

# Next Generation Higher National Unit Specification

## Financial Markets: An Introduction (SCQF level 8)

**Unit code:** J7BG 48  
**SCQF level:** 8 (16 SCQF credit points)  
**Valid from:** session 2024–25

### **Prototype unit specification for use in pilot delivery only (version 2.0) September 2024**

This unit specification provides detailed information about the unit to ensure consistent and transparent assessment year on year.

This unit specification is for teachers and lecturers and contains all the mandatory information required to deliver and assess the unit.

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## Unit purpose

This unit helps learners to understand the functions and tools of the financial services industry in the context of both domestic economies and the world economy.

It introduces learners to a range of the financial products used by organisations in their operations, as well as the economic principles that underpin these products.

The unit is primarily intended as an introduction, and is suitable for learners who want to go on to further study, either at university or professional level.

Entry to the unit is at your centre's discretion. Before learners start the unit, we recommend they complete one of the following Higher National (HN) Accounting units, or have prior knowledge of economics at an equivalent level.

- ◆ Economics: An Introduction
- ◆ Accountant in the Business Environment

## Unit outcomes

Learners who complete this unit can:

- 1 explain the role and function of a financial system
- 2 explain the workings of financial markets
- 3 explain the flow of funds between global markets

## Evidence requirements

To achieve the unit, learners need a minimum mark of 70% for each outcome.

### Outcome 1

This outcome should be assessed under open-book conditions.

Learners must show they can:

- ◆ describe the role that each element plays in the six parts of the financial system
- ◆ describe the core principles of money and banking
- ◆ explain the role and function of money
- ◆ explain the impact of the Consumer Price Index (CPI)
- ◆ explain the ways financing occurs in financial markets and within the economy, through direct and indirect financing
- ◆ describe the financial system, financial instruments, financial markets and financial institutions and their interactions
- ◆ evaluate the impact of cryptocurrency on financial institutions, financial markets and customers
- ◆ explain how to calculate and compare rates on different financial instruments
- ◆ explain and calculate future value and present value of simple financial instruments
- ◆ explain and calculate the internal rate of return of an investment
- ◆ explain the impact that interest rates have on the UK economy
- ◆ explain the difference between real and nominal interest rates, and apply the Fisher equation

### Outcome 2

This outcome should be assessed under open-book conditions.

Learners must show they can:

- ◆ explain the concept of risk and return, and its impact on financial instruments
- ◆ describe risk-free assets
- ◆ calculate expected returns, and explain how risk is measured using statistical methods
- ◆ explain the risk: return payoff and how building portfolios can reduce overall risk

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- ◆ describe the different types of shares and bonds that are issued onto financial markets to finance a company's capital
- ◆ explain the role that bonds play in the financing of companies and the impact they have on the economy
- ◆ explain the factors that influence bond value
- ◆ explain, with reference to relevant examples, how stock market indices work
- ◆ explain how shares are valued
- ◆ describe the theory of efficient markets
- ◆ explain, with relevant examples, a stock market's role in the economy
- ◆ explain what derivatives are and the different types of derivatives available
- ◆ explain how companies can use derivatives to mitigate risk and improve the efficiency of transactions

### **Outcome 3**

This outcome should be assessed under open-book conditions.

Learners must show they can:

- ◆ explain the importance of finance in the global marketplace
- ◆ describe the advantages and disadvantages of different exchange rate mechanisms
- ◆ explain the difference between nominal and real exchange rates
- ◆ explain the role that foreign exchange plays on the economy of a country
- ◆ explain the law of one price and the concept of purchasing power parity

## Knowledge and skills

The following table shows the knowledge and skills covered by the unit outcomes:

Knowledge	Skills
<p><b>Outcome 1</b> Learners should understand:</p> <ul style="list-style-type: none"> <li>◆ the financial system, money and the exchange of goods and services</li>   <li>◆ markets, institutions, and financial instruments</li>   <li>◆ time, value of money, and interest rates</li> </ul>	<p><b>Outcome 1</b> Learners can:</p> <ul style="list-style-type: none"> <li>◆ describe the role that each element plays in the six parts of the financial system</li> <li>◆ describe the core principles of money and banking</li> <li>◆ explain the role and function of money</li> <li>◆ explain the impact of the CPI</li>   <li>◆ explain the ways financing occurs in financial markets and within the economy, through direct and indirect financing</li> <li>◆ describe the financial system, financial instruments, financial markets and financial institutions and their interactions</li> <li>◆ evaluate the impact of cryptocurrency on financial institutions, financial markets and customers</li>   <li>◆ explain how to calculate and compare rates on different financial instruments</li> <li>◆ explain and calculate future value and present value of simple financial instruments</li> <li>◆ explain and calculate the internal rate of return of an investment</li> <li>◆ explain the impact that interest rates have on the UK economy</li> <li>◆ explain the difference between real and nominal interest rates and apply the Fisher equation</li> </ul>

Knowledge	Skills
<p><b>Outcome 2</b>                      Learners should understand:</p> <ul style="list-style-type: none"> <li>◆ the impact of risk on investments</li>   <li>◆ the role of the bond market</li>   <li>◆ the role of an equity market</li>   <li>◆ the use of derivatives</li> </ul>	<p><b>Outcome 2</b>                      Learners can:</p> <ul style="list-style-type: none"> <li>◆ explain the concept of risk and return, and its impact on financial instruments</li> <li>◆ describe risk-free assets</li> <li>◆ calculate expected returns and how risk is measured using statistical methods</li> <li>◆ explain the risk: return payoff and how building portfolios can reduce overall risk</li>   <li>◆ describe the different types of bonds issued onto financial markets to finance a company's capital</li> <li>◆ explain the role that bonds play in the financing of companies and the impact they have on the economy</li> <li>◆ explain the factors that influence bond value</li>   <li>◆ explain, with reference to relevant examples, how stock market indices work</li> <li>◆ explain how shares are valued</li> <li>◆ describe the theory of efficient markets</li> <li>◆ explain, with relevant examples, a stock market's role in the economy</li>   <li>◆ explain what derivatives are and the different types of derivatives available</li> <li>◆ explain how companies can use derivatives to mitigate risk and improve the efficiency of transactions</li> </ul>

Knowledge	Skills
<p><b>Outcome 3</b>                      Learners should understand:</p> <ul style="list-style-type: none"> <li>◆ how international finance and foreign exchange works</li> </ul>	<p><b>Outcome 3</b>                      Learners can:</p> <ul style="list-style-type: none"> <li>◆ explain the importance of finance in the global marketplace</li> <li>◆ describe the advantages and disadvantages of different exchange rate mechanisms</li> <li>◆ explain the difference between nominal and real exchange rates</li> <li>◆ explain the role that foreign exchange plays on economy of a country</li> <li>◆ explain the law of one price and the concept of purchasing power parity</li> </ul>

## Meta-skills

Throughout the unit, learners develop meta-skills to enhance their employability in the accounting sector.

### Self-management

This meta-skill includes:

- ◆ focusing: filtering provided information to identify the essential elements
- ◆ adapting: nurturing skills in resilience and dealing with unfamiliar situations; building an overall understanding of how management accounting works
- ◆ initiative: building self-belief as they learn to apply new knowledge; making decisions

### Social intelligence

This meta-skill includes:

- ◆ communicating: receiving and conveying information; writing reports suitable for their intended audience

### Innovation

This meta-skill includes:

- ◆ curiosity: identifying significant elements of the task they are working on; asking questions to identify the most relevant information to the task
- ◆ creativity: exploring ideas and coming up with solutions
- ◆ critical thinking: analysing and evaluating information to solve complex problems

## Literacies

### Numeracy

Throughout all six outcomes of the unit, learners interpret and analyse extensive and varied numerical data, and apply a wide range of numerical skills to solve practical problems in a business context.

### Communication

Learners develop communication skills by receiving and conveying information, and refine these skills as they learn to write reports suitable for their intended audience.

### Digital

Learners develop communication skills by receiving and conveying information, and refine these skills as they learn to write reports suitable for their intended audience.



## **Delivery of unit**

This unit is part of HND Accounting. You can also deliver it as a stand-alone unit.

While the exact time allocated to the unit is at your centre's discretion, the notional time for delivery and assessment is 80 hours. The amount of time you allocate to each outcome is at your centre's discretion.

## **Additional guidance**

The guidance in this section is not mandatory.

### **Approaches to delivery**

You can deliver the unit in three parts, but you do not need to do so in numerical order. You can deliver the outcomes separately using a range of approaches, but you should reflect the current status of financial markets to ensure learners are aware of all contemporary issues.

### **Approaches to assessment**

You can assess the outcomes separately, or you can assess some or all the outcomes together.

You could assess the unit by asking learners to contribute and respond to other learners' contributions on a series of blogs. This could be in response to questions reflecting current trends and issues in financial markets, as well as short-response questions and numerical calculations.

## **Equality and inclusion**

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

You should take into account the needs of individual learners when planning learning experiences, selecting assessment methods or considering alternative evidence.

Guidance on assessment arrangements for disabled learners and/or those with additional support needs is available on the assessment arrangements web page:

[www.sqa.org.uk/assessmentarrangements](http://www.sqa.org.uk/assessmentarrangements).

## Information for learners

### Financial Markets: An Introduction (SCQF level 8)

This information explains:

- ◆ what the unit is about
- ◆ what you should know or be able to do before you start
- ◆ what you need to do during the unit
- ◆ opportunities for further learning and employment

This unit helps you to understand the functions and tools of the financial services industry in the context of both domestic economies and the world economy. You learn about the range of financial products used by organisations in their operations, as well as the economic principles that underpin these products.

The unit is primarily intended as an introduction, and is suitable if you want to go on to further study at university or professional level.

Before you start the unit, you should have completed one of the following Higher National (HN) Accounting units, or have prior knowledge of economics at an equivalent level:

- ◆ Economics: An Introduction
- ◆ Accountant in the Business Environment

In outcome 1, you learn about the role and function of a financial system, and of money within that system, as well as some of the factors that affect it.

Outcome 2 helps you understand how financial markets operate, and the different types of product that are traded on these markets.

In outcome 3, you get an insight into the flow of funds internationally, and the impact exchange rates have on the global economy.

You can be assessed by a number of different methods under open-book conditions, with the emphasis on the contemporary nature of the topics, reflecting current trends and issues in financial markets.

### Meta-skills

Throughout the unit you develop meta-skills to enhance your employability in the accounting sector. Meta-skills include self-management, social intelligence and innovation.

# Administrative information

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**Superclass:** AD

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## History of changes

Version	Description of change	Date
2.0	Updated evidence requirements to include outcome assessment method.	September 2024

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