

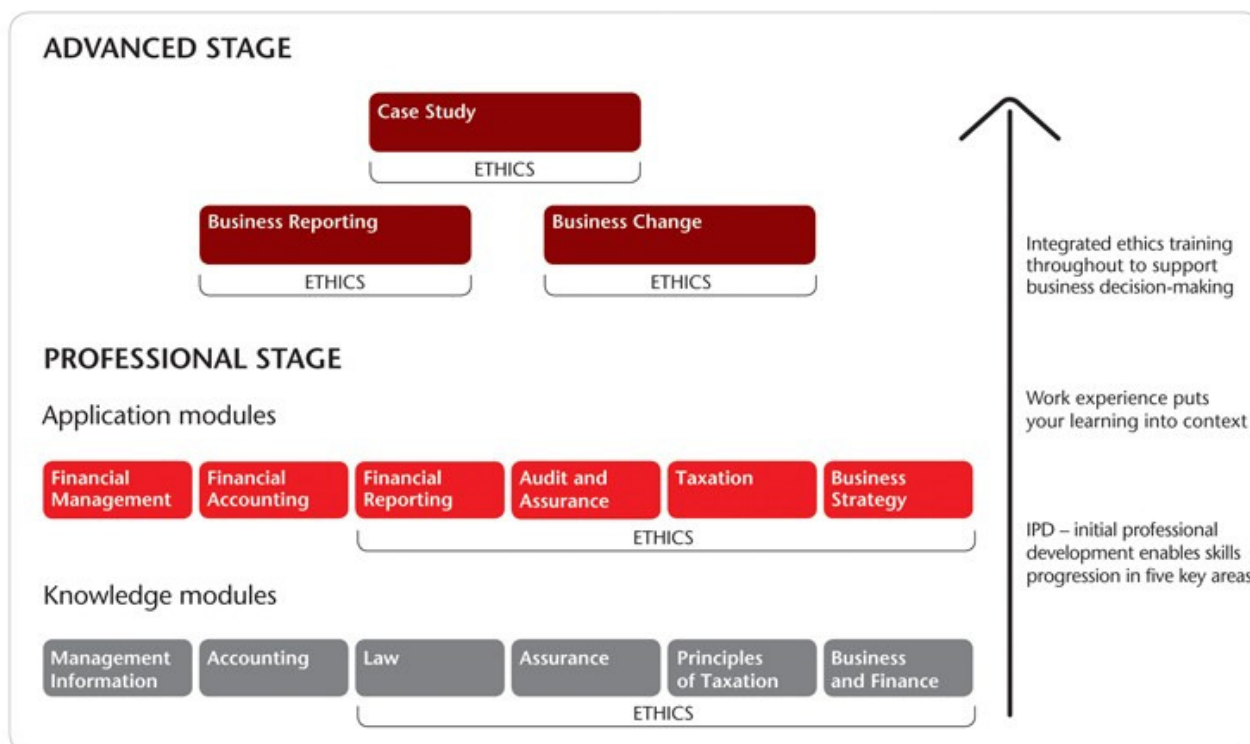


ACA PROFESSIONAL STAGE SYLLABUS 2012

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ACA OVERVIEW



Aim

The ACA qualification aims to ensure all newly qualified chartered accountants have the technical and professional skills to begin their career and from which to build their ongoing professional development.

Structure

The syllabus has been designed to develop core technical, commercial, and ethical skills and knowledge in a structured and rigorous manner. Progression through the ACA modules, in combination with integrated and monitored work experience, will equip and prepare students for the demanding multi-disciplinary case study. This final module assesses the highest level of analysis, synthesis and communication skills, commercial and ethical awareness and the application of professional judgement.

The diagram above shows the twelve modules at the Professional Stage, where the focus is on the acquisition and application of technical skills and knowledge, and the Advanced Stage which comprises two technical integration modules and the Case Study.

Ethics is embedded throughout the qualification and there are specific learning outcomes included in a number of the modules. The syllabus has been designed to ensure students understand the fundamental principles of ethics can apply relevant ethical guidance and are able to recommend actions to resolve ethical issues.

PROFESSIONAL STAGE

Aim

The Professional Stage of the ACA qualification forms the first stage of formal learning and assessment for the ACA and, as such, aims to provide students with the technical skills and underpinning knowledge to perform their work as trainee chartered accountants in a variety of environments.

The Professional Stage syllabus has been constructed with the following aims:

- to ensure that the required technical knowledge and skills can be learnt and assessed in a comprehensive and rigorous manner
- to allow the timing of exam study to be aligned with the knowledge and skills needed in the work place
- to enable appropriate educational progression and reinforcement during the study and assessment process.

Structure and progression

There are twelve modules in total. Six 'Knowledge' modules focus on the introduction and development of core knowledge and skills. The other six 'Application' modules further develop the knowledge and skills and assess practical technical application.

The Professional Stage as a whole forms the foundation of technical knowledge that is further developed and integrated at the Advanced Stage.

Syllabus

This document presents the learning outcomes for the twelve Professional Stage modules. The learning outcomes in each module should be read in conjunction with the relevant knowledge tables in Appendix 1.

Assessment

The six 'Knowledge' modules will be examined using computer based assessments. Each computer based assessment will be 1.5 hours in length.

The six 'Application' modules will be examined using traditional paper based assessments. Each paper based exam will be 2.5 hours in length.

The AAT Top Up paper in Financial Accounting will be 1 hour in length.

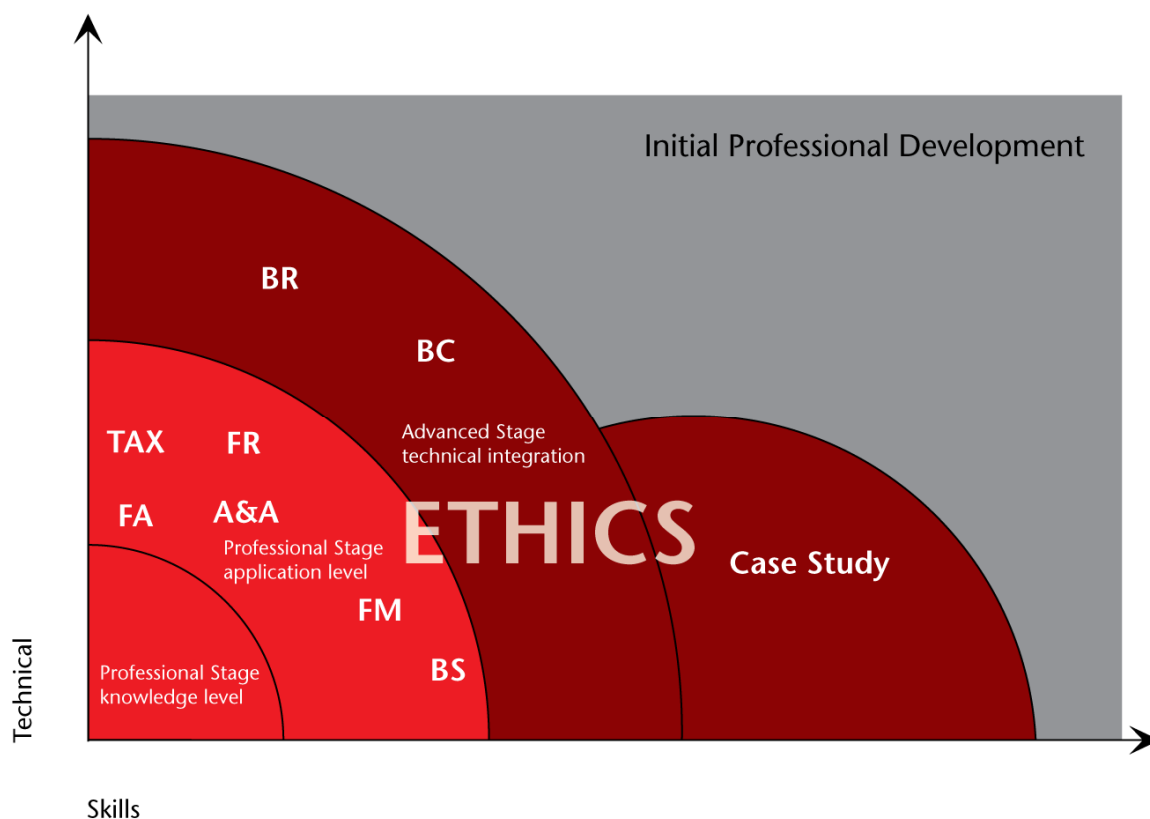
Flexibility

There will be no regulations stipulating the order in which students must attempt the Professional Stage modules, allowing employers to design training programmes according to business needs. Students will be permitted a maximum of four attempts at each module.

Credit for prior learning

Students with accounting and business related qualifications should visit the ICAEW website for further information on applying for credit against one or more of the ACA modules.

THE LINK TO WORK EXPERIENCE



The work experience requirements for students provide a framework to develop appropriate work experience, completion of which is essential in order to qualify for membership. Work experience is also an essential component for examination preparation.

The work experience framework is built around five key skills:

- Business awareness – being aware of the internal and external issues and pressure for change facing an organisation and assessing an organisation's performance.
- Technical and functional expertise – applying syllabus learning outcomes and where appropriate, further technical knowledge to real situations.
- Ethics and professionalism – recognising issues, using knowledge and experience to assess implications, making confident decisions and recommendations.
- Professional judgement – making recommendations and adding value with appropriate, targeted and relevant solutions.
- Personal effectiveness – developing, maintaining and exercising skills and personal attributes necessary for the role and responsibilities.

The examinations, and in particular the Advanced Stage, embrace all of these skills.

The link between work experience and the examinations is demonstrated by the skills development grids produced by the examiners.

This will help students see that their practical knowledge and skills gained in the workplace feed back into the exam room and vice-versa.

The message is clear – students should use the work experience framework and skills development grids to ensure success in exam performance and success in their workplace performance

SKILLS PROGRESSION THROUGH THE ACA QUALIFICATION

Assessed skills	Professional Stage		Advanced Stage	
	Knowledge modules	Application modules	Technical Integration	Case Study
Assimilating and using information				
Understanding the subject matter and identifying issues	Specific issues	Simple scenarios	Complex scenarios	Unstructured complex business scenarios
Accessing, evaluating and managing information	Information/data as provided	Single information source provided	Multiple information sources provided	Multiple information sources including own research
Using technical knowledge and professional experience	Highly structured application of non-integrated knowledge	Structured application of non-integrated knowledge	Structured application of integrated and non-integrated knowledge and experience	Unstructured application of integrated knowledge and experience
Structuring problems and solutions				
Using analytical tools	Specified tools	Specified tools	Tools inferred by nature of problem	Unspecified tools
Analysing and evaluating problems	Highly specified tasks	Specified non-integrated problems	Specified integrated and non-integrated problems	Defined output but unspecified problems
Applying judgement				
Assessing quality of information	Objective testing	Specified in simple scenario	Specified in complex scenario	Underlying requirement within complex scenario
Assessing options and priorities including ethical issues	Options given	Options included in simple scenario	Options included in complex scenario	Balanced judgement of priorities and risks in unstructured scenario
Considering other perspectives	Not assessed	Possible alternative provided	Alternative(s) provided	Alternatives identified using professional experience
Conclusions and recommendations and communication				
Drawing conclusions and making recommendations	Not assessed	Specified conclusions and recommendations in simple scenarios	Specified conclusions and recommendations in complex scenarios	Conclusions and recommendations supported by own evidence
Presenting data and written work	Prescribed exam format	Exam requirements, including some professional presentation	Short written professional presentations	Professional report with appendices and executive summary

ACCOUNTING

Module aim

To ensure that students have a sound understanding of the techniques of double entry accounting and can apply its principles in recording transactions, adjusting financial records and preparing non-complex financial statements.

On completion of this module, students will be:

- proficient in the use of double entry accounting techniques and the maintenance of accounting records
- able to identify and correct omissions and errors in accounting records and financial statements
- able to specify the components of financial statements and prepare and present non-complex accounts for sole traders, partnerships and limited companies.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 Maintaining financial records	30
2 Adjustments to accounting records and financial statements	35
3 Preparing financial statements	35
	100

The following learning outcomes should be read in conjunction with the Financial Reporting table in Appendix 1.

1 Maintaining financial records

Candidates will be proficient in the use of double entry accounting techniques and the maintenance of accounting records.

In the assessment, candidates may be required to:

- a. specify why an entity maintains financial records and prepares financial statements
- b. identify the sources of information for the preparation of accounting records and financial statements
- c. record and account for transactions and events resulting in income, expenses, assets, liabilities and equity in accordance with the appropriate basis of accounting and the laws, regulations and accounting standards applicable to the financial statements
- d. record and account for changes in the ownership structure and ownership interests in an entity
- e. prepare a trial balance from accounting records and identify the uses of the trial balance.

2 Adjustments to accounting records and financial statements

Candidates will be able to identify and correct omissions and errors in accounting records and financial statements.

In the assessment, candidates may be required to:

- a. identify omissions and errors in accounting records and financial statements and demonstrate how the required adjustments will affect profits and/or losses
- b. correct omissions and errors in accounting records and financial statements using control account reconciliations and suspense accounts
- c. prepare an extended trial balance
- d. prepare journals for nominal ledger entry and to correct errors in draft financial statements.

3 Preparing financial statements

Candidates will be able to specify the components of financial statements, and prepare and present non-complex accounts for sole traders, partnerships and limited companies.

In the assessment, candidates may be required to:

- a. identify the main components of a set of financial statements and specify their purpose and interrelationship
- b. specify the key aspects of the accrual basis of accounting, cash accounting and break-up basis of accounting
- c. prepare and present a statement of financial position, income statement and statement of cash flows (or extracts therefrom) from the accounting records and trial balance in a format which satisfies the information requirements of the entity.

ASSURANCE

Module aim

To ensure that students understand the assurance process and fundamental principles of ethics, and are able to contribute to the assessment of internal controls and gathering of evidence on an assurance engagement.

On completion of this module, students will be able to:

- explain the concept of assurance, why assurance is required and the reasons for assurance engagements being carried out by appropriately qualified professionals
- explain the nature of internal controls and why they are important, document an organisation's internal controls and identify weaknesses in internal control systems
- select sufficient and appropriate methods of obtaining assurance evidence and recognise when conclusions can be drawn from evidence obtained or where issues need to be referred to a senior colleague
- understand the importance of ethical behaviour to a professional and explain issues relating to integrity, objectivity, conflicts of interest, conflicts of loyalty, confidentiality and independence.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 The concept, process and need for assurance	20
2 Internal controls	25
3 Gathering evidence on an assurance engagement	35
4 Professional ethics	20
	100

The following learning outcomes should be read in conjunction with the Assurance and Audit and Ethics Standards tables in Appendix 1.

1 The concept, process and need for assurance

Candidates will be able to explain the concept of assurance, why assurance is required and the reasons for assurance engagements being carried out by appropriately qualified professionals.

In the assessment, candidates may be required to:

- a. define the concept of assurance
- b. state why users desire assurance reports and provide examples of the benefits gained from them such as to assure the quality of an entity's published corporate responsibility or sustainability report.
- c. compare the functions and responsibilities of the different parties involved in an assurance engagement
- d. compare the purposes and characteristics of, and levels of assurance obtained from, different assurance engagements
- e. identify the issues which can lead to gaps between the outcomes delivered by the assurance engagement and the expectations of users of the assurance reports, and suggest how these can be overcome
- f. define the assurance process, including:

- obtaining the engagement
 - continuous risk assessment
 - engagement acceptance
 - the scope of the engagement
 - planning the engagement
 - performing the engagement
 - obtaining evidence
 - evaluation of results of assurance work
 - concluding and reporting on the engagement
 - reporting to the engaging party
 - keeping records of the work performed
- g. recognise the need to plan and perform assurance engagements with an attitude of professional scepticism
- h. define the concept of reasonable assurance.

2 Internal controls

Candidates will be able to explain the nature of internal controls and why they are important, document an organisation's internal controls and identify weaknesses in internal control systems.

In the assessment, candidates may be required to:

- a. state the reasons for organisations having effective systems of control
- b. identify the fundamental principles of effective control systems
- c. identify the main areas of a business that need effective control systems
- d. identify the components of internal control in both manual and IT environments, including:
 - the overall control environment
 - preventative and detective controls
 - internal audit
- e. define and classify different types of internal control, with particular emphasis upon those which impact upon the quality of financial information
- f. show how specified internal controls mitigate risk and state their limitations
- g. identify internal controls for an organisation in a given scenario
- h. identify internal control weaknesses in a given scenario
- i. identify, for a specified organisation, the sources of information which will enable a sufficient record to be made of accounting or other systems and internal controls.

3 Gathering evidence on an assurance engagement

Candidates will be able to select sufficient and appropriate methods of obtaining assurance evidence and recognise when conclusions can be drawn from evidence obtained or where issues need to be referred to a senior colleague.

In the assessment, candidates may be required to:

- a. state the reasons for preparing and keeping documentation relating to an assurance engagement
- b. identify and compare the different methods of obtaining evidence from the use of tests of control and substantive procedures, including analytical procedures
- c. recognise the strengths and weaknesses of the different methods of obtaining evidence
- d. identify the situations within which the different methods of obtaining evidence should and should not be used
- e. compare the reliability of different types of assurance evidence
- f. select appropriate methods of obtaining evidence from tests of control and from substantive procedures for a given business scenario
- g. recognise when the quantity and quality of evidence gathered from various tests and procedures is of a sufficient and appropriate level to draw reasonable conclusions on which to base a report

- h. identify the circumstances in which written confirmation of representations from management should be sought and the reliability of such confirmation as a form of assurance evidence
- i. recognise issues arising whilst gathering assurance evidence that should be referred to a senior colleague.

4 Professional ethics

Candidates will be able to understand the importance of ethical behaviour to a professional and identify issues relating to integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and independence.

In the assessment, candidates may be required to:

- a. state the role of ethical codes and their importance to the profession
- b. recognise the differences between a rules based ethical code and one based upon a set of principles
- c. recognise how the principles of professional behaviour protect the public and fellow professionals
- d. identify the key features of the system of professional ethics adopted by IFAC and ICAEW
- e. identify the fundamental principles underlying the IFAC and the ICAEW code of ethics
- f. recognise the importance of integrity and objectivity to professional accountants, identifying situations that may impair or threaten integrity and objectivity
- g. suggest courses of action to resolve ethical conflicts relating to integrity and objectivity
- h. respond appropriately to the request of an employer to undertake work outside the confines of an individual's expertise or experience
- i. recognise the importance of confidentiality and identify the sources of risks of accidental disclosure of information
- j. identify steps to prevent the accidental disclosure of information
- k. identify situations in which confidential information may be disclosed
- l. define independence and recognise why those undertaking an assurance engagement are required to be independent of their clients
- m. identify the following threats to the fundamental ethical principles and the independence of assurance providers:
 - self-interest threat
 - self-review threat
 - management threat
 - advocacy threat
 - familiarity threat
 - intimidation threat
- n. identify safeguards to eliminate or reduce threats to the fundamental ethical principles and the independence of assurance providers
- o. suggest how a conflict of loyalty between the duty a professional accountant has to their employer and the duty to their profession could be resolved.

BUSINESS AND FINANCE

Module aim

To provide students with an understanding of how businesses operate and how accounting and finance functions support businesses in achieving their objectives.

On completion of this module, students will be able to:

- identify the general objectives of businesses and the functions and tasks that businesses perform in order to meet their objectives
- specify the nature, characteristics, advantages and disadvantages of different forms of business and organisational structure
- identify the purpose of financial information produced by businesses, specify how accounting and finance functions support business operations, and identifying sources and methods of financing for businesses and individuals
- specify the role of the accountancy profession and why the work of the profession is important
- identify the role that governance plays in the management of a business and specify how a business can promote corporate governance, sustainability, corporate responsibility and an ethical culture
- specify the impact on a business of the economic environment in which it operates.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 Business objectives and functions	
2 Business and organisational structures	30
3 The role of finance	25
4 The role of the accountancy profession	15
5 Governance, sustainability, corporate responsibility and ethics	15
6 External environment	15
	100

The following learning outcomes should be read in conjunction with the Ethics Standards table in Appendix 1.

1 Business objectives and functions

Candidates will be able to identify the general objectives of businesses and the functions and tasks that businesses perform in order to meet their objectives.

In the assessment, candidates may be required to:

- a. state the general objectives of businesses
- b. state the general objectives of strategic management and specify the strategic management process and interrelationship between a business's vision, mission and strategic objectives
- c. identify the various functional areas within businesses and show how the functions assist the achievement of business objectives
- d. identify the nature and functions of organisational management, human resources management and operations management and show how these are influenced by human behaviour
- e. identify the relationship between a business's overall strategy and its functional strategies

- f. identify the nature and purpose of strategic plans, business plans and operational plans
- g. specify how a strategic plan is converted into fully-integrated business and operational plans
- h. identify the main components of the risk management process and show how they operate
- i. identify the key issues in relation to risk and crisis management.

2 Business and organisational structures

Candidates will be able to specify the nature, characteristics, advantages and disadvantages of different forms of business and organisational structure.

In the assessment, candidates may be required to:

- a. identify the differences between businesses carried out by sole traders, partnerships, limited liability partnerships, alliances and groups, and show the advantages and disadvantages of each of these business structures
- b. identify the differences between unincorporated businesses and companies, and show the advantages and disadvantages of incorporation.
- c. identify different organisational structures and specify their advantages and disadvantages

3 The role of finance

Candidates will be able to identify the purpose of financial information produced by businesses, specify how accounting and finance functions support business operations, and identify sources and methods of finances for businesses and individuals.

In the assessment, candidates may be required to:

- a. specify the extent to which financial information:
 - provides for accountability of management to shareholders and other stakeholders
 - reflects business performance
 - is useful to users in making economic decisions
 - meets the information needs of national, social and economic contexts (e.g. national statistical information)
- b. specify how accounting and finance functions support businesses in pursuit of their objectives
- c. identify the main considerations in establishing and maintaining accounting and financial reporting functions and financial control processes
- d. identify, in the context of accounting and other systems, the issues surrounding:
 - information processing
 - information security
 - information management
- e. specify why the management of a business require information about performance measurement including non-routine areas such as in supporting an entity's sustainability management
- f. identify the accountant's role in preparing and presenting information for the management of a business
- g. specify the relationship between a business and its bankers and other providers of financial products
- h. identify the characteristics, terms and conditions and role of alternative short, medium and long term sources of finance available to different businesses
- i. identify the processes by which businesses raise equity, capital and other long term finance
- j. identify appropriate methods of financing exports, including:
 - bills of exchange
 - letters of credit
 - export credit insurance
- k. specify the general objectives of personal financial management
- l. identify the principles of personal financial management and the personal financial management process

4 The role of the accountancy profession

Candidates will be able to specify the role of the accountancy profession and why the work of the profession is important.

In the assessment, candidates may be required to:

- a. identify the importance to the public interest of high quality, accurate financial reporting and assurance
- b. specify the rationale for key parts of the profession's work and the links between technical competence and professional responsibility, including accounting principles, accounting standards, sound business management and the public interest
- c. specify the key features of the structure of the accountancy profession, the regulatory framework within which professional accountants work and the ways in which the accountancy profession interacts with other professions.

5 Governance, corporate responsibility and ethics

Candidates will be able to identify the role that governance plays in the management of a business and specify how a business can promote corporate governance, sustainability, corporate responsibility and an ethical culture.

In the assessment, candidates may be required to:

- a. state the reasons why governance is needed and identify the role that governance plays in the management of a business
- b. identify the key stakeholders and their governance needs for a particular business
- c. identify and show the distinction between the roles and responsibilities of those charged with corporate governance and those charged with management including the basics of the UK Corporate Governance Code.
- d. specify how differences in national and business cultures affect corporate governance
- e. identify the roles and responsibilities of the members of the executive board, any supervisory board, the audit committee and others charged with corporate governance, internal audit and external audit
- f. identify the roles and responsibilities of those responsible within a business for internal audit and for the external audit relationship
- g. specify the nature of ethics, business ethics, sustainability and corporate responsibility
- h. specify the policies and procedures a business should implement in order to promote an ethical culture.

6 External environment

Candidates will be able to specify the impact on a business of the environment in which it operates including the potential effects of sustainability issues

In the assessment, candidates may be required to:

- a. specify the signalling, rewarding and allocating effects of the price mechanism on business (including the concept of price elasticity)
- b. specify the potential types of failure of the market mechanism and their effects on business
- c. identify the key macroeconomic factors that affect businesses
- d. specify the principal effects of regulation upon businesses
- e. show how the needs of different stakeholders in a business (e.g. shareholders, the local community, employees, suppliers, customers) impact upon it
- f. specify the effects of key international legislation (including the Sarbanes- Oxley Act and trade restrictions) on businesses.

LAW

Module aim

To provide students with an understanding of the principles of English law

On completion of this module, students will be able to:

- explain the nature of contractual agreements, the agency relationship and the consequences of negligence
- understand the legal implications of incorporation, including the roles of shareholders and directors, and the main implications of insolvency law
- identify instances of criminal behaviour that may be encountered by professional accountants
- identify other key areas in which the law affects the role and work of the professional accountant.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 The impact of civil law on business and professional services	35
2 Company and insolvency law	40
3 The impact of criminal law on business and professional services	10
4 The impact of law in the professional context	15
	100

1 The impact of civil law on business and professional services

Candidates will be able to explain the nature of contractual agreements, the agency relationship and the consequences of negligence.

In the assessment, candidates may be required to:

Contract

- a. recognise when a legally binding contract exists between two parties and how a contract may be enforced
- b. identify the circumstances under which a contract can be terminated and possible remedies for breach of contract

Agency

- c. identify the methods by which agency can be created
- d. identify the duties and rights of agents
- e. recognise the authority an agent has to enter into contracts on behalf of a principal, including express, implied and apparent authority; and that given to partners under legislation

Negligence and liability

- f. identify instances and consequences of negligence (particularly negligent misstatement) in a given scenario
- g. identify instances and consequences of vicarious liability in a given scenario.

2 Company and insolvency law

Candidates will be able to understand the implications of incorporation, including the roles of shareholders and directors, and the main implications of insolvency law.

In the assessment, candidates may be required to:

- a. identify the differences between partnerships and companies and recognise the circumstances when the veil of incorporation can be lifted
- b. identify the procedures required to form a registered company or a limited liability partnership, including any practical considerations, and the nature and contractual force of a company's memorandum and articles of association and identify the advantages and disadvantages of off-the-shelf companies
- c. identify the administrative consequences of incorporation or the formation of a limited liability partnership including requirements regarding statutory books, accounts, meetings and the role of the Company Secretary
- d. identify the procedures for the issue of shares, including issues at a premium and pre-emption rights
- e. identify aspects of capital maintenance including
 - reduction of capital
 - redemption and purchase of a company's own shares
 - financial assistance for the purchase of a company's own shares
 - distribution of profits
- f. identify share transfer requirements and disclosure requirements
- g. recognise how a shareholder can influence the management of a company through meetings and resolutions, including shareholders' rights to requisition a meeting
- h. identify the various statutory rights of shareholders to challenge the management of the company under the Companies Act 2006 and the Insolvency Act 1986
- i. identify the rights and duties which a member of a limited liability partnership possesses
- j. identify the ways in which a director may be appointed and removed
- k. identify directors' duties, explaining the consequences of any major breach
- l. identify the powers of directors and in what circumstances they will bind the company in a contract with third parties
- m. identify the nature of fixed and floating charges and the procedures for registering them
- n. identify the nature and function of receivership, an administration order, a compulsory and a voluntary winding up (including relevance of secured debt)
- o. identify the main implications of insolvency law, including:
 - the principal means of termination of companies or other business entities
 - the priorities on a liquidation of the distribution of assets including rights of creditors and employees (including secured assets)
 - bankruptcy and other responses to personal insolvency.

3 The impact of criminal law on business and professional services

Candidates will be able to identify instances of criminal behaviour that may be encountered by professional accountants.

In the assessment, candidates may be required to:

- a. identify circumstances where an accountant will be protected from dismissal and victimisation if he raises concerns about malpractice in the workplace
- b. identify instances and consequences of fraud in a given scenario
- c. identify instances and consequences of bribery
- d. identify instances and consequences of money laundering and select appropriate courses of action for a professional accountant in accordance with international and national regulations and law
- e. recognise the relationships and interaction between legal principles, legislation, case law, ethics and ethical codes.

4 The impact of law in the professional context

Candidates will be able to identify other key areas in which the law affects the role and work of the professional accountant.

In the assessment, candidates may be required to:

Information and its legal environment

- a. identify the key requirements of the Data Protection Act 1998, on the use of personal information and how the act can affect the manner in which information systems are used by businesses.

Employment law

- b. identify who is an employee and the main legal consequences of employment status
- c. identify the key features of employment contracts and recognise circumstances in which an employment contract may be terminated and the consequences arising
- d. identify when dismissal constitutes:
 - a wrongful dismissal
 - an unfair dismissal
- e. identify the circumstances where an employee can claim a statutory redundancy payment.

MANAGEMENT INFORMATION

Module aim

To enable students to prepare essential financial information for the management of a business.

On completion of this module, students will be able to:

- establish the costs associated with the production of products and provision of services and use them to determine prices
- select appropriate budgeting approaches and methods and prepare budgets
- identify key features of effective performance management systems, select appropriate performance measures and calculate differences between actual performance and standards or budgets
- identify and calculate relevant data for use in management decision making.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 Costing and pricing	25
2 Budgeting and forecasting	25
3 Performance management	25
4 Management decision making	25
	100

1 Costing and pricing

Candidates will be able to establish the costs associated with the production of products and provision of services and use them to determine prices.

In the assessment, candidates may be required to:

- a. recognise the use of cost information for different purposes
- b. classify costs as fixed, variable, direct or indirect
- c. calculate unit costs from information provided, using:
 - direct costing
 - absorption costingand reconcile the differences between the costs obtained
- d. select the most appropriate method of costing for a given product or service
- e. calculate the sales price for a given product or service using cost based pricing
- f. calculate transfer prices for specified sales to internal customers which take account of appropriate costs.

2 Budgeting and forecasting

Candidates will be able to select appropriate budgeting approaches and methods and prepare budgets.

In the assessment, candidates may be required to:

- a. apply forecasting techniques to assist management in performance measurement and planning
- b. prepare budgets, or extracts therefrom, from information supplied
- c. select the most appropriate of the following budgeting approaches and methods, taking into account their advantages and disadvantages for planning, control and motivation:

- bottom-up and top-down approaches to generating and managing budgets
 - activity-based, responsibility-based and product-based budget structures
 - zero-based and incremental budgeting
- d. prepare and/or comment upon a cash budget for a business which highlights the quantity and timing of cash surpluses and deficits
 - e. calculate the cash cycle for a business and recognise its significance
 - f. identify the constituent elements of working capital and treasury and specify the methods by which each element can be managed to optimise working capital and cash flows
 - g. recognise how a business manages surpluses and deficits predicted in cash budgets.

3 Performance management

Candidates will be able to identify key features of effective performance management systems, select appropriate performance measures and calculate differences between actual performance and standards or budgets.

In the assessment, candidates may be required to:

- a. identify the reasons for and key features of effective performance management systems
- b. select appropriate financial and non-financial performance measures which effectively encourage the business as a whole to meet its objectives
- c. identify the role of controls in ensuring effective performance management
- d. identify how performance measures and compliance measures are integrated into the general systems of control in businesses
- e. calculate differences between actual performance and standards or budgets in terms of price and volume effects and identify possible reasons for those differences
- f. calculate profits under direct, absorption or marginal costing and reconcile the results under these different methods.

4 Management decision making

Candidates will be able to identify and calculate relevant data for use in management decision making.

In the assessment, candidates may be required to:

- a. calculate the break even point, contribution and margin of safety for a given product or service
- b. allocate scarce resource to those products or services with the highest contribution per limiting factor
- c. calculate the net present value, internal rate of return, payback period or accounting rate of return for a given project
- d. identify and comment upon the advantages and disadvantages of the investment appraisal techniques specified in 4(c) above.

PRINCIPLES OF TAXATION

Module aim

To enable students to understand the general objectives of tax and to calculate income tax, national insurance contributions, capital gains tax, corporation tax and VAT in straightforward scenarios.

On completion of this module, students will be able to:

- explain the general objectives of tax, the influences upon the UK system of tax and the different types of tax in the UK
- recognise the ethical issues arising in the course of performing tax work and identify the obligations the UK system of tax imposes on taxpayers and the implications for taxpayers of non-compliance
- calculate the amounts of income tax owed by or owed to individuals and the amounts of national insurance payable
- calculate the capital gains tax payable by individuals and the chargeable gains subject to corporation tax
- calculate the corporation tax liabilities of companies
- calculate the amount of VAT owed by or owed to businesses.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 Objectives and types of tax	
2 Ethics and administration	26
3 Income tax and national insurance contributions	20
4 Capital gains tax and corporation tax on chargeable gains	14
5 Corporation tax	20
6 VAT	20
	100

The following learning outcomes should be read in conjunction with the Taxation table in Appendix 1.

1 Objectives and types of tax

Candidates will be able to explain the general objectives of tax, the influences upon the UK system of tax and the different types of tax in the UK.

In the assessment, candidates may be required to:

- a. identify the objectives of tax in general terms of economic, social justice and environmental issues, the range of tax opportunities open to the government and the relative advantages of different types of tax in meeting the government's objectives
- b. recognise the impact of external influences, including EU tax policies, on UK tax objectives and policies
- c. classify entities as individuals, partnerships, or companies for tax purposes and state how they are taxed
- d. identify who is liable for the following taxes, how the taxes apply to income, transactions and assets, identify the government bodies responsible for the taxes, and determine when an individual or entity comes within the scope of the taxes:
 - capital gains tax

- corporation tax
 - income tax
 - national insurance
 - VAT
- e. recognise the importance of the budget cycle, tax year and the following sources of UK tax law and practice:
- legislation □
 - case law
 - HM Revenue & Customs manuals, statements of practice, extra-statutory concessions and press releases

2 Ethics and administration

Candidates will be able to recognise ethical issues arising in the course of performing tax work and identify the obligations the UK system of tax imposes on taxpayers and the implications for taxpayers of non-compliance.

In the assessment, candidates may be required to:

- a. identify the guidance given in the IFAC Code of Ethics for Professional Accountants and ICAEW Code Ethics in relation to a tax practice with regard to:
 - disclosure of information
 - conflict of interest
 - confidentiality
 - HM Revenue & Customs errors
 - money laundering
 - tax avoidance and tax evasion
- b. identify the records which companies and individuals must retain for tax purposes and state the periods for which the records must be retained
- c. identify the key features of the PAYE and national insurance system and calculate PAYE tax codes for employees
- d. identify the key features of the self assessment system for both companies and individuals
- e. determine, in straightforward cases, due dates for:
 - companies', sole traders', partnerships' and individuals' tax returns, tax payments and payments on account
 - businesses' VAT returns and payments
 - employers' PAYE and national insurance returns and payments
- f. identify and calculate the interest and penalties due for:
 - late submissions of and/or incorrect returns, and
 - late and/or incorrect payments of tax
- g. identify the periods within which HM Revenue & Customs can enquire into a taxpayer's returns or other information and tax liabilities and recognise the taxpayer's right of appeal and the process for dealing with disputes.

3 Income tax and national insurance contributions

Candidates will be able to calculate the amounts of income tax owed by or owed to individuals and the amounts of national insurance payable.

- a. recognise the main sources of taxable and non-taxable income
- b. calculate the personal allowance available to an individual according to personal circumstances including personal age allowances and married couples allowance
- c. calculate assessable employment income for an employee or director, including taxable and exempt benefits
- d. recognise the badges of trade

- e. allocate given items of business expenditure as allowable or disallowable for tax purposes and calculate the adjusted trading profits after capital allowances on plant and machinery of a sole trader or partnership
- f. allocate the tax adjusted profits of a partnership to each partner and calculate the final assessable profits for each partner for any given tax year
- g. calculate the assessable trading profits for a new unincorporated business and identify the overlap profits on the commencement of trade
- h. calculate the final assessable trading profits for an unincorporated business ceasing to trade
- i. calculate total taxable income and the income tax payable or repayable for employed and self-employed individuals.
- j. calculate the total national insurance contributions payable by employees, employers and self-employed individuals.

4 Capital gains tax and corporation tax on chargeable gains

Candidates will be able to calculate the capital gains tax payable by individuals and the chargeable gains subject to corporation tax.

- a. classify persons, assets and disposals as either chargeable or exempt for capital gains purposes
- b. calculate the chargeable gains and losses on the disposal of assets, including indexation where appropriate
- c. calculate total taxable gains and corporation tax payable on the gains (for companies) and capital gains tax payable (by individuals), utilising capital losses to reduce the liability

5 Corporation tax

Candidates will be able to calculate the corporation tax liabilities of companies.

- a. identify chargeable accounting periods for a company
- b. recognise the effect of having one or more associated companies on corporation tax payable
- c. allocate given items of business expenditure as allowable or disallowable for tax purposes and calculate the adjusted trading profits after capital allowances on plant and machinery
- d. calculate the taxable total profits and the corporation tax payable for a company resident in the UK which has no associated companies and an accounting period of 12 months or less.

6 VAT

Candidates will be able to calculate the amount of VAT owed by or owed to businesses.

- a. classify supplies in given straightforward situations as exempt, zero-rated, standard-rated, subject to a reduced rate of 5% or outside the scope of VAT
- b. recognise the implications of supplies being classified as standard-rated, zero-rated or exempt
- c. identify when a business could or should register or deregister for VAT and state the time limits
- d. determine the tax point for a supply of goods or services
- e. state the principles of VAT payable or repayable on the supply of goods or services by a taxable person and calculate the monthly, quarterly and annual VAT payable or repayable by a business
- f. state the alternative schemes for payment of VAT by businesses.

FINANCIAL ACCOUNTING – AAT TOP UP

Module Aim

To enable students to prepare a set of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS)

On completion of this module, students will be able to:

- Identify the circumstances in which entities are required to present consolidated financial statements and prepare and present them in accordance with IFRS.

Learning outcomes apply to non-specialised profit-oriented entities.

Specification grids

This grid shows the relative weightings of subjects within this module.

Syllabus area	Weighting (%)
1 Preparation of consolidated financial statements	100

1 Preparation of consolidated financial statements

Candidates will be able to identify the circumstances in which entities are required to present consolidated financial statements and prepare and present them in conformity with IFRS.

In the assessment, candidates may be required to:

- identify and describe the circumstances in which an entity is required to prepare and present consolidated financial statements
- identify the laws, regulations, accounting standards and other requirements applicable to the legal entity and consolidated financial statements of an entity
- identify from financial and other data any subsidiary or associate of an entity according to the international financial reporting framework
- calculate from financial and other data the amounts to be included in an entity's consolidated financial statements in respect of its new, continuing and discontinuing interests in subsidiaries and associates (excluding partial disposals of subsidiaries and disposals of associates) according to the international financial reporting framework
- prepare and present the consolidated financial statements, (excluding the preparation of a full consolidated statement of cash flows) or extracts therefrom, (including extracts from a consolidated statement of cash flows) of an entity in accordance with its accounting policies and the international financial reporting framework, using calculated amounts and other information

International Financial Reporting Standards

The knowledge level of the financial reporting standards in respect of the presentation of consolidated financial statements is as follows:

Title	AAT Top Up
IAS7 Statement of Cash Flows	B
IAS27 Consolidated and Separate Financial Statements	B
IAS28 Investments in Associates	B
IAS36 Impairment of Assets	B
IAS38 Intangible Assets	B
IFRS3 Business Combinations	B

Key:

Level B

A working knowledge with a broad understanding of the subject matter and a level of experience in the application thereof sufficient to apply the subject matter in straightforward circumstances.

AUDIT AND ASSURANCE

Module aim

To develop students' understanding of the critical aspects of managing an assurance engagement (including audit engagements): acceptance, planning, managing, concluding and reporting.

On completion of this module, students will be able to:

- understand and advise on the regulatory, professional and ethical issues relevant to those carrying out an assurance engagement
- understand the processes involved in accepting and managing assurance engagements, and how quality assurance processes mitigate the risks to those conducting the engagement
- plan assurance engagements in accordance with the terms of the engagements and appropriate standards
- conclude and report on assurance engagements in accordance with the terms of the engagements and appropriate standards.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 Legal, ethical and current issues	20
2 Accepting and managing engagements	15
3 Planning assurance engagements	40
4 Concluding and reporting on assurance engagements	25
	100

The following learning outcomes should be read in conjunction with the Assurance and Audit and Ethics tables in Appendix 1.

For clarity, learning outcomes applicable to all types of assurance engagements (including audit) are separated from those that are relevant only to audit engagements.

1 Legal, ethical and current issues

Candidates will be able to understand and advise on the regulatory, professional and ethical issues relevant to those carrying out an assurance engagement.

In the assessment, candidates may be required to:

All assurance engagements

- a. identify and advise upon the professional and ethical issues that may arise during an assurance engagement
- b. recognise the professional and ethical issues that may arise during an assurance engagement, explain the relevance and importance of these issues and evaluate the relative merits of different standpoints taken in debate
- c. judge when to raise legal and ethical matters arising from assurance work with senior colleagues for review and possible referral to external parties
- d. discuss the purpose of laws, standards and other requirements surrounding assurance work
- e. explain the standard-setting process used by national and international (IAASB) bodies and the authority of the national and international standards
- f. explain, in non-technical language, significant current assurance issues being dealt with by the national standard-setting body and the IAASB

- g. explain, using appropriate examples, the main ways in which national legislation affects assurance

Audit engagements

- h. explain the main ways in which national legislation affects the scope and nature of the audit and the appointment and removal of auditors (including the relationship between the law and audit standards)
- i. explain the principles behind different auditing requirements in different jurisdictions and describe how national and international bodies are working to harmonise auditing requirements, including requirements to report on internal controls (Sarbanes-Oxley Act)
- j. describe the principal causes of audit failure and their effects and the gap between outcomes delivered by audit engagements and the expectations of users of audit reports.

2 Accepting and managing engagements

Candidates will be able to understand the processes involved in accepting and managing assurance engagements and how quality assurance processes mitigate the risks to those conducting the engagement.

In the assessment, candidates may be required to:

All assurance engagements

- a. identify the legal, professional and ethical considerations that an individual or firm must consider before accepting a specified assurance engagement
- b. identify the sources of liability (including professional negligence) arising from an assurance engagement and their impact upon the conduct of the engagement
- c. discuss the issues which underlie the agreement of the scope and terms of an assurance engagement (new or continuing)
- d. formulate the approach suitable for management of the assurance engagement
- e. discuss the principles and purpose of quality control of assurance engagements
- f. demonstrate how the assurance function within an organisation can be monitored procedures for review
- g. describe how quality can be monitored and controlled through procedures external to the organisation

Audit engagements

- h. discuss the process by which an auditor obtains an audit engagement
- i. discuss the issues and risks that an individual auditor or audit firm must consider with regard to the acceptance of an audit engagement (new or continuing) with a client, including terms of engagement and their documentation
- k. identify the legal, professional and ethical considerations that an individual auditor or audit firm must consider before accepting a specified audit engagement.

3 Planning assurance engagements

Candidates will be able to plan assurance engagements in accordance with the terms of the engagements and appropriate standards.

In the assessment, candidates may be required to:

All assurance engagements

- a. explain, in the context of a given scenario, why it is important to have a knowledge and understanding of the business when planning an engagement
- b. identify ways of gaining knowledge and understanding of a client's business
- c. recognize the need on occasion to bring in expertise from other parties such as experts in sustainability management to support assurance processes
- d. identify the risks arising from, or affecting, a given set of business processes and circumstances and assess their implications for the engagement
- e. identify the risks arising from error, fraud and non-compliance with law and regulations and assess their implications for the engagement
- f. assess significant business risks identified for their potential impact upon an organisation, in particular their potential impact on performance measurement
- g. identify the components of risk for a specified assurance engagement
- h. assess the impact of risk and materiality on the engagement plan, including the nature, timing and extent of assurance procedures, for a given organisation
- i. discuss the benefits and limitations of analytical procedures at the planning stage
- j. determine an approach appropriate for an engagement for a specified organisation which addresses:
 - possible reliance on controls (including those within IT systems)
 - possible reliance on the work of internal audit or other experts
 - possible reliance on the work of another auditor
 - probable extent of tests of control and of substantive procedures, including analytical procedures
 - nature and extent of client-generated information
 - probable number, timing, staffing and location of assurance visits
 - the assurance of entities' published sustainability and corporate responsibility reports

Audit engagements

- k. identify the components of audit risk for a specified audit engagement, including the breakdown of audit risk into inherent risk, control risk and detection risk
- l. outline the aspects of employment and social security law which are relevant to statutory audit
- m. discuss the differences between the audit of a non-specialised profit oriented entity and the audit of a given specialised profit oriented entity
- n. discuss the differences between the audit of a non-specialised profit oriented entity and the audit of a given not-for-profit entity
- o. specify and explain the steps necessary to plan, perform and conclude and report on the audit of the financial statements of a non-specialised profit oriented entity in accordance with the terms of the engagement including appropriate auditing standards.

4 Concluding and reporting on assurance engagements

Candidates will be able to conclude and report on assurance engagements in accordance with the terms of the engagements and appropriate standards.

In the assessment, candidates may be required to:

All assurance engagements

- a. describe the nature and timing of specific procedures designed to identify subsequent events that may require adjustment or disclosure in relation to the matters being reported on

- b. evaluate, quantitatively and qualitatively (including use of analytical procedures), the results and conclusions obtained from assurance tests and procedures
- c. draw conclusions on the ability to report on an assurance engagement which are consistent with the results of the assurance work
- d. draft suitable extracts for an assurance report (including any report to the management issued as part of the engagement) in relation to a specified organisation on the basis of given information, including in the extracts (where appropriate) statements of facts, their potential effects, and recommendations for action relevant to the needs and nature of the organisation being reported upon
- e. advise on reports to be issued to those responsible for governance in accordance with International Standards on Auditing, legislation, regulation and codes of corporate governance
- f. judge when to refer reporting matters for specialist help

Audit engagements

- g. draw conclusions on the ability to report on an audit engagement, including the opinion for a statutory audit, which are consistent with the results of the audit work
- h. explain the elements (both explicit and implicit) of the auditor's report issued in accordance with the International Standards on Auditing and statutory requirements and recommend the nature of an audit opinion to be given in such a report
- i. draft suitable extracts for an audit report (including any report to the management issued as part of the engagement) in relation to a specified organisation on the
- j. basis of given information, including in the extracts (where appropriate) statements of facts, their potential effects, and recommendations for action relevant to the needs and nature of the organisation being reported upon.

BUSINESS STRATEGY

Module aim

To provide students with an understanding of how businesses develop and implement strategy.

On completion of this module, students will be able to:

- identify and analyse the consequences of a business's current objectives, market position and direction
- evaluate the likely consequences of strategic choices and recommend strategies to meet the objectives of a business
- develop a business plan to achieve a business's strategic objectives, recommend an appropriate organisational structure and explain the process of effective change management.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 Strategic analysis	35
2 Strategic choice	35
3 Implementation and monitoring of strategy	30
	100

1 Strategic analysis

Candidates will be able to analyse and identify the consequences of a business's current objectives, market position and direction.

In the assessment, candidates may be required to:

- evaluate a business's purpose, in terms of its stated mission, objectives and critical success factors, highlighting omissions, inconsistencies and weaknesses in its strategic management systems and considering the different objectives of stakeholders
- analyse for a given situation the external factors which may impact upon a business's performance and position, identifying significant issues in areas such as:
 - sustainability issues
 - global macroeconomic forces
 - international trade and financial systems
 - government policies
 - industry developments
 - cultural environment
 - stakeholder impact
 - current markets
 - markets for finance, labour and other resources
- analyse a business's current markets and competitive strategy in sufficient detail for decisions to be made, drawing conclusions consistent with the data and results and highlighting relevant issues in terms of their likely impact on the strategy of the business

- d. identify the significance and effect of the internal factors in a given situation which affect or may influence a business's ability to achieve its chosen strategy, including its:
 - current resources
 - product/service portfolio
 - organisational and operational capabilities (including core competencies existing business processes, human resource capabilities and information systems capabilities)
- e. analyse the governance structure of a business identifying strengths and weaknesses
- f. identify the risk attached to a business's present position, considering all relevant factors (including attitudes to risk).
- g. assess a business' current position and performance from both a financial perspective and a non-financial perspective, using a variety of information sources and data analysis.

2 Strategic choice

Candidates will be able to evaluate the likely consequences of strategic choices and recommend strategies to meet the objectives of a business.

In the assessment, candidates may be required to:

- a. identify and describe in a given scenario the alternative strategies available to a business
- b. analyse financial and other data in order to provide information for strategic decision making
- c. identify the implications for stakeholders, including shareholder value, of choice between strategies
- d. identify the risks attached to proposed courses of action in a given situation, considering all relevant factors (including attitudes to risk) stating all assumptions made and identifying strategies for managing risk
- e. show, in a given scenario, how a business chooses from competing strategies in order to maximise the achievement of its key objectives, including those relating to corporate responsibility and sustainability
- f. evaluate the ethical implications of a business's strategies and operations including those for the organisation and for individuals
- g. choose for a given scenario a strategy or combination of strategies which will achieve the business's objectives and take account of known constraints, including stakeholder risk preferences
- h. explain, in a given scenario, how products and services must evolve in the face of changing consumer demand
- i. explain, using information provided, how to position particular products and services in the market place to maximise competitive advantage and develop a marketing strategy

3 Implementation and monitoring of strategy

Candidates will be able to develop a business plan to achieve a business's strategic objectives, demonstrate how data and information can be used to help implement and monitor strategy recommend an appropriate organisational structure and explain the process of effective change management.

In the assessment, candidates may be required to:

- a. evaluate, in a given scenario, the functional strategies necessary to achieve a business's overall strategy.
- b. evaluate the different types of organisational structure and recommend an appropriate structure for a given strategy
- c. identify the steps needed for a given business to enable it to meet the appropriate regulations, codes of conduct and disclosure requirements in respect of its governance
- d. identify methods of further developing a specific business which take account of positional analysis and risk and would be most likely to achieve the business's strategic objectives, and justify the methods selected
- e. draft a simple business plan, or extracts therefrom, which will achieve given or implied objectives

- f. critically assess an entity's business plan
- g. explain and demonstrate how financial and non financial data can be analysed in order to implement and manage a business's strategy and to monitor the performance of its projects, divisions and other strategic units
- h. explain and demonstrate how a business can use an information system to implement and monitor a strategy in order to create competitive advantage
- i. identify in a given situation the key issues which should be addressed by the management of a business during the planning and implementation of change

FINANCIAL ACCOUNTING

Module aim

To enable students to prepare a complete set of financial statements for single entities and for groups in conformity with International Financial Reporting Standards (IFRS).

On completion of this module, students will be able to:

- explain the contribution and inherent limitations of financial statements in meeting stakeholders' needs for financial information and apply the International Accounting Standards Board's (IASB) conceptual framework for financial reporting
- prepare and present financial statements from accounting data for single entities, whether organised in corporate or in other forms, in conformity with IFRS
- identify the circumstances in which entities are required to present consolidated financial statements and prepare and present them in conformity with IFRS.

Learning outcomes apply to non-specialised profit-oriented entities unless otherwise specified.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 Accounting and reporting concepts	10
2 Preparation of single company financial statements	55
3 Preparation of consolidated financial statements	35
	100

The following learning outcomes should be read in conjunction with the Financial Reporting table in Appendix 1.

1 Accounting and reporting concepts

Candidates will be able to explain the contribution and inherent limitations of financial statements in meeting stakeholders' needs for financial information and apply the International Accounting Standards Board's conceptual framework for financial reporting.

In the assessment, candidates may be required to:

- a. discuss the purpose of accounting regulations, standards and other requirements
- b. explain the objectives of financial statements, giving appropriate examples
- c. explain the qualitative characteristics of financial information and the constraints on such information, using appropriate examples to illustrate the explanation
- d. identify the financial effects of transactions in accordance with the IASB Conceptual Framework
- e. explain the differences between financial statements produced using the accrual basis and those produced using the bases of cash accounting and break-up, performing simple calculations to illustrate the differences
- f. explain, in non-technical language, the different bases of measurement of the elements of the financial statements and the different definitions of capital and capital maintenance used in accrual basis financial statements, illustrating the explanation with simple calculations and examples
- g. explain and demonstrate the concepts and principles surrounding the consolidation of financial statements.

2 Preparation of single entity financial statements

Candidates will be able to prepare and present financial statements from accounting data for single entities, whether organised in corporate or in other forms, in conformity with IFRS requirements.

In the assessment, candidates may be required to:

- a. identify and describe the circumstances in which an entity is required to prepare and present statutory financial statements
- b. identify the laws, regulations, accounting standards and other requirements applicable to the statutory financial statements of an entity
- c. prepare and present the financial statements, or extracts therefrom, of an entity according to its accounting policies and appropriate international financial reporting standards
- d. identify the circumstances in which the use of IFRS, and International Public Sector Accounting Standards (IPSASs) for not-for-profit entities might be required
- e. calculate from financial and other data the amounts to be included in the equity section of the statement of financial position of a not-for-profit entity in accordance with its accounting policies and the appropriate financial reporting framework.

3 Preparation of consolidated financial statements

Candidates will be able to identify the circumstances in which entities are required to present consolidated financial statements and prepare and present them in conformity with IFRS.

In the assessment, candidates may be required to:

- a. identify and describe the circumstances in which an entity is required to prepare and present consolidated financial statements
- b. identify the laws, regulations, accounting standards and other requirements applicable to the legal entity and consolidated financial statements of an entity
- c. identify from financial and other data any subsidiary or associate of an entity according to the international financial reporting framework
- d. calculate from financial and other data the amounts to be included in an entity's consolidated financial statements in respect of its new, continuing and discontinuing interests in subsidiaries and associates (excluding partial disposals of subsidiaries and disposals of associates) according to the international financial reporting framework
- e. prepare and present the consolidated financial statements or extracts therefrom, of an entity in accordance with its accounting policies and the international financial reporting framework, using calculated amounts and other information.

FINANCIAL REPORTING

Module aim

To enable students to prepare and present extracts from financial statements, including accounting policies, for entities undertaking a wide range of accounting transactions, and to conduct financial analysis.

On completion of this module, students will be able to:

- explain the current issues in the regulatory framework for reporting and identify key ethical issues for an accountant undertaking work in accounting and reporting
- formulate accounting and reporting policies for single entities and groups
- prepare and present extracts from the single entity and consolidated financial statements for entities undertaking a wide range of accounting transactions in conformity with IFRS and accounting policies
- analyse and interpret financial statements and other financial information and draw appropriate conclusions.

This module builds on the skills acquired in the Financial Accounting module.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 Current issues in the reporting framework	10
2 Formulation of accounting and reporting policies	30
3 Preparation and presentation of extracts from financial statements	30
4. Analysis and interpretation of financial information	30
	100

The following learning outcomes should be read in conjunction with the Financial Reporting table in Appendix 1.

1 Current issues in the reporting framework

Candidates will be able to explain the current issues in the regulatory framework for reporting and identify key ethical issues for an accountant undertaking work in accounting and reporting.

In the assessment, candidates may be required to:

- a. explain the standard-setting process used by national and international bodies (IASB) and the authority of the national and international standards, using appropriate examples as illustration
- b. explain the main ways in which national and international requirements affect financial reporting, performing simple calculations to illustrate the effects
- c. explain, in non-technical language and with appropriate examples, the current work to achieve convergence between UK GAAP and international reporting standards
- d. explain the sources of reporting requirements in different jurisdictions and the principles behind different reporting treatments, illustrating the principles with suitable calculations
- e. recognise the ethical and professional issues for a professional accountant undertaking work in and giving advice on accounting and financial reporting; explain the relevance and importance of these issues and evaluate the relative merits of different standpoints taken in debate.

2 Formulation of accounting and reporting policies

Candidates will be able to formulate accounting and reporting policies for single entities and groups.

In the assessment, candidates may be required to:

- a. formulate accounting and reporting policies in accordance with laws, regulations, accounting standards and other requirements for use in the single entity and consolidated financial statements
- b. illustrate how different methods of recognising and measuring assets and liabilities can affect the financial performance of the single entity or group
- c. discuss the concepts of “fair presentation” and “true and fair view” and the circumstances in which these concepts may override the detailed provisions of legislation or of accounting standards.

3 Preparation and presentation of extracts from financial statements

Candidates will be able to prepare and present extracts from the single entity and consolidated financial statements for entities undertaking a wide range of accounting transactions in conformity with IFRS requirements and accounting policies.

In the assessment, candidates may be required to:

- a. prepare and present extracts from the financial statements of a single entity undertaking a wide range of transactions according to its accounting policies, subject to the international financial reporting framework
- b. identify from financial and other data any subsidiary, associate or joint venture of a single entity according to the international financial reporting framework
- c. calculate, from financial and other data, the amounts to be included in an entity's consolidated financial statements in respect of its new, continuing and discontinuing interests (excluding partial disposals) in subsidiaries, associates and joint ventures, according to the international financial reporting framework
- d. prepare and present extracts from the consolidated financial statements of an entity undertaking a wide range of transactions in accordance with its accounting policies and the international financial reporting framework
- e. define and calculate from information provided the distributable profits of an entity and allocations of distributable profit
- f. identify financial and operational information in documents containing audited financial statements (for example reports on operations by management or those responsible for governance, financial summaries and highlights) that could be relevant to the legal entity or consolidated financial statements, and assess whether those financial statements adequately reflect that information.

4 Interpretation of financial information

Candidates will be able to analyse and interpret financial statements and other financial information, and draw appropriate conclusions.

In the assessment, candidates may be required to:

- a. explain, in non-technical language and with suitable examples, the application of IFRS, UK GAAP and other accounting and disclosure requirements to information provided in single entity and consolidated financial statements
- b. select and calculate relevant indicators, including ratios (for example stock market ratios), trends and interrelationships, to analyse a single entity's or group's financial position, performance and changes in financial position
- c. identify the choice of accounting treatments adopted in financial statements and other financial information and assess how they affect the view presented
- d. identify and compare significant features in the information supplied for a given entity or entities, including inconsistencies between the results of analysis and the information supplied

- e. specify any additional information required for a meaningful analysis
- f. draw conclusions and make inferences from an analysis which take account of significant features in the information supplied, and which allow for the limitations of the information supplied and the analytical methods used, economic conditions and the business's circumstances.

FINANCIAL MANAGEMENT

Module aim

To enable students to recommend relevant options for financing a business, recognise and manage financial risks and make appropriate investment decisions.

On completion of this module, students will be able to:

- identify capital requirements of businesses, assess financing options and recommend relevant methods of financing
- identify the financial risks facing a business and the principal methods of managing those risks
- apply appropriate investment appraisal techniques taking into account other factors affecting investment decisions

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 Financing options	35
2 Managing financial risk	30
3 Investment decisions and valuation	35
	100

1 Financing options

Candidates will be able to identify capital requirements of businesses and assess financing options.

In the assessment, candidates may be required to:

- a. explain the general objectives of financial management and describe the financial strategy process for a business
- b. describe the impact of financial markets and other external factors on a business's financial strategy, using appropriate examples to illustrate the impacts
- c. describe the implications of terms included in loan agreements in a given scenario (e.g. representations and warranties; covenants; guarantees)
- d. explain the roles played by different stakeholders, advisors and financial institutions in the financial strategy selected by a business
- e. identify the possible conflicts of objectives between different stakeholders in a business
- f. compare the features of different means of making returns to owners and lenders, explain their effects on the business and its stakeholders, and recommend appropriate options in a given scenario
- g. identify and calculate a business's future requirements for capital, taking into account current and planned activities referring to levels of uncertainty and making reasonable assumptions which are consistent with the situation
- h. assess the suitability of different financing options for a given business
- i. identify in the business and financial environment factors that may affect financing for investment in a different country
- j. compare the financing costs and benefits (including those that are not separately quantifiable) of various courses of action, using appropriate appraisal techniques
- k. calculate and interpret the costs of different financing methods (before and after tax) and the weighted average cost of capital
- l. explain, in non-technical terms and using appropriate examples, the effect of capital gearing/leverage on investors' perception of risk and reward

- m. describe options for reconstruction (e.g. group reconstruction, spin-off, purchase of own shares, use of distributable profits)

2 Managing financial risk

Candidates will be able to identify the financial risks facing a business and the principal methods of managing those risks.

In the assessment, candidates may be required to:

- a. identify and describe the key financial risks facing a business in a given scenario
- b. explain how financial instruments (e.g. derivatives, hedging instruments) can be utilised to manage financial risks and describe the characteristics of those instruments
- c. explain different methods of managing interest rate exposure appropriate to a given situation and perform non-complex calculations to determine the cost of the hedge
- d. explain different methods of managing currency risks appropriate to a given situation and perform non-complex calculations to determine the cost of the hedge
- e. explain methods of managing other key financial risks and perform non-complex calculations to determine the cost of particular methods

3 Investment decisions and valuation

Candidates will be able to apply appropriate investment appraisal techniques and calculate the value of shares and businesses

In the assessment, candidates may be required to:

- a. select and justify investment appraisal techniques which are appropriate to the objectives and circumstances of a given business
- b. explain the investment decision making process
- c. select and justify an appropriate discount or interest rate for use in selected investment appraisal techniques from information supplied
- d. choose appropriate values to be used in selected appraisal techniques from information supplied, taking account of inflation and tax
- e. apply appraisal techniques and demonstrate how the interpretation of results from the techniques can be influenced by an assessment of risk
- f. recognise how the results of the appraisal of projects or groups of projects are affected by the accuracy of the data on which they are based and factors which could not be included in the computational analysis
- g. calculate the optimal investment plan when capital is restricted
- h. recommend and justify a course of action which is based upon the results of investment appraisal and consideration of relevant non-financial factors such as sustainability and which takes account of the limitations of the techniques being used
- i. draft a straightforward investment and financing plan for a given business scenario.
- j. value shares and businesses using income and asset based approaches (including performing appropriate sensitivity calculations)

TAXATION

Module aim

To enable students to prepare tax computations and provide tax advice to individuals and companies in straightforward scenarios.

On completion of this module, students will be able to:

- calculate the amount of tax that businesses owe to or are owed by the relevant authorities and provide practical tax advice
- calculate the amount of tax that individuals owe to or are owed by the relevant authorities and provide practical tax advice.

Taxes covered in this module

Capital gains tax
Corporation tax
Income tax
Inheritance tax
National insurance
VAT

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 Application of the principles of tax to businesses (companies, partnerships and sole traders)	60
2 Application of the principles of tax to individuals	40
	100

The following learning outcomes should be read in conjunction with the Taxation table in Appendix 1.

1 Application of the principles of tax to businesses

Candidates will be able to calculate the amount of tax that businesses owe to or are owed by the relevant tax authorities and provide practical tax advice.

In the assessment, candidates may be required to:

Taxation of gains

- calculate the chargeable gains and losses on assets, including shares and securities and pre 31 March 1982 assets, taking account of indexation as appropriate
- describe the circumstances in which the following reliefs apply and calculate the effect of full or partial relief available in a given situation:
 - gift relief
 - incorporation relief
 - rollover relief
 - substantial shareholding exemption
 - entrepreneurs' relief
- explain and illustrate the possible uses of capital losses
- calculate total taxable gains and tax payable thereon, utilising available reliefs and losses to reduce the liability.

Trading profits

- e. explain the relevance of the distinction between revenue and capital for both receipts and expenses and apply the distinction in a given scenario
- f. recognise the effect on trading profits of the treatment of:
 - provisions
 - capitalised revenue expenditure
 - intangible assets
- g. calculate trading profits or losses after adjustments and allowable deductions (including capital allowances on plant and machinery).

Unincorporated businesses

- h. calculate the assessable trading profits or losses of a partnership including after a change in the profit sharing ratio or change in partners, allocate the profits or losses to each partner including the allocation of notional profits and losses, and explain the loss relief restriction that applies to partners of a limited liability partnership
- i. calculate the assessable trading profits or losses for a new unincorporated business and identify the overlap profits on the commencement of trade
- j. calculate the final assessable trading profits or losses for an unincorporated business ceasing to trade
- k. calculate the assessable trading profits or losses of a continuing business following a change in accounting date
- l. explain and illustrate the possible uses of trading losses in a new or continuing business or a business ceasing to trade.

Corporation tax

- m. recognise the effect of the following issues on corporation tax payable:
 - having a period of account less than or more than 12 months in length; and
 - having one or more associated companies; and
 - being a member of a group; and
 - being a close company
- n. explain and illustrate how losses may be used effectively by a company or group, and describe the effect of a change in the company's ownership on the use of its losses
- o. calculate the taxable total profit and the tax payable or repayable for companies, utilising trading losses to reduce the tax liability where appropriate.

Application of the principles of VAT to business entities

- p. explain the VAT consequences of a transaction being classified as the transfer of a business as a going concern
- q. explain the VAT consequences of property transactions
- r. explain the VAT consequences of group registration for VAT
- s. explain the VAT consequences of imports and exports of goods and services to and from VAT registered and non-VAT registered entities in the EU
- t. evaluate the VAT implications of various courses of action, and provide practical and relevant tax advice in compliance with statutory obligations to help businesses achieve their stated objectives.

Tax planning and advice

- u. identify legal and ethical issues arising from tax work undertaken, explain the significance of these issues and provide guidance in given scenarios
- v. identify investments which produce non-taxable income and/or chargeable gains and recognise when they might be appropriate for businesses
- w. identify investments and expenditure which reduce tax liability and recognise when they might be appropriate for businesses
- x. evaluate and quantify the tax implications of different courses of action and provide practical and relevant tax advice to help businesses achieve their stated objectives

- y. evaluate and quantify the tax implications for a company of being a member of a loss relief group and / or a chargeable gains group
- z. compare the tax implications and consequences of trading as a sole trader, partnership, company or group
- aa. provide practical and relevant tax planning advice, supporting it with reasonable arguments, stating any assumptions made and limitations on the advice given
- bb. discriminate between tax avoidance and tax evasion
- cc. judge when to refer matters for specialist help.

2 Application of the principles of tax to individuals

Candidates will be able to calculate the amount of tax that individuals owe to or are owed by the relevant authorities and provide practical tax advice.

In the assessment, candidates may be required to:

Taxation of income

- a. calculate assessable employment income for an employee or director, taking into account expenses, allowable deductions and assessable benefits
- b. calculate taxable termination payments on the cessation of employment
- c. calculate taxable savings, income from property, dividend income, taxed income and investment income
- d. describe the principal aspects of the taxation of property income, including rent-a-room relief and premiums on short leases
- e. explain the alternative ways in which an individual can provide for retirement and calculate the tax relief available
- f. calculate total taxable income and the income tax and national insurance contributions payable or repayable for employees, company directors, partners and self-employed individuals, utilising trading losses to minimise tax liabilities where appropriate.

Taxation of gains

- g. calculate the chargeable gains and losses on assets, including shares and securities and pre 31 March 1982 assets
- h. describe the circumstances in which the following reliefs apply and calculate the amount of full or partial relief available in a given situation:
 - principal private residence relief
 - letting relief
- i. explain and demonstrate the possible uses of capital losses and converted trading losses
- j. calculate total taxable gains and capital gains tax payable, utilising available reliefs and losses to reduce the liability.

Inheritance tax

- k. explain the principles of inheritance tax and identify the different classes of taxpayer liable to pay inheritance tax
- l. recognise when the lifetime transfer of an asset gives rise to an inheritance tax liability, calculate the inheritance tax payable on chargeable lifetime transfers in straightforward scenarios and state the due date for payment
- m. calculate the death tax due on lifetime transfers and state the due date for payment
- n. calculate the value of an individual's estate at death and the inheritance tax due and state the due date for payment
- o. describe the circumstances in which the following inheritance tax reliefs apply and calculate the amount of relief available in a given situation:
 - agricultural property relief
 - business property relief
 - quick succession relief
 - taper relief
- p. calculate the interest and penalties due in respect of late payment of inheritance tax
- q. explain how wills can be changed after death.

Tax planning and advice

- r. identify legal and ethical issues arising from tax work undertaken, explain the significance of these issues and provide guidance in given scenarios
- s. advise whether an individual is likely to be treated as employed or self-employed for tax purposes and advise individuals on the tax advantages and disadvantages of being self-employed compared with being an employee
- t. compare the tax advantages and disadvantages of providing for retirement if self-employed compared with being an employee
- u. identify investments which produce non-taxable income and/or capital gains and recognise when they might be appropriate for individuals
- v. identify investments and expenditure which reduce tax liability and recognise when they might be appropriate for individuals
- w. provide practical and relevant tax planning advice to help individuals minimise their tax liabilities, including the use of pensions and the use of trading losses of unincorporated businesses, supporting the advice with assumptions made and stating limitations on the advice given
- x. evaluate and quantify the tax implications of different courses of action and provide practical and relevant tax advice to help individuals achieve their stated objectives
- y. provide practical and relevant tax planning advice, supporting it with reasonable arguments, stating any assumptions made and limitations on the advice given
- z. discriminate between tax avoidance and tax evasion
- aa. judge when to refer matters for specialist help.