



## National 5 Accounting

<b>Course code:</b>	C800 75
<b>Course assessment code:</b>	X800 75
<b>SCQF:</b>	level 5 (24 SCQF credit points)
<b>Valid from:</b>	session 2023–24

The course specification provides detailed information about the course and course assessment to ensure consistent and transparent assessment year on year. It describes the structure of the course and the course assessment in terms of the skills, knowledge and understanding that are assessed.

This document is for teachers and lecturers and contains all the mandatory information you need to deliver the course.

This edition: May 2023, version 5.0

# Contents

<b>Course overview</b>	<b>1</b>
Course rationale	2
Purpose and aims	2
Who is this course for?	2
<b>Course content</b>	<b>3</b>
Skills, knowledge and understanding	3
Skills for learning, skills for life and skills for work	6
<b>Course assessment</b>	<b>8</b>
Course assessment structure: question paper	8
Course assessment structure: assignment	9
Grading	12
<b>Equality and inclusion</b>	<b>13</b>
<b>Further information</b>	<b>14</b>
<b>Appendix 1: course support notes</b>	<b>15</b>
Introduction	15
Developing skills, knowledge and understanding	15
Approaches to learning, teaching and assessment	16
Preparing for course assessment	23
Developing skills for learning, skills for life and skills for work	23
<b>Appendix 2: ratio formulae</b>	<b>25</b>

# Course overview

The course consists of 24 SCQF credit points which includes time for preparation for course assessment. The notional length of time for a candidate to complete the course is 160 hours.

The course assessment has two components.

Component	Marks	Duration
Question paper	130	2 hours
Assignment	50	2 hours — see course assessment section

Recommended entry	Progression
<p>Entry to this course is at the discretion of the centre.</p> <p>Candidates should have achieved the fourth curriculum level or equivalent qualifications and/or experience prior to starting this course.</p>	<ul style="list-style-type: none"><li>◆ Higher Accounting</li><li>◆ other qualifications in accounting or related areas</li><li>◆ further study, employment and/or training</li></ul>

## Conditions of award

The grade awarded is based on the total marks achieved across all course assessment components.

## Course rationale

National Courses reflect Curriculum for Excellence values, purposes and principles. They offer flexibility, provide more time for learning, more focus on skills and applying learning, and scope for personalisation and choice.

Every course provides opportunities for candidates to develop breadth, challenge and application. The focus and balance of assessment is tailored to each subject area.

The National 5 Accounting course helps candidates develop skills in communicating essential financial information to various stakeholders and organisations. It combines the practical and theoretical aspects of learning related to accounting, allowing candidates to use information and communications technology (ICT) to complete tasks.

Accounting is a key function in many organisations. Effective accounting procedures can provide timely and relevant information to management, helping organisations perform successfully.

The course encourages candidates to think logically and apply accounting principles in their lives. This helps them to make more-informed decisions about their own financial future.

## Purpose and aims

The course helps candidates to understand and use financial information, allowing them to prepare accounting statements, and analyse, interpret and report on an organisation's financial performance.

The course enables candidates to:

- ◆ develop an awareness of the function that accounting performs in industry and society
- ◆ prepare, present, interpret and analyse accounting information
- ◆ apply a systematic approach to solving financial problems, by using the relevant accounting concepts and techniques
- ◆ apply information technology in accounting-related tasks

## Who is this course for?

This course is designed for learners who enjoy numeracy-based learning opportunities, who pay attention to detail and who like to apply logical and analytical thinking.

# Course content

The course comprises two areas of study:

## **Financial accounting**

Candidates develop skills, knowledge and understanding to prepare, interpret and analyse financial accounting information by using the relevant accounting concepts and techniques. This information is used by stakeholders to assess their organisation's current financial position.

## **Management accounting**

Candidates develop skills, knowledge and understanding of internal accounting information, and are able to prepare this using a range of basic accounting techniques. This information is used by management when making decisions about the future planning and control of their business.

# Skills, knowledge and understanding

## **Skills, knowledge and understanding for the course**

The following provides a broad overview of the subject skills, knowledge and understanding developed in the course:

- ◆ prepare and present a range of straightforward accounting statements
- ◆ select straightforward accounting information to determine business revenues, costs and profits
- ◆ use ICT to produce and communicate straightforward accounting information in a range of contexts
- ◆ evaluate business success on the basis of accounting information
- ◆ prepare, interpret and analyse a range of accounting information
- ◆ use accounting techniques, in familiar contexts, to facilitate decision-making
- ◆ apply knowledge and understanding of fundamental accounting concepts and theories

## **Skills, knowledge and understanding for the course assessment**

The following provides details of skills, knowledge and understanding sampled in the course assessment:

<b>Financial accounting</b>	
Sole trader	<ul style="list-style-type: none"> <li>◆ definition of and examples</li> </ul>
Role of financial accountant	<ul style="list-style-type: none"> <li>◆ duties, scope and responsibilities of the financial accountant</li> </ul>
Business documents	Preparing invoices, credit notes and statements of account. Preparing business documents to include VAT and calculations — where trade discount and prompt payment/cash discount are being allowed.
Preparing ledger accounts	<p>Recording entries in the ledger accounts of a sole trader using double-entry.</p> <p>Entries may be recorded via narrative statements or extraction of information from documentation, for example invoices.</p>
Preparing a trial balance	<ul style="list-style-type: none"> <li>◆ from either a list of balances or from ledger accounts</li> </ul>
Financial statements (Income Statement and Statement of Financial Position) of a sole trader	<p>Preparing an Income Statement and/or Statement of Financial Position in line with current accounting practice.</p> <p>Calculating adjustments at year end for:</p> <ul style="list-style-type: none"> <li>◆ provision for straight-line depreciation</li> <li>◆ provision for bad debts (creation only)</li> <li>◆ payables and receivables (of expenses only)</li> <li>◆ closing inventory</li> </ul> <p>Explaining why businesses need to account for period-end adjustments and describing the effect of period-end adjustments on profit for the year and the Statement of Financial Position.</p>
Correction of errors	<ul style="list-style-type: none"> <li>◆ amending gross profit and/or profit for the year, as a result of identified errors (a suspense account is not required)</li> <li>◆ knowledge and understanding of different classifications of errors</li> </ul>
Sources of finance	<ul style="list-style-type: none"> <li>◆ knowledge and understanding of sources of finance for a sole trader</li> </ul>
Ratios	<p>Calculating and interpreting ratios:</p> <ul style="list-style-type: none"> <li>◆ profitability <ul style="list-style-type: none"> <li>— gross profit percentage</li> <li>— profit for the year percentage</li> <li>— return on equity employed</li> </ul> </li> <li>◆ liquidity <ul style="list-style-type: none"> <li>— current ratio</li> <li>— acid-test ratio</li> </ul> </li> </ul>

<b>Financial accounting</b>	
	<ul style="list-style-type: none"> <li>◆ efficiency               <ul style="list-style-type: none"> <li>— rate of inventory turnover (including calculation of average inventory)</li> <li>— expense ratio</li> <li>— trade receivables collection period</li> <li>— trade payables payment period</li> <li>— non-current asset:turnover ratio</li> </ul> </li> <li>◆ comparing ratios based on given yardsticks of comparison (for example, previous years and rival firms), to evaluate and report on the organisation's performance</li> <li>◆ limitations of ratio analysis</li> </ul>

<b>Management accounting</b>	
Role of management accountant	<ul style="list-style-type: none"> <li>◆ duties, scope and responsibilities of the management accountant</li> </ul>
Costing theory	<ul style="list-style-type: none"> <li>◆ identifying, classifying and describing fixed, variable, direct, and indirect costs</li> </ul>
Inventory record cards	<ul style="list-style-type: none"> <li>◆ calculating inventory values using first in, first out (FIFO)</li> </ul>
Labour costing	<ul style="list-style-type: none"> <li>◆ recording and calculating wages using time, piece and flat-rate methods of remuneration</li> <li>◆ recording and calculating overtime and bonus payments</li> </ul>
Overhead analysis	<p>Producing an overhead analysis statement showing:</p> <ul style="list-style-type: none"> <li>◆ apportionment and allocation of overheads to cost centres</li> <li>◆ re-apportionment of service department overheads</li> </ul>
Job costing	<ul style="list-style-type: none"> <li>◆ preparing job costing statements</li> </ul>
Break even	<ul style="list-style-type: none"> <li>◆ calculating contribution</li> <li>◆ calculating break-even point (in units and sales value)</li> <li>◆ calculating margin of safety (in units and sales value)</li> <li>◆ using formulae to determine units required to achieve a given profit</li> <li>◆ using formulae to determine profit/loss at a given number of units</li> <li>◆ analysing the impact on break-even point of changes to sales price/costs</li> <li>◆ calculating changes required in selling price/contribution to maintain/improve existing profit levels</li> <li>◆ identifying and calculating relevant costs and revenue information using charts, graphs and tables</li> </ul>

<b>Management accounting</b>	
Budgeting	<ul style="list-style-type: none"> <li>◆ basic principles and benefits of budgeting</li> <li>◆ preparing a cash budget for a time period of up to three months</li> <li>◆ interpreting a cash budget and outlining possible courses of action</li> <li>◆ knowledge and understanding of ways to improve short-term cash flow</li> </ul>
Decision-making	<ul style="list-style-type: none"> <li>◆ profit/contribution maximisation under constraint of a limiting factor</li> </ul>
Spreadsheets	<ul style="list-style-type: none"> <li>◆ add, subtract, multiply, and divide</li> <li>◆ AutoSum function</li> <li>◆ relative and absolute formulae</li> <li>◆ copy cells relatively</li> <li>◆ copy cells absolutely</li> <li>◆ working with multiple worksheets and linking data</li> <li>◆ printout with (or without) gridlines, row reference, and column reference</li> </ul>

Skills, knowledge and understanding included in the course are appropriate to the SCQF level of the course. The SCQF level descriptors give further information on characteristics and expected performance at each SCQF level ([www.scqf.org.uk](http://www.scqf.org.uk)).

## **Skills for learning, skills for life and skills for work**

This course helps candidates to develop broad, generic skills. These skills are based on [SQA's Skills Framework: Skills for Learning, Skills for Life and Skills for Work](#) and draw from the following main skills areas:

### **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**

- 5.1 Remembering
- 5.2 Understanding
- 5.3 Applying
- 5.4 Analysing and evaluating



These skills must be built into the course where there are appropriate opportunities, and the level should be appropriate to the level of the course.

Further information on building in skills for learning, skills for life and skills for work is given in the course support notes.

# Course assessment

Course assessment is based on the information provided in this document.

The course assessment meets the key purposes and aims of the course by addressing:

- ◆ breadth — drawing on knowledge and skills from across the course
- ◆ challenge — requiring greater depth or extension of knowledge and/or skills
- ◆ application — requiring application of knowledge and/or skills in practical or theoretical contexts as appropriate

This enables candidates to:

- ◆ demonstrate knowledge and understanding from across the course
- ◆ combine the theoretical and practical aspects of the course
- ◆ integrate, where appropriate, knowledge of financial and management accounting information using ICT
- ◆ analyse and evaluate accounting information in a given accounting context
- ◆ make decisions and communicate recommendations for a given accounting context

## Course assessment structure: question paper

### Question paper

**130 marks**

The question paper gives candidates the opportunity to demonstrate:

- ◆ preparing and presenting a range of accounting statements
- ◆ selecting accounting information to determine business revenues, costs and profits
- ◆ evaluating business success on the basis of accounting information
- ◆ preparing, interpreting and analysing accounting information
- ◆ using accounting techniques to facilitate decision-making
- ◆ applying knowledge and understanding of fundamental accounting concepts and theories

The question paper has 130 marks, which represents 72% of the overall marks for the course assessment. Approximately 10% (13 marks) of the paper will assess knowledge and understanding of accounting theory.

The question paper has two sections and all questions are mandatory.

**Section 1** has 70 marks (consisting of two 35-mark questions). These questions sample from the 'Skills, knowledge and understanding for the course assessment' detailed in this document.

**Section 2** has 60 marks (consisting of four 15-mark questions). These questions sample from the 'Skills, knowledge and understanding for the course assessment' detailed in this document.

### **Setting, conducting and marking the question paper**

The question paper is set and marked by SQA.

It is conducted in centres under conditions specified for external examinations by SQA. Candidates complete the paper in 2 hours.

Specimen question papers for National 5 courses are published on SQA's website. These illustrate the standard, structure and requirements of the question papers candidates sit. The specimen papers also include marking instructions.

## **Course assessment structure: assignment**

### **Assignment**

**50 marks**

The assignment has 50 marks, which represents 28% of the overall marks for the course assessment.

Candidates work through a series of tasks to prepare accounting information and financial statements, drawing on the skills, knowledge and understanding from the course, from either one topic or a combination of two or three.

The assignment gives candidates the opportunity to demonstrate their ability to:

- ◆ prepare and present a range of straightforward accounting statements
- ◆ select straightforward accounting information to determine business revenues, costs and profits
- ◆ use ICT to produce and communicate straightforward accounting information in a range of contexts
- ◆ prepare a range of accounting information
- ◆ use accounting techniques, in familiar contexts, to facilitate decision-making

Candidates are required to use information to aid decision-making, to analyse an organisation's financial position or to make recommendations for the future. They do this by integrating knowledge of financial and management accounting principles, and by using appropriate analytical accounting techniques.

The assignment requires candidates to use numeracy and ICT in an accounting context when:

- ◆ making appropriate use of spreadsheets
- ◆ entering data with accuracy
- ◆ selecting and using appropriate formulae, formatting and printing functions to present information
- ◆ accurately completing accounting work related to the context of the assignment

All tasks are computer-based and completed using a spreadsheet application. The following table shows the distribution and variances that are applied within the tasks when allocating marks.

Skill	Mark allocation
Processing, preparing and presenting accounting information	40 marks with a variance of +/- 2 marks
Using a spreadsheet	10 marks with a variance of +/- 2 marks

Centres are given advance notification of the main topic areas that the annual assignment covers; this helps with planning and delivery of the course.

Where a topic appears in both the assignment and the question paper, different skills are assessed. For example, if a topic is assessed computationally in the assignment, it is only assessed as theory in the question paper.

However, where financial statements are assessed, Income Statements and Statements of Financial Position may be classed as separate topics, ie if an Income Statement was assessed in the assignment, a Statement of Financial Position may be assessed in the question paper. Financial statements is the **only topic** where this happens. In other topics, for example ratios, if profitability ratios were assessed in the assignment, liquidity ratios would not be assessed in the question paper.

### Setting, conducting and marking the assignment

The assignment is:

- ◆ set by SQA on an annual basis
- ◆ conducted under a high degree of supervision and control

Evidence is submitted to SQA for external marking and all marking is quality assured by SQA.

### Assessment conditions

#### Time

The assessment must be carried out:

- ◆ in one 2-hour block (excluding printing time) — all printing must be completed on the same day as the assignment
- ◆ in time to meet the submission date set by SQA

### Supervision, control and authentication

The assignment is conducted in centres under a high degree of supervision and control. This means that candidates must be in direct sight of the teacher or lecturer (or other responsible person) during the period of the assessment, and must not communicate with each other.

Candidates must carry out the assignment:

- ◆ on an individual basis
- ◆ without any reference materials (ie closed-book assessment) — candidates should only have the assignment files when completing the assessment
- ◆ without any teacher or lecturer support

### **Resources**

During the assessment, candidates must access the following resources:

- ◆ electronic files supplied by SQA to support the assignment
- ◆ a personal computer or laptop, with no access to the internet
- ◆ spreadsheet software

The assignment makes appropriate use of spreadsheets, so the use of ICT is mandatory. Candidates are required to:

- ◆ enter data
- ◆ select and use appropriate formula, formatting and printing functions to present information
- ◆ accurately complete accounting work

### **Reasonable assistance**

Teachers and lecturers must not assist candidates with the assignment.

### **Evidence to be gathered**

The following evidence is required for assessment:

- ◆ original printouts of spreadsheet tasks in value and formula view, clearly displaying the candidate's name and task number on each printout

### **Volume**

There is no word count.

## **Grading**

A candidate's overall grade is determined by their performance across the course assessment. The course assessment is graded A–D on the basis of the total mark for all course assessment components.

### **Grade description for C**

For the award of grade C, candidates will typically have demonstrated successful performance in relation to the skills, knowledge and understanding for the course.

### **Grade description for A**

For the award of grade A, candidates will typically have demonstrated a consistently high level of performance in relation to the skills, knowledge and understanding for the course.

# Equality and inclusion

This course is designed to be as fair and as accessible as possible with no unnecessary barriers to learning or assessment.

For guidance on assessment arrangements for disabled candidates and/or those with additional support needs, please follow the link to the assessment arrangements web page: [www.sqa.org.uk/assessmentarrangements](http://www.sqa.org.uk/assessmentarrangements)

# Further information

The following reference documents provide useful information and background.

- ◆ [National 5 Accounting subject page](#)
- ◆ [Assessment arrangements web page](#)
- ◆ [Building the Curriculum 3–5](#)
- ◆ [Design Principles for National Courses](#)
- ◆ [Guide to Assessment](#)
- ◆ [SCQF Framework and SCQF level descriptors](#)
- ◆ [SCQF Handbook](#)
- ◆ [SQA Skills Framework: Skills for Learning, Skills for Life and Skills for Work](#)
- ◆ [Coursework Authenticity: A Guide for Teachers and Lecturers](#)
- ◆ [Educational Research Reports](#)
- ◆ [SQA Guidelines on e-assessment for Schools](#)
- ◆ [SQA e-assessment web page](#)



# Appendix 1: course support notes

## Introduction

These support notes are not mandatory. They provide advice and guidance to teachers and lecturers on approaches to delivering the course. They should be read in conjunction with this course specification and the specimen question paper and coursework.

## Developing skills, knowledge and understanding

This section provides further advice and guidance about skills, knowledge and understanding that could be included in the course. Teachers and lecturers should refer to this course specification for the skills, knowledge and understanding for the course assessment. Course planners have considerable flexibility to select coherent contexts which will stimulate and challenge their candidates, offering both breadth and depth.

The following tables also provide suggested experiences and activities that teachers and lecturers could use to deliver the course.

## Approaches to learning, teaching and assessment

Centres are reminded that the **sole trader** is the only business structure covered by this course. Teachers and lecturers should try to contextualise learning to this business structure.

### Financial accounting

Topic	Further advice and guidance about skills, knowledge and understanding	Suggested experiences and activities
Sole trader	Definition and examples.	<ul style="list-style-type: none"> <li>◆ defining and giving examples of sole traders — may be used to set the scene of the course</li> <li>◆ researching local sole traders — online or field trips to look at local businesses</li> <li>◆ inviting local sole traders to centre to discuss their experiences — giving candidates a better understanding of what a sole trader is</li> </ul>
Role of financial accountant	Describing the duties, scope and responsibilities of the financial accountant.	<ul style="list-style-type: none"> <li>◆ brainstorming</li> <li>◆ research using the internet or using textbooks</li> <li>◆ visiting local organisations and/or inviting speakers to the centre</li> <li>◆ presenting research findings to peers</li> </ul>
Business documents (this topic should lead in to preparing ledger accounts)	<p>Preparing invoices, credit notes and statements of account.</p> <p>Preparing business documents, to include VAT and calculations where trade discount and prompt payment/cash discount are being allowed.</p> <p>Extracting information for use in ledger accounts from the following documents: invoices, copy invoices, credit notes, copy credit notes, cash receipts and bank accounts (including electronic funds transfer).</p>	<ul style="list-style-type: none"> <li>◆ using business documents in paper-based or electronic formats</li> <li>◆ visiting internal or external offices to view business documents used in a work environment</li> <li>◆ manually and/or electronically completing each type of business document, including trade discounts, prompt payment/cash discounts and VAT</li> </ul>

Topic	Further advice and guidance about skills, knowledge and understanding	Suggested experiences and activities
<p>Preparing ledger accounts (this topic should lead in to preparing a trial balance)</p>	<p>Recording entries in the ledger accounts of a sole trader using double-entry.</p> <p>Relating to: non-current/current assets, income/expenses, non-current/current liabilities, equity and drawings.</p> <p>Income/expenses to be accounted for to include all general expenses, for example electricity, wages, bad debts, discount allowed and received, and depreciation.</p> <p>Entries may be recorded via narrative statements or extraction of information from documentation, for example invoices.</p>	<ul style="list-style-type: none"> <li>◆ illustrating double-entry — a teacher-led activity. A presentation and/or screen-share software may be used to enhance the learning experience and to clearly illustrate double-entry.</li> <li>◆ preparing ledger accounts using the double-entry arising from transactions from business documents</li> </ul>
<p>Preparing a trial balance (this topic should lead into Financial Statements)</p>	<p>Preparing a trial balance from either a list of balances or from ledger account balances.</p>	<ul style="list-style-type: none"> <li>◆ using skeleton electronic templates to illustrate and emphasise the purpose of the trial balance as a checking device</li> <li>◆ individually practising, constructing and completing trial balances from given tasks</li> </ul>
<p>Financial Statements (Income Statement and Statement of Financial Position) of a sole trader</p>	<p>Preparing an Income Statement for a sole trader.</p> <p>Calculating adjustments at year end for:</p> <ul style="list-style-type: none"> <li>◆ provision for straight-line depreciation</li> <li>◆ provision for bad debts (creation only)</li> <li>◆ payables and receivables (of expenses only)</li> <li>◆ closing inventory</li> </ul> <p>Explaining why businesses need to account for period-end adjustments and describing the effect of period-end</p>	<ul style="list-style-type: none"> <li>◆ dynamically linking sheets within a spreadsheet file, to demonstrate the integrative nature of financial accounting</li> <li>◆ candidates may then individually practise drawing up financial statements from information given</li> </ul>

Topic	Further advice and guidance about skills, knowledge and understanding	Suggested experiences and activities
	<p>adjustments on profit for the year and the Statement of Financial Position</p> <p>Preparing a Statement of Financial Position for a sole trader in line with current accounting practice.</p>	
Correction of errors	<p>Amending gross profit and profit for the year, as a result of identified errors. Note: a suspense account will not be required.</p> <p>Knowledge and understanding of different classifications of errors:</p> <ul style="list-style-type: none"> <li>◆ error of omission</li> <li>◆ error of commission</li> <li>◆ error of principle</li> <li>◆ compensating error</li> <li>◆ error of original entry</li> <li>◆ complete reversal</li> </ul>	<ul style="list-style-type: none"> <li>◆ using spreadsheets and formulae to demonstrate the before and after effects to gross profit and profit for the year, after correcting identified errors</li> </ul>
Sources of finance	<p>Knowledge and understanding of sources of finance for a sole trader.</p> <p>Advantages and disadvantages of long- and short-term sources of finance.</p>	<ul style="list-style-type: none"> <li>◆ researching different sources of finance available to sole traders and producing an information leaflet or presentation aimed at new businesses</li> <li>◆ brainstorming</li> <li>◆ research using the internet or textbooks</li> <li>◆ visiting local organisations and/or inviting speakers to the centre</li> <li>◆ presenting research findings to peers</li> </ul>

Topic	Further advice and guidance about skills, knowledge and understanding	Suggested experiences and activities
Ratios	<p>Calculating and interpreting ratios:</p> <ul style="list-style-type: none"> <li>◆ profitability <ul style="list-style-type: none"> <li>— gross profit percentage (GP%)</li> <li>— profit for the year percentage</li> <li>— return on equity employed (ROEE)</li> </ul> </li> <li>◆ liquidity <ul style="list-style-type: none"> <li>— current ratio</li> <li>— acid-test ratio</li> </ul> </li> <li>◆ efficiency <ul style="list-style-type: none"> <li>— rate of inventory turnover (including calculation of average inventory)</li> <li>— expense ratio</li> <li>— trade receivables collection period</li> <li>— trade payables payment period</li> <li>— non-current asset: turnover ratio</li> </ul> </li> </ul> <p>Calculating accounting information from pre-given ratios (working ratios back).</p> <p>Yardsticks of comparison — budget versus actual, past performance and industry average.</p> <p>Limitations of ratio analysis.</p> <p>Formulae to be provided for assessment — see appendix 2: ratio formulae</p>	<ul style="list-style-type: none"> <li>◆ linking this section to the financial statements of the sole trader. This approach would support candidates' understanding of what these ratios demonstrate.</li> <li>◆ practising calculations and interpretation of ratios through given tasks</li> <li>◆ discussing and/or reporting the implications of ratios calculated for the performance of the sole trader</li> <li>◆ using spreadsheet formulae to calculate financial ratios would reinforce the effect of changes and comparisons of performance of the sole trader</li> </ul>

## Management accounting

Topic	Further advice and guidance about 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"> <li>◆ brainstorming</li> <li>◆ research using the internet or textbooks</li> <li>◆ visiting local organisations and/or visiting speakers coming to the centre</li> <li>◆ presenting research findings to peers</li> </ul>
Costing theory	Identifying, classifying and describing fixed/variable/direct/indirect costs.	<ul style="list-style-type: none"> <li>◆ adopting a scenario-based approach to illustrate the three elements of cost involved in calculating the total cost per unit, for example manufacturing t-shirts</li> <li>◆ through an enterprise project, candidates will develop a working knowledge of costing</li> <li>◆ using movie files to illustrate the production and cost tracking process</li> </ul>
Inventory record cards	Material — calculating inventory values using first in first out (FIFO) using inventory control cards.	<ul style="list-style-type: none"> <li>◆ visiting storerooms and canteens to illustrate the working environment where this procedure may be witnessed</li> </ul>
Labour costing	<p>Labour — recording and calculating wages using time/piece/flat-rate methods of remuneration.</p> <p>Recording and calculating overtime and bonus payments.</p>	<ul style="list-style-type: none"> <li>◆ completing partially prepared electronic templates to show the layouts required</li> </ul>
Overhead analysis	Overheads — producing an overhead analysis statement, showing apportionment and allocation of service department overheads to cost centres and re-apportionment of overheads.	<ul style="list-style-type: none"> <li>◆ individually practising, constructing and completing the required layouts from given tasks</li> </ul>

Topic	Further advice and guidance about skills, knowledge and understanding	Suggested experiences and activities
Job costing	<p>Preparing job costing statements.</p> <p>Calculating the total cost of the job and/or the selling price or quotation price of the job.</p>	<ul style="list-style-type: none"> <li>◆ completing partially prepared electronic templates to emphasise the layouts required</li> </ul>
Break even	<p>Calculating contribution.</p> <p>Calculating break-even point (in units and sales value).</p> <p>Calculating margin of safety (in units and sales value).</p> <p>Using formulae to calculate units required to achieve a given profit.</p> <p>Using formulae to calculate profit/loss at a given number of units.</p> <p>Analysing the impact on break-even point of changes to sales price/costs.</p> <p>Calculating changes required in selling price/contribution to maintain/improve existing profit levels.</p> <p>Identifying and calculating relevant costs and revenue information using charts/graphs and tables.</p>	<ul style="list-style-type: none"> <li>◆ discussing cost behaviour and illustrating how to prepare break-even charts — teacher-led activity</li> <li>◆ candidates then individually produce charts/graphs manually and/or electronically</li> <li>◆ using break-even formulae in given tasks</li> <li>◆ practising manual calculations of the effect on break-even point of changes in selling price and costs</li> <li>◆ using a short case study to calculate changes required to maintain/improve existing profit levels and margins of safety</li> <li>◆ using spreadsheet files containing formulae to illustrate the effects on break-even point of changes in selling price and fixed/variable costs</li> </ul>

Topic	Further advice and guidance about skills, knowledge and understanding	Suggested experiences and activities
Cash budgets	<p>Basic principles and benefits of budgeting.</p> <p>Preparing a cash budget for a time period of up to three months.</p> <p>Interpreting a cash budget and outlining possible courses of action.</p> <p>Knowledge and understanding of ways to improve short-term cash flow.</p>	<ul style="list-style-type: none"> <li>◆ discussing personal and family budgets to contextualise learning, when introducing this topic</li> <li>◆ completing partially prepared electronic templates to illustrate and emphasise the layouts required</li> <li>◆ providing stimulus materials to identify cash management and trends in cash flow</li> </ul>
Decision-making	<p>Limiting factor: profit/contribution maximisation under constraint of a limiting factor.</p>	<ul style="list-style-type: none"> <li>◆ practising calculations using labour hours, machine hours and kgs of raw materials</li> </ul>
Spreadsheets	<ul style="list-style-type: none"> <li>◆ add, subtract, multiply and divide</li> <li>◆ AutoSum function</li> <li>◆ relative and absolute formulae</li> <li>◆ copy cells relatively</li> <li>◆ copy cells absolutely</li> <li>◆ working with multiple worksheets/linking data</li> <li>◆ print in value and formulae view, with or without gridlines, and row and column headings</li> </ul>	<ul style="list-style-type: none"> <li>◆ linking this section to break even and cash budgets would support understanding of these topics and the effects of changes in data</li> </ul>



## Preparing for course assessment

The course assessment focuses on breadth, challenge and application. Candidates should apply the skills they have learned during the course.

In preparation, candidates should be given opportunities to practise activities similar to those expected in the course assessment. For example, centres could develop tasks and questions similar to those exemplified in the specimen and past papers.

## Developing skills for learning, skills for life and skills for work

Course planners should identify opportunities throughout the course for candidates to develop skills for learning, skills for life and skills for work.

Candidates should be aware of the skills they are developing, and teachers and lecturers can provide advice on opportunities to practise and improve them.

SQA does not formally assess skills for learning, skills for life and skills for work.

There may also be opportunities to develop additional skills depending on approaches being used to deliver the course in each centre. This is for individual teachers and lecturers to manage.

Skill	How it is developed
Numeracy	<ul style="list-style-type: none"><li>◆ carrying out numerical calculations, for example when completing a cash budget, financial statements, management statements, financial records and calculating ratios</li><li>◆ gathering financial information from a range of sources and presenting it in accounting statements, tables or graphs to aid interpretation or decision-making</li><li>◆ interpreting and extracting information from tables, charts, graphs or diagrams to help make informed decisions</li></ul>
Employability, enterprise and citizenship	<ul style="list-style-type: none"><li>◆ demonstrating an understanding of how commercial businesses work</li><li>◆ encouraging autonomy/initiative through personal research</li><li>◆ developing skills that allow learners to enter the world of work, such as exploring financial-based career opportunities</li><li>◆ improving ICT skills for a technology-driven society</li><li>◆ working with others</li><li>◆ meeting deadlines, being proactive in roles and being part of a team</li></ul>

Skill	How it is developed
Thinking skills	<ul style="list-style-type: none"> <li>◆ using accounting concepts, theories and vocabulary in the correct setting</li> <li>◆ using case studies/scenarios</li> <li>◆ setting concepts in real-life examples</li> <li>◆ sharing information and explaining its importance</li> <li>◆ using information to solve problems</li> <li>◆ planning, organising and completing tasks</li> <li>◆ producing financial information to assist management in making tactical and strategic decisions</li> <li>◆ evaluating solutions and providing advice based on their analysis</li> </ul>

## Appendix 2: ratio formulae

Ratio	Formula
<b>Profitability ratios:</b>	
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	$\frac{\text{Profit for the year}}{\text{Sales revenue}} \times 100 = \%$
<b>Liquidity ratios:</b>	
Current ratio	Current assets : current liabilities Answer should be expressed as x : 1
Acid-test ratio	Current assets — closing inventory : current liabilities Answer should be expressed as x : 1
<b>Efficiency ratios:</b>	
Rate of inventory turnover	$\frac{\text{Cost of sales}}{\text{Average inventory}} = \text{times}$
Expense ratio	$\frac{\text{Expenses}}{\text{Sales revenue}} \times 100 = \%$  Note: this figure may be for the total expenses or for one individual expense, for example advertising.
Trade payables period	$\frac{\text{Average trade payables}}{\text{Credit purchases}} \times 365 = \text{days}$  Note: where only one figure is given for trade payables, this will be taken as the average.
Trade receivables period	$\frac{\text{Average trade receivables}}{\text{Credit sales revenue}} \times 365 = \text{days}$  Note: where only one figure is given for trade receivables, this will be taken as the average.
Non-current asset turnover	$\frac{\text{Sales revenue}}{\text{Non-current assets at net book value}}$  Answers should be expressed as a ratio, for example x : 1

# Administrative information

---

**Published:** May 2023 (version 5.0)

---

## History of changes to course support notes

Version	Description of change	Date
2.0	Course support notes added as appendix.	June 2017
3.0	Amendments made to p9 and p10 in the 'Course assessment structure: assignment' section.	August 2019
4.0	Amendments made to p5, p9 and p19 — we have removed LIFO and any associated references from this document.	June 2022
5.0	Amendments made to p10 and p11 in the 'Course assessment structure: assignment' section to remove references to 2019-20 SQA invigilation pilot.	May 2023

These course support notes 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 these course support notes can be downloaded from SQA's website at [www.sqa.org.uk](http://www.sqa.org.uk).

Note: you are advised to check SQA's website to ensure you are using the most up-to-date version of the course support notes.

© Scottish Qualifications Authority 2012, 2017, 2019, 2022, 2023