

# SQA Advanced Unit Specification

## General information

**Unit title:** Accounting for Business: An Introduction

**Unit code:** J5FN 47

**Superclass:** AK

**Publication date:** November 2021

**Source:** Scottish Qualifications Authority

**Version:** 02 (February 2022)

## Unit purpose

This unit is designed to introduce learners to the basic tools needed to maintain a range of financial records for a business. It will provide the knowledge needed to record financial information using books of original entry and to create an income and expenditure account identifying whether the business has made a profit or loss, and a statement of financial position showing the assets, liabilities and overall financial position of the business. This unit will also introduce the techniques required for management of inventory and producing quotations and cost statements in a business context.

## Outcomes

On successful completion of the unit, the learner will be able to:

- 1 produce a quotation for a potential customer, building in the required level of profit
- 2 complete inventory control documentation and arrive at a value for inclusion in the financial statements
- 3 prepare bookkeeping records for a business
- 4 prepare basic financial statements from accounting information for internal use

## Credit points and level

2 SQA unit credits at SCQF level 7: (16 SCQF credit points at SCQF level 7).

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### Recommended entry to the unit

Access to the unit is at the discretion of the centre however, learners would normally be expected to be competent in numeracy at SCQF level 5 or have similar qualifications or experience. A basic understanding of spreadsheet packages would also be useful but not essential.

### Core Skills

Achievement of this unit gives automatic certification of the following:

- ◆ Core Skill components    Critical Thinking at SCQF level 6  
  Using Number at SCQF level 5

There are also opportunities to develop aspects of Core Skills which are highlighted in the **support notes** section of this unit specification.

### Context for delivery

If this unit is delivered as part of a group award, it is recommended that it should be taught and assessed within the subject area of the group award to which it contributes.

### 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.

Further advice can be found on our website [www.sqa.org.uk/assessmentarrangements](http://www.sqa.org.uk/assessmentarrangements).

### Statement of standards

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Acceptable performance in this unit will be the satisfactory achievement of the standards set out in this part of the unit specification. All sections of the statement of standards are mandatory and cannot be altered without reference to SQA.

Where evidence for outcomes is assessed on a sample basis, the whole of the content listed in the knowledge and/or skills section must be taught and available for assessment. Learners should not know in advance the items on which they will be assessed and different items should be sampled on each assessment occasion.

#### Outcome 1

Produce a quotation for a job to a potential customer, building in the required level of profit.

##### Knowledge and/or skills

- ◆ costing techniques
- ◆ elements of cost
- ◆ overhead absorption
- ◆ profit margin/mark-up

#### Outcome 2

Complete inventory control documentation and arrive at a value of inventory for inclusion in the financial statements.

##### Knowledge and/or skills

- ◆ inventory valuation methods
- ◆ determining closing inventory value
- ◆ writing off inventory

#### Outcome 3

Prepare bookkeeping records for a business.

##### Knowledge and/or skills

- ◆ basic bookkeeping records
- ◆ analysed cash book
- ◆ customer/supplier ledgers

#### Outcome 4

Prepare basic financial statements from accounting information for internal use.

##### Knowledge and/or skills

- ◆ income statement
- ◆ statement of financial position

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### Evidence requirements for this unit

Evidence should be generated under supervised conditions. Use of a spreadsheet package is expected and a blank template provided. However, if learners prefer to generate written evidence, then hard copy pro forma documentation should be provided at the assessment event.

Learners will need to provide evidence to demonstrate their knowledge and/or skills across all outcomes by showing that they can:

**Outcome 1:** Produce a quotation for a job for a potential customer, building in the required level of profit.

- ◆ prepare a quotation or cost statement to meet customer requirements
- ◆ identify and include all relevant elements of cost from given information
- ◆ calculate the appropriate overhead to include in the statement/quotation
- ◆ apply the correct profit mark-up or margin in line with company procedures

To achieve this outcome learners should attain at least 70% of the available marks.

**Outcome 2:** Complete inventory control documentation and arrive at a value for inclusion in the financial statements.

- ◆ apply different inventory valuation methods and update inventory control documentation from source documents
- ◆ explain the need to write off of inventory at the end of the period and make the relevant entries in the inventory control documentation
- ◆ determine closing inventory value for inclusion in the financial statements

To achieve this outcome learners should attain at least 70% of the available marks.

**Outcome 3:** Prepare bookkeeping records for a business.

- ◆ complete an analysed cash book for a minimum period of one month, including sums received and paid out, and show the correct balances to include in the financial statements
- ◆ update customer and supplier ledgers to show balances receivable and payable at the end of the period for inclusion in the financial statements

To achieve this outcome learners should attain at least 70% of the available marks

**Outcome 4:** Financial statements for a small business

- ◆ compile an income statement including all relevant revenue and expenses for the period to determine whether the business has made a profit or a loss
- ◆ compile a statement of financial position including all assets and liabilities for the business as well as the value of the owner's capital at the end of the period

Correct figures from the solutions of Outcomes 2 and 3 should be provided within the case study for Outcome 4.

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To achieve this outcome learners should attain at least 70% of the available marks

Assessments to be completed under supervised conditions with access to pro forma documentation only. No other notes should be used.

It is recommended that each outcome be assessed separately. Correct figures from the solutions of Outcomes 2 and 3 should be provided in the case study for the Outcome 4 assessment.

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### Support notes

**Unit title:** Accounting for Business: An Introduction

Unit support notes are offered as guidance and are not mandatory.

While the exact time allocated to this unit is at the discretion of the centre, the notional design length is 80 hours.

#### Guidance on the content and context for this unit

This unit is designed to provide learners with an understanding of the techniques and documentation required to manage the resources of a business. Learners are expected to make use of IT packages to complete the tasks.

This unit is a mandatory unit within the SQA Advanced Certificate/Diploma in Business group award.

The purpose of this unit is to introduce some of the accounting procedures used within business. Successful completion of this unit will provide a suitable foundation for non-accounting students moving on to degree studies that may assume knowledge of accounting and finance subjects.

**Outcome 1:** Produce a quotation for a job to a potential customer, building in the required level of profit.

- ◆ preparation of quotations for customers including trade/volume discount used in retail environments
- ◆ preparation of job costing statements used by manufacturing businesses
- ◆ identify all elements of cost to include in job cost statement: labour; materials; expenses
- ◆ identifying overheads for a business
- ◆ calculating overhead absorption rates to include in job cost statement
- ◆ applying profit to the statement using either mark-up or margin methods
- ◆ compilation of the final cost statement to provide a cost to the customer

**Outcome 2:** Complete inventory control documentation and arrive at a value or inclusion in the financial statements.

- ◆ distinction between inventory control methods and inventory valuation methods
- ◆ different methods available to use: FIFO (First In, First Out) and AVCO (Average Cost)
- ◆ use of inventory control documentation including inventory record cards and inventory ledger cards
- ◆ effect on inventory valuation in using different methods
- ◆ reasons for inventory needing to be written off, and the entries required in the financial records for this transaction
- ◆ effect on profit of poor inventory control

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**Outcome 3:** Prepare bookkeeping records for a business.

- ◆ Analysed cash book: A business will need to keep track of all money coming into and going out of the business accounts, be that physical cash, or through bank accounts.
- ◆ Customer ledger: To attract customers a business may have to offer credit terms. Invoices will need to be generated and issued to customers, and all related transactions recorded correctly to ensure records are kept up to date.
- ◆ Supplier ledger: Goods may be obtained from suppliers on credit terms, and as with the customer ledger accounts it is important that all transactions are recorded correctly to ensure records are kept up to date.
- ◆ Payments to suppliers and receipts from customers need to be recorded correctly in both the cash book and the individual personal accounts within the customer and supplier ledgers.
- ◆ Irrecoverable debts: On occasion, a customer may be unable to settle their account and this will need to be written out of the accounts as the business will not receive payment.

**Outcome 4:** Prepare basic financial statements from accounting information for internal use.

- ◆ understanding the information required to compile the financial statements (income statement and statement of financial position for internal use only)
- ◆ calculation of gross profit and profit for the year using the income statement
- ◆ identifying the transactions and values from Outcomes 2 and 3 that need to be included and how they affect each statement
- ◆ completion of a statement of financial position for internal use for the business showing the assets, liabilities and capital of the business using the information from Outcomes 2 and 3
- ◆ how the financial position of a business can be improved through better understanding of the control of resources used and owned by the business

### Guidance on approaches to the delivery of this unit

This unit introduces some of the accounting techniques used in most businesses.

Centres may deliver the outcomes in any order they wish but, in any event Outcome 4 should be the final outcome to study as it requires information from previous outcomes to complete.

It is expected that IT packages will be used to complete the tasks and generate assessment evidence but is not mandatory. Assessors should be mindful that the purpose of the assessments are to establish knowledge of the use of spreadsheets in the preparation of financial information and not the use of the IT packages. Where errors occur in the use of the IT packages (for example, incorrect use of formulae in a spreadsheet package) assessors are encouraged to establish if sufficient understanding has been demonstrated by whatever method is appropriate (for example, further discussion with the learner or the opportunity for the learner to amend the submission)

Centres should provide blank templates for learners to use when completing tasks.

### Guidance on approaches to assessment of this unit

Evidence can be generated using different types of assessment. The following are suggestions only. There may be other methods that would be more suitable to learners.

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Assessments should be conducted under supervised conditions. Timing is at the discretion of the centre but a maximum of 90 minutes per learning outcome is recommended.

Learners are expected to complete the tasks using IT packages and blank templates should be provided. For those learners who choose not to use a suitable IT package hard copy pro forma documentation should be provided by centre.

Centres are reminded that prior verification of centre-devised assessments would help to ensure that the national standard is being met. Where learners experience a range of assessment methods, this helps them to develop different skills that should be transferable to work or further and higher education.

### Opportunities for e-assessment

E-assessment may be appropriate for some assessments in this unit. By e-assessment, we mean assessment which is supported by Information and Communication Technology, such as e-testing or the use of e-portfolios or social software. Centres wishing to use e-assessment must ensure that the national standard is applied to all learner evidence and that conditions of assessment — as specified in the evidence requirements — are met, regardless of the mode of gathering evidence. The most up-to-date guidance on the use of e-assessment to support SQA's qualifications is available at: [www.sqa.org.uk/e-assessment](http://www.sqa.org.uk/e-assessment).

### Opportunities for developing Core and other essential skills

The Critical Thinking component of Problem Solving at SCQF level 6 and Using Number component of Numeracy at SCQF level 5 are embedded in this unit. When a learner achieves these units, their Core Skills profile will also be updated to include these components.

The Core Skill *Problem Solving* at SCQF level 6 may be developed by preparing bookkeeping records for a business and basic financial statement from accounting information for internal use.

The component Written Communication (Reading) of the Core Skill *Communication* at SCQF level 6 may also be developed. Learners taking this unit are expected to read and understand complex written information — the general skill of this component.

Learners may also be able to develop the *Problem Solving* Core Skill component of Critical Thinking at SCQF level 6 by producing a quotation for a job to a potential customer, building in the required level of profit.



## History of changes to unit

Version	Description of change	Date
02	<b>Embedded Core Skills info added:</b> Core Skills Component Critical Thinking at SCQF level 6 Core Skills Component Using Number at SCQF level 5.	09/02/22

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SQA acknowledges the valuable contribution that Scotland's colleges have made to the development of SQA Advanced Qualifications.

### Further information

Call SQA's Customer Contact Centre on 44 (0) 141 500 5030 or 0345 279 1000.  
Alternatively, complete our [Centre Feedback Form](#).

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### General information for learners

**Unit title:** Accounting for Business: An Introduction

This section will help you to decide whether this is the unit for you by explaining: what the unit is about; what you should know or be able to do before you start; what you will need to do during the unit; and opportunities for further learning and employment.

This unit is designed to give you an introduction to some of the aspects of accounting that you may encounter in most businesses, it is not designed to provide a comprehensive study of accounting.

It is a mandatory unit within the SQA Advanced Certificate/Diploma group award and will form part of the Graded Unit 1 exam you will sit at SQA Advanced Certificate.

Topics introduced in this unit will be expanded on in later units in the SQA Advanced Business programme and will form a foundation for those progressing on to degree studies that include elements of accounting and finance.

Outcome 1 will introduce learners to quoting for business in both a retail and manufacturing business environment. You will explore things such as volume discount, overhead absorption and profit margin in this outcome.

Outcome 2 deals with the important concept of inventory control and valuation using different techniques. Learners will become familiar with the different methods and documentation associated with this and the effect that inventory control has on the profit of the business.

Outcome 3 introduces basic bookkeeping concepts and some of the related documentation to give learners an insight into how businesses manage their cash as well as sales and purchases on credit.

Outcome 4 brings all of this together in the form of financial statements for the business. Learners will be able to see whether the business has made a profit or loss and what the financial position of the business is. There will also be the opportunity to explore how some of the aspects in the earlier outcomes impact on these statements and how profit and financial position can be improved through greater understanding of those.

The Critical Thinking component of Problem Solving at SCQF level 6 and Using Number component of Numeracy at SCQF level 6 are embedded in this unit. When you achieve this unit, your Core Skills profile will also be updated to include these components.