Transcript Pre-recording. John Elliott. Preparing Financial Forecasts and Accounting for Business units

0:0:0.0 --> 0:0:1.910
John Elliott
Have you hit record? That's fine.

0:0:17.650 --> 0:0:22.520
John Elliott
Hi, my name's John Elliott. External verifier for business and accounting here at the SQA.

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John Elliott
Here to give you a short update on a new accounting unit we have for our business frameworks. Accounting for Business and an update to Preparing Financial Forecasts unit, which is currently on your framework.

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John Elliott
The changes were made in order to make the units more relevant to students studying business, especially at the SCQF levels that we have, rather than accounting. So, we tried to take into account the conversations and the discussions and the experience that business students would have and not a technical accounting student.

0:0:59.570 --> 0:1:6.140
John Elliott
Now Accounting for Business unit an introduction. The main aims are to introduce learners to basic cost statements,

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John Elliott
to introduce learners to inventory evaluation,

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John Elliott
to provide them with knowledge on how to record financial information,

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John Elliott
on how to create basic financial statements from the information they're preparing. And for those that delivered the business accounting unit, you'll see that's a diversion from business accounting where we looked at financial statements for a limited company. We're here giving candidates experience and how to prepare them, and mainly in a small to medium sized business, but actually looking how we prepare them, not just the statutory format.

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John Elliott
And we really in aim to encourage the use of IT, especially a spreadsheet package to complete the unit and the reason we're encouraging IT is because that would be the platforms that candidates, when in work, would actually use to prepare these accounts.

0:1:58.750 --> 0:2:2.220
John Elliott
This accounting - this unit - has four learning outcomes.

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John Elliott
The first learning outcome the candidates would produce a quotation for the potential customer building in the required

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John Elliott
level of profit.

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John Elliott
They'd complete an inventory control documentation and arrive at a value for inclusion in the financial statement.

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John Elliott
Then we would move on to preparing bookkeeping records for a business, then preparing basic financial statements from accounting information for internal use.

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John Elliott
So learning outcome one.

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John Elliott
Candidates are preparing a quotation or cost statement to meet customer requirements. And this requires candidates to identify and include all the relevant elements of costs from a given information.

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John Elliott
From identifying and including the elements of cost, candidates will then calculate appropriate overhead to include in the statement of quotation.

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John Elliott
And just like we do in business, apply the correct profit markup or margin and lending company procedures.

0:3:2.640 --> 0:3:14.850
John Elliott
In this outcome, the candidates should finalise with a quotation or a cost with a business but making sure that they've correctly classified the cost and overheads throughout.

0:3:18.500 --> 0:3:26.130
John Elliott
Outcome two requires candidates to complete inventory control documentation and arrive at a value for inclusion in the financial statement.

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John Elliott
So they would use different inventory valuation methods and update the inventory control documentation from the source document. So just like the would do in practice in business, different businesses and different organisations will have different methods of applying inventory valuation, candidates will experience all of these allowable methods.

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John Elliott
From that, they would determine the closing inventory value for inclusion in the financial statements.

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John Elliott
Once they've done that, candidates will now discuss and look at they need to write off inventory at the end of a period and why we do this.

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John Elliott
And then make the relevant entries in the end with the control documentation. So, it's a real cycle for an inventory valuation from the receipt of the inventory to the recording of it.

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John Elliott
To determine the closing inventory and writing off any obsolete inventory at the end of the period.

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John Elliott
Outcome three, candidates will then look at preparing bookkeeping records for a business.

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John Elliott
So it requires them to prepare basic bookkeeping records.

0:4:35.820 --> 0:4:36.820
John Elliott
So this will be.

0:4:38.430 --> 0:4:43.430
John Elliott
Items in, items out, sales, purchases, costs and so on.

0:4:44.160 --> 0:4:47.940
John Elliott
From that they will complete an analysed cash book for a minimum period of one month.

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John Elliott
Through this cash book, they will also discuss sums received and paid out, and show the correct balances to include in the financial statements.

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John Elliott

Their update customer and supplier ledgers are to show balances receivable and payable at the end of the period. So, this will allow candidates to see from invoices or receipts from the books of original entry, how this follows through the book-keeping system until the records that they will recognise when they're putting together the financial statements.

0:5:22.310 --> 0:5:23.240
John Elliott
The last outcome.

0:5:23.940 --> 0:5:25.50
John Elliott
from the information

0:5:26.90 --> 0:5:48.210
John Elliott
received for Outcome three and the information process through the books of original entry, candidates will then compile an income statement including all the relevant revenue and expenses for the period to determine whether the business has made a profit or loss, and compile a statement of financial position, including all the assets and liabilities for the business as well as the values on as capital the end of the period.

0:5:49.200 --> 0:5:54.750
John Elliott
And the purpose of outcomes three and four is to allow candidates to see the full

0:5:55.590 --> 0:6:2.900
John Elliott
process or the full journey of all income from the receipt to compilation of these accounts.

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John Elliott
A major change to this unit is how we make an assessment decision.

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John Elliott
In order to achieve this unit, candidates must achieve a minimum of 70% of the available marks in each outcome.

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John Elliott
So this is a diversion from the error tolerance method that you'll recognise from your previous accounting modules.

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John Elliott
The second unit you want to review is preparing financial forecasts. Now this is not a new unit. It's only a revision to this unit.

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John Elliott
The aims of this unit are to enable learners to develop an understanding of the use of management accounting information within a business organisation.

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John Elliott
Provides learners with the skills required to prepare basic management accounting reports.

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John Elliott
And enable learners to learn financial techniques used for making decisions in relation to budgeting, control, and investment decision making.

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John Elliott
This unit has four learning outcomes.

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John Elliott
Learning Outcome one, the candidates will prepare and analyse budget statements for decision making and cash management.

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John Elliott
Outcome two, candidates will analyse the impact of price and costs on break-even analysis and for decision making.

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John Elliott
Outcome three, they will then analyse budgetary information and the calculation of variances.

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John Elliott
And outcome four, they assess the viability of a project using investment appraisal techniques.

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John Elliott
So in a little bit more detail.

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John Elliott
Outcome one, will require candidates to prepare an operating statement.

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John Elliott
So within that they will explore and learn the structure and content of an operating statement.

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John Elliott
They will learn how to classify costs and to direct and indirect.

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John Elliott
Also learn about overhead allocation and overhead absorption and the difference.

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John Elliott
And profit determination using both markup and margin.

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John Elliott
You'll notice a similarity between the accounting for business unit and the preparing financial forecasts unit here.

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John Elliott
In the accounting for business unit,

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John Elliott
the candidates are looking at cost classification and preparing a cost statement. This time they will expand that out to an operating statement, but still using some of the skills, techniques and knowledge that have learned from the previous unit.

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John Elliott
Outcome two,

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John Elliott
will allow candidates to analyse costing data and the provision of information for decision making.

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John Elliott
So the information they've learnt in

0:8:42.500 --> 0:8:43.160
John Elliott
outcome one,

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John Elliott
the candidates will take this and look at making decisions for the future, so they'll look at marginal costing and its role in the decision-making process.

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John Elliott
Also look at other costing techniques, full and absorption costing to be compared with the marginal costing, to allow candidates to compare different costing methods and use this information to advise a client or a business.

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John Elliott
They'll look at the impact of changing costs and revenue on total contribution.

0:9:11.670 --> 0:9:23.830
John Elliott

And from the information they've compiled here, then consider break-even and margin of safety, and this will allow them to provide business advice to either the employer or other businesses.

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John Elliott
Learning Outcome three, requires candidates to analyse budgetary information in the calculation of variances.

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John Elliott
So the candidates will prepare functional budgets and flex budgets, and from that they will conduct a variance analysis, which leads on from the previous outcomes. So, the candidates are now looking back to see

0:9:48.240 --> 0:9:59.830
John Elliott
what was the performance, where were the variances, how did we do in material labour and overhead spend, and then take that information to provide future and forecasting advice for the business.

0:10:3.980 --> 0:10:22.360
John Elliott
And the final outcome, Learning Outcome four, allows candidates to investigate the use of investment in project appraisal techniques to assess the viability of a project. So, this is really looking forward and looking at a project or investment and evaluating that to see if it's worth taking forward for the business.

0:10:23.870 --> 0:10:32.430
John Elliott
They will look at three areas of investment appraisal: payback period, accounting rate of return and discounted cashflow technique.

0:10:37.700 --> 0:10:45.990
John Elliott
In making an assessment decision, this unit continues to use error tolerance and making assessment decisions, just as we do at the moment.

0:10:47.220 --> 0:10:50.580
John Elliott
I'd like thank you for your attention. I hope you find this useful.

0:10:51.600 --> 0:10:56.50
John Elliott
And I'd like to thank you for supporting SQA in the delivery of our qualifications.