

## **SQA Advanced Unit Specification**

### **General information**

**Unit title:** Financial Services: International Transactions  
(SCQF level 8)

**Unit code:** J01X 48

**Superclass:** AL

**Publication date:** June 2018

**Source:** Scottish Qualifications Authority

**Version:** 03

### **Unit purpose**

This unit is designed to allow learners to gain an understanding of the services and products that are available to support exporters and importers complete international trade transactions. It considers foreign exchange and support services provided by UK financial institutions, the UK Government and other specialist providers. It prepares learners for a career within the international financial services sector or within an organisation engaged in international trade.

### **Outcomes**

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

- 1 Complete foreign exchange calculations.
- 2 Explain methods to settle international personal and business transactions.
- 3 Explain methods available to an international trader to reduce the risk of non-payment for or non-delivery of goods/services.
- 4 Explain financing solutions available to an international trader.
- 5 Explain advisory/support services that can assist an international trader.

### **Credit points and level**

2 SQA Advanced unit credits at SCQF level 8: (16 SCQF credit points at SCQF level 8)

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### Recommended entry to the unit

Access to the unit is at the discretion of the centre, however it is preferred that learners have good written communication and numerical skills. These may be demonstrated by the achievement of core skill *Communication* at SCQF level 5, or by possession of National 5 English, or a suitable NC Unit, and core skill component Using Number at SCQF level 5 or by possession of a relevant unit.

### Core Skills

Achievement of this Unit gives automatic certification of the following Core Skills component:

Complete Core Skill	None
Core Skill component	Critical Thinking at SCQF level 6 Using Number at SCQF level 6

There are also opportunities to develop aspects of Core Skills which are highlighted in the Support Notes 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.

The Assessment Support Pack (ASP) for this unit provides assessment and marking guidelines that exemplify the national standard for achievement. It is a valid, reliable and practicable assessment. Centres wishing to develop their own assessments should refer to the ASP to ensure a comparable standard. A list of existing ASPs is available to download from SQA's website (<http://www.sqa.org.uk/sqa/46233.2769.html>).

### 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).

## **SQA Advanced Unit Specification: 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.

### **Outcome 1**

Complete foreign exchange calculations.

#### **Knowledge and/or skills**

- ◆ Forward fixed option contracts
- ◆ The impact of non-delivery of forward fixed option contracts
- ◆ Foreign currency options
- ◆ Foreign currency futures

### **Outcome 2**

Explain methods to settle international personal and business transactions.

#### **Knowledge and/or skills**

- ◆ Methods of transferring funds overseas
- ◆ Methods of payment available to a traveller overseas
- ◆ The internal accounting processes that support the settlement of international transactions

### **Outcome 3**

Explain methods available to an international trader to reduce the risk of non-payment for or non-delivery of goods/services.

#### **Knowledge and/or skills**

- ◆ Terms of trade and trade documentation
- ◆ Export (Documentary) Collections
- ◆ Documentary Credits
- ◆ Uniform Rules/Customs that support international trade transactions

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### Outcome 4

Explain financing solutions available to an international trader.

#### Knowledge and/or skills

- ◆ Short-term finance for international trade
- ◆ Medium/longer-term financing support provided by the UK government
- ◆ Medium/longer-term financing support provided by non-government providers

### Outcome 5

Explain advisory/support services that can assist an international trader

#### Knowledge and/or skills

- ◆ Advisory/support services offered by UK Banks
- ◆ Advisory/support services offered by UK Government Agencies
- ◆ Advisory/support services offered by trade/professional bodies

#### Evidence requirements for this unit

It is recommended that Outcome 1 of this unit be assessed separately. It is possible to assess Outcomes 2–5 holistically or by combining the assessment of Outcomes 2 and 3, and Outcomes 4 and 5.

#### Outcome 1

Learners will need to provide evidence to demonstrate their knowledge and/or skills by showing that they can complete foreign exchange calculations. Evidence must be provided that learners can:

- ◆ Calculate the cost of a forward fixed option contract.
- ◆ Calculate the impact of closing out a forward fixed option contract.
- ◆ Determine whether to exercise or lapse a foreign currency option.
- ◆ Calculate the profit/loss on a foreign currency futures contract.

The evidence should be generated under closed-book supervised conditions.

Figures must be accurate within a tolerance of three arithmetic errors with a maximum of two errors of principle.

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### Outcome 2

Learners will need to provide evidence to demonstrate their knowledge and/or skills by showing that they can explain the methods to settle international trade transactions for personal and business customers in a given set of circumstances. Evidence must be provided that learners can:

- ◆ Explain **two** methods of transferring funds overseas.
- ◆ Explain **two** methods available to a traveller to make payment for goods and services overseas.
- ◆ Explain the internal accounting processes that a financial services provider will use for one method of transferring funds overseas.

The evidence should be generated under open-book conditions.

### Outcome 3

Learners will need to provide evidence to demonstrate their knowledge and/or skills by showing that they can explain the methods available to an international trader to reduce the risk of non-payment for goods/services or non-delivery of the goods/services in a given set of circumstances. Evidence must be provided that learners can:

- ◆ Explain the documentation that will be prepared to support an international trading transaction and the terms of trade that are used in these documents.
- ◆ Explain the use or process of Export (Documentary) Collections.
- ◆ Explain the use or process of Documentary Credits.
- ◆ Explain the application of Uniform Rules or Uniform Customs.

The evidence should be generated under open-book conditions.

### Outcome 4

Learners will need to provide evidence to demonstrate their knowledge and/or skills by showing that they can explain financing solutions that are available to an international trader in a given set of circumstances. Evidence must be provided that learners can:

- ◆ Explain **one** method of short-term financing available to international traders.
- ◆ Explain **one** method of medium/longer-term financing available to international traders from the UK government.
- ◆ Explain **one** method of medium/longer-term financing available to international traders from non-government providers.

The evidence should be generated under open-book conditions.

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### Outcome 5

Learners will need to provide evidence to demonstrate their knowledge and/or skills by showing that they can explain advisory/support services that can assist an international trader in a given set of circumstances. Evidence must be provided that learners can:

- ◆ Explain **one** non-financial advisory/support service offered to international traders by UK banks.
- ◆ Explain **one** non-financial advisory/support service offered to international traders by UK Government Agencies.
- ◆ Explain **one** non-financial advisory/support service offered to international traders by trade/professional bodies.

The evidence should be generated under open-book conditions.

### SQA Advanced Unit Support Notes

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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 primarily intended to prepare learners for employment or further study in financial services.

**The following guidance was prepared in November 2017 based on current international trade products and practices and the Codes relating to Uniform Rules and Customs and trading terms. Centres should ensure that learners have used current information in their learning and that assessment content and assessment checklists reflect the current situation, which may, as a result, differ from the guidance below in terms of the products, practices and/or Codes listed.**

Outcome 1 looks at the key foreign exchange transactions that an adviser might need to complete and explain to an exporter or importer. To set the scene for this unit, centres should introduce learners to the scope and scale of international trade however they are not required to cover the macro-economic determinants of exchange rates. Learners will only require a basic understanding of these principles to be able to complete this unit.

Learners should become familiar with relevant terminology and should make use of this. Their knowledge has to be applied in the context of a given scenario and recommendations and decisions made have to be relevant to that scenario.

It is expected that centres will cover the following topics:

#### Introduction to International Financial Services

- ◆ Why financial services organisations operate globally
- ◆ Types of organisation (eg correspondent banks, etc)
- ◆ The scale of international trade transactions globally
- ◆ The parties involved in international trade transactions
- ◆ Risks in international trade transactions

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### **Introduction to exchange rates and the foreign exchange market**

- ◆ Definition of exchange rates
- ◆ Calculations using the nominal rate of exchange
- ◆ Participants in the foreign exchange market
- ◆ Market types — spot market and forward market
- ◆ Exchange rate margins
- ◆ Exchange rate risk

### **Foreign Exchange calculations and derivative products**

- ◆ Calculating the forward rate premium/discount
- ◆ Forward Exchange Contracts
- ◆ Forward Option Contracts
- ◆ Calculation of a forward contract
- ◆ Closing out/extending forward contracts
- ◆ Characteristics of foreign currency options
- ◆ Key options contract terminology
- ◆ Determining whether to exercise or lapse an option
- ◆ Characteristics of foreign currency futures
- ◆ Calculating the gains/losses on foreign currency futures contracts

It is recommended that a significant portion of the time available to this outcome be allocated to practising the calculations associated with the various contracts.

Outcome 2 looks at the methods that can be used to settle international trade transactions and the underpinning accounting processes used in these payments mechanisms. Learners should become familiar with relevant terminology and should make use of this. Their knowledge has to be applied in the context of a given scenario and recommendations and decisions made have to be relevant to that scenario.

It is expected that centres will cover the following topics:

### **The methods of transferring funds overseas**

- ◆ Single European Payments Area Credit Transfers
- ◆ International Payment Service
- ◆ Bankers Drafts
- ◆ Money Transmission Services (Moneygram; Western Union, etc)
- ◆ Web and mobile phone solutions

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### **International Financial Services for the Personal Customer**

- ◆ Currency notes
- ◆ Travellers cheques
- ◆ Debit cards (Automated Teller Machines [ATMs])
- ◆ Credit cards
- ◆ Charge cards
- ◆ Currency passports

### **The accounting processes for payments**

- ◆ The role of correspondent banks
- ◆ The operation of Nostro and Vostro accounts
- ◆ The book keeping transactions involved in making/receiving overseas payments

Outcome 3 looks at the methods that an international trader can use to reduce the non-exchange rate risks of buying and selling overseas. Learners will learn how the documents associated with trading transactions can be used to give some protection against the non-payment for goods exported or the non-delivery of goods imported. Learners should become familiar with relevant terminology and should make use of this. Their knowledge has to be applied in the context of a given scenario and recommendations and decisions made have to be relevant to that scenario.

It is expected that centres will cover the following topics:

### **The Trade Process**

- ◆ Participants in the trade process
- ◆ Introduction to terms of trade
- ◆ Incoterms, how they are applied and the areas which they cover
- ◆ The key documentation required for an international transaction

### **Export (Documentary) Collections**

- ◆ Export (Documentary) Collections — definitions and terminology
- ◆ The role and risk for both the exporter and the importer
- ◆ Export (Documentary) Collections — the process
- ◆ The Uniform Rules for Collection

### **Documentary Credits**

- ◆ Documentary Credits — definitions and terminology
- ◆ Types of Documentary Credit
- ◆ The risks in the Documentary Credit process
- ◆ Documentary Credits — the process
- ◆ Discrepancies in documents presented
- ◆ The Uniform Customs and Practice for Documentary Credits
- ◆ The Bolero system, its objectives and basic operation

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Outcome 4 looks at the specialist schemes available to importers/exporters to obtain finance to enable them to undertake international trade transactions. It is not intended that learners will learn about the traditional lending methods that are studied in the unit *Personal and Business Lending*. The schemes from government and non-government providers should be studied. Learners should become familiar with the relevant schemes and should be able to select an appropriate scheme for an importer/exporter in a given scenario.

It is expected that centres will cover the following topics:

### Short-term finance for International Trade

- ◆ Pre-shipment finance
- ◆ Post-shipment finance
- ◆ Negotiation of Documentary Collections
- ◆ Bill advances
- ◆ Export factoring
- ◆ Invoice discounting

### Medium and longer-term finance for International Trade

- ◆ Forfaiting
- ◆ UK Export Finance Buyer Credit Facility
- ◆ UK Export Finance Supplier Credit Bills and Notes Facility
- ◆ UK Export Finance Lines of Credit Facility
- ◆ UK Export Finance Direct Lending Facility
- ◆ Export Leasing
- ◆ Hire Purchase

The schemes offered by the UK government are changed frequently and the government agency through which support is provided can change. Learners should be able to explain the current schemes on offer at the time of their assessment.

Outcome 5 looks at the non-financial services that are available to the importer/exporter by banks, UK government agencies and trade/professional bodies.

### Non-financial advisory/support services available to customers involved in international trade

- ◆ Services offered by retail banks including the provision of bonds in support of trade transactions (performance bonds, retention bonds, advanced payments bonds)
- ◆ Services offered by UK Trade and Industry
- ◆ Trade/professional bodies — British Chambers of Commerce, Institute of Exporters, British Exporters Association
- ◆ International licensing and franchising

The services offered by all the bodies are changed frequently and there can be new entrants providing advice and support, particularly in relation to the trade/professional bodies. Learners should be able to explain the services offered by current providers at the time of their assessment.

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

During the delivery of this unit, it is recommended that learners are made aware of the latest products and services offered to importers and exporters by UK retail financial services providers, the government and non-government agencies.

This unit is likely to form part of a group award designed to provide learners with technical or professional knowledge and skills for the financial sector.

The unit provides knowledge and skills required by learners to ensure they are aware of the range of products and services available to importers and exporters to support overseas financial transactions and to manage the risks associated with these activities.

Learners should be taught the unit in the order of the outcomes and in the order that the knowledge and/or skills are specified.

The focus of delivery should be on the application of the knowledge and/or skills by reviewing international trade scenarios and assessing the options available to the importer/exporter and the providers of financial and advisory products.

### **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.

Evidence could be generated through the use of case study or other stimulus material. The same case study could be used throughout with additional supplementary information for each outcome.

Outcome 1 must be assessed under closed-book supervised conditions.

The use of formative assessments should give learners the opportunity to prepare for the summative assessment. The importance of accuracy should be emphasised from the outset and learners should be fully briefed on the logical steps that are taken in the completion of foreign exchange calculations.

Outcomes 2-5 must be assessed under open-book conditions.

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### **Outcome 2**

The same case study used in Outcome 1, supplemented with additional information relating to international payments methods may be used to cover all areas of knowledge and skill for this outcome. Evidence could be generated through a report, restricted response questions or other assessment instrument.

### **Outcome 3**

The same case study used in Outcomes 1 and 2, supplemented with additional information relating to the requirement to reduce non-payment/non-delivery risk may be used to cover all areas of knowledge and/or skills for this outcome. Evidence could be generated through a report, restricted response questions or other assessment instrument.

### **Outcome 4**

The same case study used in Outcomes 1, 2 and 3 supplemented with additional information relating to the requirement to finance an international trade contract may be used to cover all areas of knowledge and/or skills for this outcome. Evidence could be generated through a report, restricted response questions or other assessment instrument.

### **Outcome 5**

The same case study used in Outcomes 1, 2, 3 and 4 supplemented with additional information relating to the requirement to obtain advice may be used to cover all areas of knowledge and/or skills for this outcome. Evidence could be generated through a report, restricted response questions or other assessment instrument.

It is unlikely that learners will be assessed via a single submission. Individual outcomes and/or logical groupings of outcomes (for example Outcomes 2 and 3 or Outcomes 4 and 5) will most likely provide learners with the best opportunities to satisfy the evidence requirements of the unit. Where centres wish, opportunities exist to use more than one instrument of assessment.

It is recommended that this unit be delivered and assessed in the order suggested by the outcomes. It is possible to assess the Outcomes 2 to 5 holistically by combining all four outcomes or by combining any combination of Outcomes 2, 3, 4 and 5. Alternatively each outcome can be assessed individually.

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.

An assessment support pack (ASP) and marking guidelines have been produced to indicate the national standard of achievement required at SCQF level 8.

### 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 which wish 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

Learners will have opportunities to develop the core skill of *Communication* at SCQF level 5 in this unit as they will have to read, understand and evaluate complex written communication and may produce written and/or oral communication evidence as part of the assessment.

#### Other essential skills

Learners may be given opportunities to develop key employability skills, as well as develop an awareness and understanding of citizenship and sustainability. These include the skills of:

- ◆ Team work/group work
- ◆ Using initiative/being proactive problem solving
- ◆ Paying attention to detail research and investigation
- ◆ Applying numeracy skills
- ◆ Positive attitude to work
- ◆ Analysing and evaluating
- ◆ Planning and organising
- ◆ Time management
- ◆ Adopting professional working standards and practices
- ◆ Setting goals and making action plans

This Unit has the Critical Thinking component of Problem Solving and Using Number component of Numeracy embedded in it. This means that when learners achieve the Unit, their Core Skills profile will also be updated to show they have achieved Critical Thinking at SCQF level 6 and Using Number at SCQF level 6.

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### History of changes to unit

Version	Description of change	Date
03	Core Skills Components Critical Thinking and Using Number at SCQF level 6 embedded.	07/06/18
02	Text in Support Notes (in Guidance on approaches to assessment of this unit) updated from “exemplar assessment pack” to “assessment support pack (ASP)” and paragraphs moved to end of section.	17/05/18

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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.

### General information for learners

**Unit title:** Financial Services: International Transactions  
(SCQF level 8)

This section will help you 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 understanding of the services and products that are available to support exporters and importers complete international trade transactions. You will discover that while it is important for the UK economy that organisations are able to import and export goods there are risks when completing international trade transactions, particularly in ensuring that the importer receives the goods they ordered and the exporter receives payments for the goods they sold overseas. This unit considers foreign exchange products and support services provided by UK financial institutions, the UK Government and other specialist providers which all help to reduce these risks. This unit will prepare you for a career within the international financial services sector or within an organisation engaged international trade.

On completion of the unit you should be able to:

- 1 Complete foreign exchange calculations.
- 2 Explain methods to settle international personal and business transactions.
- 3 Explain methods available to an international trader to reduce the risk of non-payment for or non-delivery of goods/services.
- 4 Explain appropriate financing solutions available to an international trader.
- 5 Explain advisory/support services that can assist an international trader.

In Outcome 1 you will learn how to complete the key foreign exchange transactions that an adviser would need to calculate and explain to an exporter or importer.

In Outcome 2 you will learn about the methods that can be used to settle international trade transactions and the underpinning accounting processes used by financial institutions to settle international transactions made through one of their payment systems.

In Outcome 3 you will learn about the methods that an international trader can use to reduce the non-exchange rate risks of buying and selling overseas. You will learn how the documents associated with trading transactions can be used to give some protection against the non-payment for goods exported or the non-delivery of goods imported.

In Outcome 4 you will learn about the specialist schemes available to importers/exporters to obtain finance to help them to undertake international trade transactions. You will study schemes offered by financial services providers and the UK government.

In Outcome 5 you will learn about the various advisory services offered to importers and exporters by banks, UK Government agencies and trade/professional bodies.

The unit may be assessed by a variety of means including structured questions and preparing reports or other communications to give to an importing/exporting customer. All of these assessments may be based upon the same case study though there may be opportunities to integrate some evidence with other units.

There are opportunities to develop components within the core skills of *Communication*, *Problem Solving* and *Numeracy* at SCQF level 5 in this unit.

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This Unit has the Critical Thinking component of Problem Solving and Using Number component of Numeracy embedded in it. This means that when you achieve the Unit, your Core Skills profile will also be updated to show you have achieved Critical Thinking and Using Number at SCQF level 6