spring of 2016 and the focus of this Event will be to assist centres with the transition process.

## Unit Specifications

The following Units will be revised for implementation in session 2015/2016. Centres should note there are other Accounting Units within other frameworks which may be affected. However, only the Units listed in Table 1 below will be revised in the first stage of this project.

**Table 1**

Unit Title	Unit Code
<b>HNC Accounting Core Units<sup>1</sup></b>	
Preparing Final Accounts <sup>2</sup>	F7JT 34
Using Financial Accounting Software	F7JP 34
Cost Accounting	F7JR 34
Management Accounting Using Information Technology	F7JS 34
Accounting: Graded Unit 1	F8KE 34
<b>Servicing Units</b>	
Recording Financial Transactions	F847 33
Business Accounting	F84M 34
Financial Accounting Statements: An Introduction	F93K 34
Using Financial Accounting Statements	F93H 34

The following Units will be revised for implementation in session 2016/2017.

**Table 2**

Unit Title	Unit Code
<b>HND Accounting Core Units</b>	
Financial Reporting and Analysis	F7R4 35
Accounting for Specialised Transactions	F7R5 35
Management Accounting for Planning and Control	F82H 35
Management Accounting for Decision Making	F82J 35
Business Taxation	F7R6 35
Accounting: Graded Unit 2	F8KF 35
Accounting: Graded Unit 3	F8KG 35
<b>Optional/Servicing Units</b>	
Income Tax	F86X 35
Auditing	FN11 35
Preparing Financial Forecasts	F84R 35
Using Financial Accounting Statements	F93H 34

<sup>1</sup> No change is required to Recording Financial Information (F7JV 34) or Payroll (H4J9 34).

<sup>2</sup> The title of this Unit will be changed to Preparing Financial Statements to reflect the change in terminology.

## New Terminology (alphabetical)

<b>Current UK Terminology</b>	<b>International Terminology</b>
Accruals	Other payables
Balance sheet	Statement of financial position
Bank and cash	Cash and cash equivalents
Cash flow statement	Statement of cash flows
Cost of goods sold	Cost of sales
Creditors: amounts falling due within one year (heading)	Current liabilities
Equity or capital	Equity
Final accounts	Financial statements
Fixed assets	Non-current assets
Goodwill, etc	Intangible assets
Interest payable	Finance costs
Interest receivable	Investment revenues
Investments	Investment property
Land and buildings	Property
Loans repayable after one year	Bank loan (also other loans)
Loans repayable within one year	Bank overdrafts and loans
Long term liabilities Creditors: amounts falling due after more than one year	Non-current liabilities
Net loss	Loss for the year
Net profit	Profit for the year
Prepayments	Other receivables
Profit and loss account	Income statement
Profit and loss appropriation account	There is no appropriation account – this is partly replaced by the statement of changes in equity
Proposed dividends	No proposed dividends as only dividends that have been approved are included
Sales	Revenue (where used in income statements)
Stocks of raw materials and finished goods	Inventory
Sundry expenses	Other operating expenses
Sundry income	Other operating income
Trade creditors	Trade payables
Trade debtors	Trade receivables
Trading and profit and loss account	Income statement