



# *ACA Syllabus and Technical Knowledge Grids*

*For Exams in 2018*

## CONTENTS

ACA OVERVIEW .....	3
CERTIFICATE LEVEL .....	11
ACCOUNTING.....	11
ASSURANCE .....	13
BUSINESS, TECHNOLOGY AND FINANCE .....	17
LAW.....	21
MANAGEMENT INFORMATION .....	24
PRINCIPLES OF TAXATION.....	27
PROFESSIONAL LEVEL.....	31
AUDIT AND ASSURANCE .....	31
BUSINESS STRATEGY AND TECHNOLOGY .....	38
FINANCIAL ACCOUNTING AND REPORTING.....	44
FINANCIAL ACCOUNTING AND REPORTING: IFRS.....	44
FINANCIAL ACCOUNTING AND REPORTING: UK GAAP .....	49
FINANCIAL MANAGEMENT.....	54
TAX COMPLIANCE .....	59
BUSINESS PLANNING.....	66
BUSINESS PLANNING: TAXATION.....	66
BUSINESS PLANNING: BANKING.....	72
BUSINESS PLANNING: INSURANCE.....	80
ADVANCED LEVEL.....	87
CORPORATE REPORTING .....	87
STRATEGIC BUSINESS MANAGEMENT .....	97
CASE STUDY.....	110
TECHNICAL KNOWLEDGE .....	115

# *ACA overview*

The ICAEW chartered accountancy qualification, the ACA, is one of the most advanced learning and professional development programmes available. Its integrated components provide an in-depth understanding across accountancy, finance and business. Combined, they help build the technical knowledge, professional skills and practical experience needed to become an ICAEW Chartered Accountant.

Each component is designed to complement each other, which means that students can put theory into practice and can understand and apply what they learn to their day-to-day work. The components are:

- Professional development
- Ethics and professional scepticism
- Three to five years practical work experience
- 15 accountancy, finance and business exams

## **PROFESSIONAL DEVELOPMENT**

ICAEW Chartered Accountants are known for their professionalism and expertise. Professional development prepares students to successfully handle a variety of different situations that they encounter throughout their career. The ACA qualification improves students' ability and performance in seven key areas:

- adding value
- communication
- decision making
- ethics and professionalism
- problem solving
- teamwork
- technical competence.

## **ETHICS AND PROFESSIONAL SCEPTICISM**

Ethics is more than just knowing the rules around confidentiality, integrity, objectivity and independence. It's about identifying ethical dilemmas, understanding the implications and behaving appropriately. We integrate ethics throughout the ACA qualification to develop students' ethical capabilities – so they will always know how to make the right decisions and justify them.

## **THREE TO FIVE YEARS' PRACTICAL WORK EXPERIENCE**

Practical work experience is done as part of a training agreement with an authorised training employer or principal. Students need to complete 450 days, which normally takes between three and five years. The knowledge, skills and experience they gain as part of their training agreement are invaluable, giving them the opportunity to put what they're learning into practice. Experience can be completed in at least one of the following six categories:

1. Accounting
2. Audit and assurance (audit is not compulsory)
3. Financial management
4. Information technology
5. Insolvency

## 6. Taxation.

# 15 ACCOUNTANCY, FINANCE AND BUSINESS EXAMS

Students gain in-depth knowledge across a broad range of topics in accountancy, finance and business. The exams are designed to complement their practical work experience, so they constantly progress through the qualification.

There are 15 exams over three levels – Certificate, Professional and Advanced. They can be taken in any order with the exception of the Case Study which has to be attempted last, within the final year of an ACA training agreement and once all other exams have been taken or received credit.

## CERTIFICATE LEVEL

There are six exams at this level that introduce the fundamentals of accountancy, finance and business. Students may be eligible for credit for some exams if they have studied a qualification we recognise. Find out more at [icaew.com/cpl](http://icaew.com/cpl).

These six exams are also available as a stand-alone certificate, the ICAEW Certificate in Finance, Accounting and Business (ICAEW CFAB) and as part of the ICAEW Level 4 Trailblazer in Accountancy. ICAEW CFAB and our apprenticeship can serve as stepping stones to the ACA qualification.

## PROFESSIONAL LEVEL

The next six exams build on the fundamentals and test students' understanding and ability to use technical knowledge in real-life scenarios. The exams can be taken in March, June, September and December. Please note, the Business Planning alternative exams for banking and insurance are available at the June, September and December sittings.

Prescribed texts are permitted for Audit and Assurance, Finance Accounting and Reporting and Tax Compliance, with open books permitted for the Business Planning exams.

The Professional Level exams are flexible and can be taken in any order to fit with a student's day-to-day work. The Business Planning and Business Strategy and Technology exams in particular help students to progress to the Advanced Level.

Alternative exams are available for the Business Planning and Financial Accounting and Reporting modules.

The Business Planning exams provide students with the opportunity to gain subject- and sector-specific knowledge while studying for the ACA. The suite of Business Planning exams are based on the same syllabus structure and skills frameworks, and will provide students with the opportunity to demonstrate their learning and use this in the context of taxation, banking or insurance. There are three to choose from – Business Planning: Taxation, Business Planning: Banking and Business Planning: Insurance. Students will need to sit one of the Business Planning exams.

Alternative financial reporting exams are also available for Financial Accounting and Reporting. Students can choose between two different contexts, either UK GAAP or IFRS. This means that students can study the financial reporting framework most beneficial to their employer and clients. Students will need to sit one version of the Financial Accounting and Reporting exam.

## **ADVANCED LEVEL**

The Corporate Reporting and Strategic Business Management exams test students' understanding and strategic decision making at a senior level. They present real-life scenarios, with increased complexity and implications from the Professional Level exams.

The Case Study tests all the knowledge, skills and experience gained so far. It presents a complex business issue which challenges students' ability to problem solve, identify the ethical implications and provide an effective solution.

The Advanced Level exams can be taken in July and November. They are fully open book, so they replicate a real-life scenario where all the resources are at their fingertips.

An authorised training employer or principal will guide their students on the exams which are right for them. If a student is studying the ACA independently, they should consider their future ambitions when selecting which exams to sit.

## **SYLLABUS**

This document presents the learning outcomes for each of the ACA exams. The learning outcomes in each exam should be read in conjunction with the relevant technical knowledge grids and, where applicable, the skills development grid.

## **ASSESSMENT**

The six Certificate Level exams each have a 1.5 hour computer-based exam, a 55% pass mark, and can be sat throughout the year at an ICAEW-approved test centre.

The Professional Level exams are 2.5 hours long, except for Financial Accounting and Reporting which is 3 hours long. Each exam has a 55% pass mark. The Professional Level exams are examined using computer-based exams. The Audit and Assurance, Financial Accounting and Reporting, Financial Management and Tax Compliance exams moved to computer in 2017 and are no longer available as paper-based exams.

Business Planning: Taxation and Business Strategy and Technology will move to computer-based exams in March 2018, with Business Planning: Banking and Business Planning: Insurance moving to computer-based exams in June 2018.

From June 2018, all Professional Level exams will be computer-based.

The three Advanced Level modules are also examined using paper-based exams. The Corporate Reporting and Strategic Business Management exams are 3.5 hours long. The Case Study exam is 4 hours long. Each has a 50% pass mark.

For more information, guidance and support on the introduction of computer-based exams, visit the exam resources area on our website at [icaew.com/cbe](http://icaew.com/cbe)

## **FLEXIBILITY**

There are no regulations stipulating the order in which students must attempt the exams, allowing employers to design training programmes according to business needs. The exception to this rule is the Case Study, which must be the last exam attempted and when a student has entered their final year of training.

Students will be permitted a maximum of four attempts at each Certificate and Professional Level exam, and unlimited attempts at the Advanced Level exams.

## **CREDIT FOR PRIOR LEARNING (CPL)**

Students with previous qualifications may be eligible to apply for CPL for up to 12 modules at the Certificate and Professional Levels. CPL is not available at the Advanced Level. For more information, visit [icaew.com/cpl](http://icaew.com/cpl)

## **OPEN BOOK POLICY**

For some Professional Level exams, students are permitted to take certain publications into the exam. Details of these publications and our open book policy can be found at [icaew.com/permittedtexts](http://icaew.com/permittedtexts)

For the Professional Level Business Planning alternative exams, and at the Advanced Level, students are permitted to take any material into the exam, subject to practical space restrictions.

## SKILLS PROGRESSION THROUGH THE ACA QUALIFICATION

Assessed skills	Certificate Level	Professional Level	Advanced Level	
			Corporate Reporting and Strategic Business Management	Case Study
<b>Assimilating and using information</b>				
Understanding the situation and the requirements	Objective testing	Simple scenarios	Complex scenarios	Unstructured complex business scenarios
Identifying and using relevant information	Information as provided	Single information source provided	Multiple information sources provided	Multiple information sources including own research
Identifying and prioritising key issues	Issues given	Issues included in simple scenarios	Issues included in complex scenarios	Issues included in unstructured complex scenarios
<b>Structuring problems and solutions</b>				
Structuring data	Specified techniques	Specified techniques	Techniques inferred by nature of problem	Unspecified techniques
Developing solutions	Highly specified tasks	Specified problems	Specified problems	Defined output but unspecified problems
<b>Applying judgement</b>				
Applying professional scepticism and critical thinking	Objective testing	Specified requirement in simple scenario	Specified requirement in complex scenario	Underlying requirement within complex scenario
Relating issues to the broader business environment, including ethical issues	Objective testing	Issues in simple scenarios	Issues in complex scenarios	Issues in complex, unstructured scenarios
<b>Concluding, recommending and communicating</b>				
Concluding and recommending	Not assessed	Specified conclusions and recommendations in simple scenarios	Specified conclusions and recommendations in complex scenarios	Conclusions and recommendations supported by own evidence
Communicating	Prescribed exam format	Exam requirements, including some professional presentation	Short written professional presentations	Professional report with appendices

## PROFESSIONAL SKILLS ASSESSED IN THE ACA EXAMS

<b>Assimilating and using information</b>	<p><b>Understand the situation and the requirements</b> Demonstrate understanding of the business context Recognise new and complex ideas within a scenario Identify the needs of customers and clients Explain different stakeholder perspectives and interests Identify risks within a scenario Identify elements of uncertainty within a scenario Identify ethical issues including public interest and sustainability issues within a scenario</p> <p><b>Identify and use relevant information</b> Interpret information provided in various formats Evaluate the relevance of information provided Use multiple information sources Filter information provided to identify critical facts</p> <p><b>Identify and prioritise key issues and stay on task</b> Identify business and financial issues from a scenario Prioritise key issues Work effectively within time constraints Operate to a brief in a given scenario</p>
<b>Structuring problems and solutions</b>	<p><b>Structure data</b> Structure information from various sources into suitable formats for analysis Identify any information gaps Frame questions to clarify information Use a range of data types and sources to inform analysis and decision making Structure and analyse financial and non-financial data to enhance understanding of business issues and their underlying causes Present analysis in accordance with instructions and criteria</p> <p><b>Develop solutions</b> Identify and apply relevant technical knowledge and skills to analyse a specific problem Use structured information to identify evidence-based solutions Identify creative and pragmatic solutions in a business environment</p>

	<p>Identify opportunities to add value  Identify and anticipate problems that may result from a decision  Identify a range of possible solutions based on analysis  Identify ethical dimensions of possible solutions  Select appropriate courses of action using an ethical framework  Identify the solution which is the best fit with acceptance criteria and objectives  Define objectives and acceptance criteria for solutions</p>
<p><b>Applying judgement</b></p>	<p><b>Apply professional scepticism and critical thinking</b>  Recognise bias and varying quality in data and evidence  Identify assumptions or faults in arguments  Identify gaps in evidence  Identify inconsistencies and contradictory information  Assess interaction of information from different sources  Exercise ethical judgement</p> <p><b>Relate issues to the environment</b>  Appreciate when more expert help is required  Identify related issues in scenarios  Assess different stakeholder perspectives when evaluating options  Retain an overview of the business issue or scenario  Appraise corporate responsibility and sustainability issues  Appraise the effects of alternative future scenarios  Appraise ethical, public interest and regulatory issues</p>
<p><b>Concluding, recommending and communicating</b></p>	<p><b>Conclusions</b>  Apply technical knowledge to support reasoning and conclusions  Apply professional experience and evidence to support reasoning  Use valid and different technical skills to formulate opinions, advice, plans, solutions, options and reservations.</p> <p><b>Recommendations</b>  Present recommendations in accordance with instructions and defined criteria  Make recommendations in situations where risks and uncertainty exist</p>

Formulate opinions, advice, recommendations, plans, solution, options and reservations based on valid evidence

Make evidence-based recommendations which can be justified by reference to supporting data and other information

Develop recommendations which combine different technical skills in a practical situation

**Communication**

Present a basic or routine memorandum or briefing note in writing in a clear and concise style

Present analysis and recommendations in accordance with instructions

Communicate clearly to a specialist or non-specialist audience in a manner suitable for the recipient

Prepare the advice, report, or notes required in a clear and concise style

# *Certificate Level*

## *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; and
- able to specify the components of financial statements and prepare and present non-complex accounts for sole traders, partnerships and limited companies.

### **METHOD OF ASSESSMENT**

The Accounting module is assessed by a 1.5 hour computer-based exam. 40% of the marks are allocated from the preparation of single company financial statements; either a statement of profit or loss and statement of financial position or a statement of cash flows, using a pro-forma template. The remaining 60% of the marks are from 24 multiple-choice, multi-part multiple choice or multiple-response questions.

### **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.

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

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids at the end of this document.

#### **1 Maintaining financial records**

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

In the assessment, students may be required to:

- a. specify why an entity maintains financial records and prepares financial statements;
- b. specify the ethical considerations for preparers of financial statements;
- c. identify the sources of information for the preparation of accounting records and financial statements;
- d. 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;
- e. record and account for changes in the ownership structure and ownership interests in an entity; and
- f. prepare a trial balance from accounting records and identify the uses of the trial balance.

## **2 Adjustments to accounting records and financial statements**

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

In the assessment, students 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; and
- d. prepare journals for nominal ledger entry and to correct errors in draft financial statements.

## **3 Preparing financial statements**

Students 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, students 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 and the cash basis of accounting; and
- c. prepare and present a statement of financial position, statement of profit or loss and statement of cash flows (or extracts) 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; and
- 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.

## METHOD OF ASSESSMENT

The Assurance module is assessed by a 1.5 hour computer-based exam. The exam consists of 50 questions worth two marks each, covering the areas of the syllabus in accordance with the weightings set out in the specification grid. The questions are presented in the form of multiple choice, multi-part multiple choice, or multiple response.

## 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

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids at the end of this document.

### 1 The concept, process and need for assurance

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.

In the assessment, students 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; and
- i. recognise the characteristics of fraud and distinguish between fraud and error.

## **2 Internal controls**

Students 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, students 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; and
- 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

Students 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, students may be required to:

- a. state the reasons for preparing and keeping documentation relating to an assurance engagement;
- b. identify the different methods of obtaining evidence from the use of tests of control, substantive procedures, including analytical procedures and data analytics;
- 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 (including factors affecting sample design) and quality of evidence gathered is of a sufficient and appropriate level, after taking account of sampling risk, to draw 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; and
- i. recognise issues arising while gathering assurance evidence that should be referred to a senior colleague.

### 4 Professional ethics

Students 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, students 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 IESBA and ICAEW;
- e. identify the fundamental principles underlying the IESBA 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; and
- 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, Technology and Finance*

## MODULE AIM

To provide students with an understanding of how businesses operate and how finance functions help businesses to achieve 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 finance functions support business operations, and identify 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; and
- identify key features, benefits and risks of different technologies.

## METHOD OF ASSESSMENT

The Business, Technology and Finance module is assessed by a 1.5 hour computer-based exam. The exam consists of 50 questions worth two marks each, covering the areas of the syllabus in accordance with the weightings set out in the specification grid. The questions are presented in the form of multiple choice, or multiple response.

## 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	15
2 Business and organisational structures	10
3 The role of finance	25
4 The role of the accountancy profession	10
5 Governance, sustainability, corporate responsibility and ethics	15
6 External environment	15
7 Technology	10

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids at the end of this document.

## **1 Business objectives and functions**

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.

In the assessment, students 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; and
- i. identify the key issues in relation to risk and crisis management.

## **2 Business and organisational structures**

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

In the assessment, students may be required to:

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

## **3 The role of finance**

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

In the assessment, students 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 decisions
- b. specify how 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; and
- l. identify the principles of personal financial management and the personal financial management process.

#### **4 The role of the accountancy profession**

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

In the assessment, students 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 the public interest, technical competence and professional responsibility, including accounting principles, accounting standards and sound business management; and
- 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, sustainability, corporate responsibility and ethics**

Students 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, students 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's corporate governance code;
- d. specify how differences in legal systems and 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; and

- h. specify the policies and procedures a business should implement in order to promote an ethical culture.

## **6 External environment**

Students 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, students 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 macro-economic factors that affect businesses;
- d. specify the principal effects of national and international regulation upon businesses;
- e. show how the needs of different stakeholders in a business (eg, shareholders, the local community, employees, suppliers, customers) impact upon it.

## **7 Technology**

Students will be able to identify key features, benefits and risks of different technologies.

In the assessment, students may be required to:

- a. identify the characteristics of big data and the different types and sources of data;
- b. specify uses of data analytics by organisations;
- c. specify different types of cyber risk and attack and the steps organisations can take to improve cyber security; and
- d. specify the features and uses of cloud accounting, the internet of things and distributed ledger technology.

# 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; and
- identify other key areas in which the law affects the role and work of the professional accountant.

## METHOD OF ASSESSMENT

The Law module is assessed by a 1.5 hour computer-based exam. The exam consists of 50 questions worth two marks each, covering the areas of the syllabus in accordance with the weightings set out in the specification grid. The questions are presented in the form of multiple choice or multi-part multiple choice.

## 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

### 1 The impact of civil law on business and professional services

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

In the assessment, students 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; and
- g. identify instances and consequences of vicarious liability in a given scenario.

## **2 Company and insolvency law**

Students 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, students may be required to:

- a. identify the differences between unincorporated businesses (sole traderships and partnerships), limited liability partnerships and companies, show the advantages and disadvantages of incorporation 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 the requirements of the Companies Act 2006 in respect of companies' statutory accounts and audit, including the exemptions for small and medium-sized companies and micro-entities
- f. 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;
- g. identify share transfer requirements and disclosure requirements;
- h. recognise how a shareholder can influence the management of a company through meetings and resolutions, including shareholders' rights to requisition a meeting;
- i. identify the various statutory rights of shareholders to challenge the management of the company under the Companies Act 2006 and the Insolvency Act 1986;
- j. identify the rights and duties which a member of a limited liability partnership possesses;
- k. identify the ways in which a director may be appointed and removed;
- l. identify directors' duties, explaining the consequences of any major breach;
- m. identify the powers of directors and in what circumstances they will bind the company in a contract with third parties;
- n. identify the nature of fixed and floating charges and the procedures for registering them;
- o. identify the nature and function of:
  - company voluntary arrangements
  - administration orders

- receivership
  - compulsory and voluntary liquidation (including relevance of secured debt); and
- p. 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**

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

In the assessment, students 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;
- f. identify the offences created under the Computer Misuse Act 1990; and
- g. identify how the Fraud Act (2006) relates to Cybercrime.

### **4 The impact of law in the professional context**

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

In the assessment, students 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; and
- b. recognise the requirements of protecting intellectual property, including digital contexts.

#### **Employment law and social security law**

- c. identify who is an employee and the main legal consequences of employment status;
- d. identify the key features of employment contracts and recognise circumstances in which an employment contract may be terminated and the consequences arising;
- e. identify when dismissal constitutes:
  - a wrongful dismissal
  - an unfair dismissal;
- f. identify the circumstances where an employee can claim a statutory redundancy payment; and
- g. Identify employers' obligations under social security law.

# 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; and identify the key features, risks and benefits of a range of approaches to management information operations, and
- identify and calculate relevant data for use in management decision making.

## METHOD OF ASSESSMENT

The Management Information module is assessed by a 1.5 hour computer-based exam. 20% of the marks are allocated in one scenario-based question. This will be drawn from syllabus areas 1 (costing and pricing) or 3 (performance management). The specific topics that may be examined from syllabus area 1 are: allocation, apportionment and absorption of overheads; activity based costing; absorption v marginal costing profits/losses; reconciling absorption and marginal costing profits/losses; mark-up and margin (learning outcomes 1b, 1c and 1e). The specific topic that may be examined from syllabus area 3 is: calculation of variances (learning outcome 3c). The remaining 80% of the marks are from 32 multiple choice, multi-part multiple choice or multiple response questions.

The assessment of 33 questions cover the areas of the syllabus in accordance with the weightings set out in the specification grid.

## 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 5 Ethics	25
2 Budgeting and forecasting	25
3 Performance management and management information operations	25
4 Management decision making	25

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids at the end of this document.

## **1 Costing and pricing**

Students 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, students 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 and profits/losses from information provided, using:
  - marginal costing
  - absorption costing and reconcile the differences between the costs and profits/losses 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; and
- f. calculate transfer prices for specified sales to internal customers which take account of appropriate costs.

## **2 Budgeting and forecasting**

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

In the assessment, students may be required to:

- a. apply forecasting techniques to assist management in performance measurement and planning;
- b. identify how data analytics can be used in budgeting and forecasting
- c. prepare budgets, or budget extracts from information supplied;
- d. 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;
- e. prepare and/or comment upon a cash budget for a business which highlights the quantity and timing of cash surpluses and deficits;
- f. calculate the cash cycle for a business and recognise its significance;
- g. 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; and
- h. recognise how a business manages surpluses and deficits predicted in cash budgets.

## **3 Performance management and management information operations**

Students 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, and identify the key features, risks and benefits of a range of approaches to management information operations.

In the assessment, students 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. calculate differences between actual performance and standards or budgets in terms of price and volume effects and identify possible reasons for those differences

- d. identify the features of cloud accounting and their associated risks and benefits, and
- e. identify the features of shared service centres and their relative merits for the provision of management information

#### **4 Management decision making**

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

In the assessment, students may be required to:

- a. calculate the breakeven 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; and
- d. identify and comment upon the advantages and disadvantages of the investment appraisal techniques specified in 4(c) above.

#### **5 Ethics**

In the assessment, students may be required to:

- a. identify and explain ethical issues relating to the preparation, presentation and interpretation of financial information for the management of a business.

# *Principles of Taxation*

## MODULE AIM

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

## METHOD OF ASSESSMENT

The Principles of Taxation module is assessed by a 1.5 hour computer-based exam. 20% of the marks are allocated from two scenario-based questions. These will each cover a single syllabus area: income tax and NIC, and corporation tax. The remaining 80% of the marks are from 40 multiple choice, multi-part multiple choice, multiple response or numeric entry questions. These questions will cover the remaining areas of the syllabus in accordance with the weightings set out in the specification grid.

The tax tables included in the ICAEW learning materials are provided to students on-screen in the exam.

## SPECIFICATION GRID

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. In each assessment, the marks available will equate to the weightings below.

Syllabus area	Weighting (%)
1 Objectives, types of tax and ethics	10
2 Administration of taxation	20
3 Income tax and national insurance contributions	26
4 Capital gains tax and chargeable gains for companies	10
5 Corporation tax	14

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids at the end of this document.

## 1 Objectives, types of tax and ethics

Students will be able to explain the general objectives of taxation, the influences upon the UK system of taxation, the different types of tax in the UK, and will be able to recognise the ethical issues arising in the course of performing tax work.

In the assessment, students may be required to:

- a. identify the objectives of digitisation of tax;
- b. identify the objectives of taxation 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;
- c. recognise the impact of external influences, including EU tax policies, on UK tax objectives and policies;
- d. classify entities as individuals, partnerships, or companies for tax purposes and state how they are taxed;
- e. identify who is liable for the following taxes, how the taxes apply to income and transactions, 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;
- f. recognise the importance of the budget cycle, tax year and the following sources of UK tax law and practice:
  - legislation
  - case law
  - HMRC manuals, statements of practice, extra-statutory concessions and press releases;
- g. identify the five fundamental principles given in the IESBA Code of Ethics for Professional Accountants and ICAEW Code of Ethics, and the guidance in relation to a tax practice with regard to:
  - the threats and safeguards framework
  - ethical conflict resolution; and
- h. identify the following:
  - conflicts of interest
  - money laundering
  - tax avoidance and tax evasion.

## 2 Administration of taxation

Students will be able to identify the obligations the UK system of taxation imposes on taxpayers and the implications for taxpayers of non-compliance.

In the assessment, students may be required to:

- a. identify the records which companies and individuals must retain for tax purposes and state the periods for which the records must be retained;
- b. identify the key features of the PAYE and national insurance system and calculate PAYE tax codes for employees;
- c. identify the key features of the self-assessment system for both companies and individuals;

- d. 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;
- e. identify and calculate the interest and penalties due for:
  - late submissions of and/or incorrect returns, and
  - late and/or incorrect payments of tax;
- f. identify the periods within which HMRC 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**

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

In the assessment, students may be required to:

- 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 married couples allowance and marriage 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 using either the accruals basis or cash basis of accounting;
- f. allocate the tax adjusted profits of a partnership to each partner and calculate the tax 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 assessable trading profits for a continuing business;
- i. calculate the final assessable trading profits for an unincorporated business ceasing to trade;
- j. calculate total taxable income and the income tax payable or repayable for individuals; and
- k. calculate the total national insurance contributions payable by employees, employers and self-employed individuals.

### **4 Capital gains tax and chargeable gains for companies**

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

In the assessment, students may be required to:

- 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 for both individuals and companies; and
- d. calculate the capital gains tax payable by individuals.

### **5 Corporation tax**

Students will be able to calculate the amount of corporation tax payable by companies.

In the assessment, students may be required to:

- a. identify accounting periods for a company;
- b. recognise the interaction of having one or more related 51% group companies with corporation tax payment dates;
- 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; and
- d. calculate the taxable total profits and the corporation tax payable for a company resident in the UK which has a period of account of 12 months or less.

## **6 VAT**

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

In the assessment, students may be required to:

- 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 or annual VAT payable or repayable by a business; and
- f. state the alternative schemes for payment of VAT by businesses and calculate the VAT payable or repayable for a business using these.

# *Professional Level*

## *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;
- understand how quality assurance processes mitigate risks;
- plan assurance engagements in accordance with the terms of the engagements and appropriate standards; and
- conclude and report on assurance engagements in accordance with the terms of the engagements and appropriate standards.

### METHOD OF ASSESSMENT

The Audit and Assurance module is assessed by a 2.5 hour computer-based exam.

The exam will test each of the four syllabus areas in accordance with the weightings set out in the specification grid. The exam consists of six short-form questions and three longer questions.

Ethics and law may be tested in any of the questions and students may use the permitted text(s) as detailed on the ICAEW website; [icaew.com/permittedtexts](http://icaew.com/permittedtexts).

### 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 and other professional regulations, ethics and current issues	20
2 Accepting and managing engagements	15
3 Planning engagements	40
4 Concluding and reporting on engagements	25

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids at the end of this document.

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 and other professional regulations, ethics and current issues**

Students 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, students 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 purposes and consequences of UK laws and other regulatory 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 including developments in the use of data analytics;
- 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 and other regulations affect the scope and nature of the audit and the appointment and removal of auditors (including the relationship between the law and auditing 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; and
- 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**

Students 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, students 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 purposes of quality control of assurance engagements;
- f. demonstrate how the assurance function within an organisation can be monitored;

- 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; and
- j. identify the legal, professional and ethical considerations that an individual auditor or audit firm must consider before accepting a specified audit engagement.

### **3 Planning engagements**

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

In the assessment, students may be required to:

#### **All assurance engagements**

- a. explain, in the context of a given scenario, why it is important to have an understanding of the business when planning an engagement;
- b. identify ways of gaining an understanding of a client's business;
- c. recognise the circumstances under which it may be necessary to bring in expertise (including expertise in cyber security) from other parties to support assurance processes;
- d. identify the risks arising from, or affecting, a given set of business processes (including risks associated with cyber security) and circumstances and assess their implications for the engagement;
- e. identify the risks arising from error, fraud and non-compliance with law and other regulations and assess their implications for the engagement;
- f. assess significant business risks (including risks associated with cyber security) 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 (including data analytics) 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
  - possible reliance on the work of other experts
  - possible reliance on the work of another auditor
  - probable extent of tests of controls and of substantive procedures, including analytical procedures and data analytics
  - the nature and extent of client-generated information, including reliability of clients' reports and underlying system-generated data including the use of client-generated information in data analytics routines
  - the 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, 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;
- p. evaluate the impact of risk and materiality in preparing the audit plan, including the nature, timing and extent of audit procedures.

## **4 Concluding and reporting on engagements**

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

In the assessment, students 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. describe the nature and timing of specific procedures designed to identify the appropriateness of the going concern assumption, including compliance with relevant legal and regulatory requirements;
- c. evaluate quantitatively and qualitatively, the results and conclusions obtained from assurance procedures including analytical procedures and data analytics where appropriate;
- d. draw conclusions on the ability to report on an assurance engagement which are consistent with the results of the assurance work;
- e. 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;
- f. 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;
- g. judge when to refer reporting matters for specialist help;

### **Audit engagements**

- h. 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;
- i. 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; and
- j. 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 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.

## SKILLS ASSESSED

### Assimilating and Using Information

#### *Understand the situation and the requirements*

- Identify the needs of customers and clients
- Explain different stakeholder perspectives and interests
- Identify risks within a scenario
- Identify elements of uncertainty within a scenario
- Identify ethical issues including public interest and sustainability issues within a scenario

#### *Identify and use relevant information*

- Interpret information provided in various formats
- Evaluate the relevance of information provided
- Filter information provided to identify critical facts

#### *Identify and prioritise key issues and stay on task*

- Identify business and financial issues from a scenario
- Work effectively within time constraints
- Operate to a brief in a given scenario

#### *How skills are assessed: candidates may be required to demonstrate:*

- the regulatory, professional and ethical issues relevant to accepting, carrying out and managing assurance engagements; and
- how quality assurance processes mitigate risks.

### Structuring problems and solutions

#### *Structure data*

- Identify any information gaps
- Frame questions to clarify information
- Use a range of data types and sources to inform analysis and decision making
- Structure and analyse financial and non-financial data to enhance understanding of business issues and their underlying causes
- Present analysis in accordance with instructions and criteria

#### *Develop solutions*

- Identify and apply relevant technical knowledge and skills to analyse a specific problem
- Use structured information to identify evidence-based solutions
- Identify creative and pragmatic solutions in a business environment
- Identify opportunities to add value
- Identify ethical dimensions of possible solutions
- Select appropriate courses of action using an ethical framework

#### *How skills are assessed: requirements will include planning assurance engagements in accordance with the terms of engagement and appropriate standards, taking account of:*

- managing audit and other assurance engagements;
- reliance on controls;
- reliance on the work of internal audit or other experts;
- reliance on the work of another auditor;
- extent of tests of control and of substantive procedures, including analytical procedures
- use of analytical procedures including data analytic routines to identify the risk of misstatement; and
- number, timing, staffing and location of assurance visits.

### Applying judgement

#### *Apply professional scepticism and critical thinking*

- Recognise bias and varying quality in data and evidence
- Identify assumptions or faults in arguments
- Identify gaps in evidence
- Identify inconsistencies and contradictory information
- Assess interaction of information from different sources
- Exercise ethical judgement

*Relate issues to the environment*

- Appreciate when more expert help is required
- Identify related issues in scenarios
- Assess different stakeholder perspectives when evaluating options
- Retain an overview of the business issue or scenario
- Appraise the effects of alternative future scenarios
- Appraise ethical, public interest and regulatory issues

*How skills are assessed: candidates may be required to:*

- identify significant business or audit risks from a given scenario, explain their impact on the financial statements, and recommend audit procedures to mitigate the risk of a material error. Requirements will test the ability of candidates to filter those issues which are more relevant than others in a given scenario.
- distinguish the quality of data or evidence to be tested in two potential ways. (i) Candidates will need to distinguish between data generated from within an organisation and that generated by a third party, the latter being less susceptible to management bias; and (ii) candidates will need to appreciate the effect on the quality of evidence that bias caused by specific factors can have eg, where profits are used to determine a bonus payment to be made to the company's management.
- identify the impact of specific economic and political factors on a set of financial statements eg, in the context of dealing with customers or suppliers from overseas that (i) political instability may cause problems which prevent the customer or supplier from trading, ultimately leading to going concern issues for the audited entity; and (ii) economic factors may cause exchange rate fluctuations leading to the risk of misstated balances in the financial statements.
- evaluate the effect of uncertain future events when describing the procedures to be performed in carrying out an examination of a company's financial forecasts.
- assess the materiality of a particular matter (eg, an unadjusted error) in the context of a set of financial statements or other financial information. This assessment should then inform the candidate's judgement as to whether or not to modify the opinion given in a statutory auditor's report or modify the conclusion in a non-audit assurance report.
- judge the potential independence risks involved in accepting or continuing an audit or other assurance engagement, and the procedures to mitigate those risks; and consideration of the required steps upon the discovery of fraud/money laundering.
- display the ability to present a structured argument to a client eg, in situations where management is questioning the extent of audit work performed.

**Concluding, recommending and communicating**

*Conclusions*

- Apply technical knowledge to support reasoning and conclusions
- Apply professional experience and evidence to support reasoning
- Use valid and different technical skills to formulate opinions, advice, plans, solutions, options and reservations.

*Recommendations*

- Present recommendations in accordance with instructions and defined criteria
- Make recommendations in situations where risks and uncertainty exist

- Formulate opinions, advice, recommendations, plans, solutions, options and reservations based on valid evidence
- Make evidence-based recommendations which can be justified by reference to supporting data and other information
- Develop recommendations which combine different technical skills in a practical situation

*Communication*

- Present a basic or routine memorandum or briefing note in writing in a clear and concise style
- Present analysis and recommendations in accordance with instructions
- Communicate clearly to a specialist or non-specialist audience in a manner suitable for the recipient
- Prepare the advice, report, or notes required in a clear and concise style

*How skills are assessed: candidates may be required to:*

- advise on the regulatory, professional and ethical issues in carrying out an assurance engagement;
- conclude and report on assurance engagements, including determining whether to modify a report with or without a modified opinion/conclusion; and
- identify deficiencies in financial information systems, their potential consequences and recommendations for improvement.

# *Business Strategy and Technology*

## MODULE AIM

To provide students with an understanding of how organisations develop and implement strategy, including any ethical implications.

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

- identify and analyse the consequences of an organisation's current objectives, technology developments, market position and direction;
- use data to evaluate the likely consequences of strategic choices and recommend strategies to meet the objectives of an organisation; and
- recommend appropriate methods of implementing strategies and demonstrate how data and information can be used subsequently to measure and monitor strategic performance.

## METHOD OF ASSESSMENT

The Business Strategy and Technology module has traditionally been assessed as a paper-based exam, however from the March 2018 session, this module will be assessed as a computer-based exam. A paper-based exam for this module will no longer be available.

The exam will continue to be 2.5 hours long and consist of three scenario-based questions, covering a range of different industries and types of organisation. Each question will cover one or more syllabus areas.

Ethics may be tested in any of the questions.

## 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	30-40
2 Strategic choice	30-40
3 Implementation and monitoring of strategy	25-35

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids at the end of this document.

### 1 Strategic analysis

Students will be able to analyse and identify the consequences of an organisation's current objectives, technology developments, market position and direction.

In the assessment, students may be required to:

- a. evaluate an organisation's purpose, in terms of its stated mission, objectives and critical success factors, highlighting omissions, inconsistencies and weaknesses, and considering the different objectives of stakeholders;
- b. analyse for a given situation the external factors which may impact upon an organisation's performance and position, identifying significant issues in areas such as:
  - sustainability
  - macroeconomic forces
  - international trade, financial systems and global economic factors
  - government policies
  - its industry and markets, including competition
  - cultural environment
  - stakeholder impact
  - markets for finance, labour and other resources
  - supply chain factors
  - technology developments;
- c. analyse an organisation's current markets and competitive strategy in sufficient detail for decisions to be made, drawing conclusions consistent with the qualitative and quantitative data available and highlighting relevant issues in terms of their likely impact on the strategy of the organisation;
- d. identify the significance and effect of the internal factors in a given situation which affect or may influence an organisation's ability to achieve its chosen strategy, including its:
  - current resources
  - product/service portfolio
  - value chain
  - organisational and operational capabilities (including core competencies, existing business processes, human resource capabilities and information systems capabilities)
  - approach to big data
  - use of the internet of things;
- e. analyse the governance structure of an organisation, identifying strengths and weaknesses;
- f. identify the risk attached to an organisation's present position, using all relevant qualitative and quantitative data, and considering attitudes to risk, security and cyber security;
- g. analyse an organisation's current position and performance from both financial and non-financial perspectives, using management information and data presented in different formats; and
- h. explain the ethical factors to be considered in determining the scope and nature of an organisation's objectives and its strategic analysis, having regard to the legitimate interests of all stakeholder groups.

## 2 Strategic choice

Students will be able to use data to evaluate the likely consequences of strategic choices and recommend strategies to meet the objectives of an organisation.

In the assessment, students may be required to:

- a. identify, describe and evaluate in a given scenario the alternative strategies available to an organisation;
- b. explain and demonstrate how an organisation can capture and analyse qualitative and quantitative data, presented in different formats, to provide relevant information for decision making at an appropriate level within the organisation;
- 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, stating all assumptions made and identifying strategies for managing risk;

- e. show, in a given scenario, how an organisation chooses from competing strategies in order to maximise the achievement of its key objectives, including those relating to technology, corporate responsibility and sustainability;
- f. evaluate the ethical implications of an organisation's strategies and operations for the organisation and for individuals (including the accountant in business and others), including ethical considerations in the use of data;
- g. choose, for a given scenario, a strategy or combination of strategies which will best achieve the organisation's objectives, taking account of known constraints, including stakeholder risk preferences and developing technologies;
- h. explain, in a given scenario, how products and services must evolve in the face of changing technologies, consumer demand and industry competition;
- i. explain how to position particular products and services in the market place to maximise competitive advantage and develop a marketing strategy by extracting and analysing relevant data; and
- j. explain and demonstrate how an organisation can use management accounting approaches to evaluate its proposed strategies, while considering the value of information and the risk associated with forecasts.

### **3 Implementation and monitoring of strategy**

Students will be able to recommend appropriate methods of implementing strategies and demonstrate how data and information can be used subsequently to measure and monitor strategic performance.

In the assessment, students may be required to:

- a. evaluate how an organisation's overall strategy can be achieved by implementing appropriate functional, including strategies for technology and innovation;
- b. evaluate and recommend an appropriate organisational structure for a given strategy, taking into account the impact of changing technology and other factors;
- c. identify the steps needed for a given organisation to develop its corporate governance to meet the needs of its stakeholders, its strategic objectives and its compliance requirements;
- d. identify and evaluate methods of further developing a specific organisation which adjust existing strategies or implement new strategies to take account of changing position and risk;
- e. draft a simple business plan, or extracts, which will achieve given or implied objectives;
- f. evaluate the form and content of an organisation's business plan;
- g. explain and demonstrate how qualitative and quantitative data, including forecasts, budgets and other management information presented in a range of formats, can be analysed to monitor the performance of an organisation's projects, divisions and other strategic units;
- h. explain and demonstrate how an organisation can capture, analyse and interpret data, including big data, to provide management with information that enables it to implement, monitor and modify a strategy and to create or sustain competitive advantage;
- i. identify, in a given situation the key issues which should be addressed by the management of an organisation during the planning and implementation of change; and
- j. evaluate the ethical implications of how an organisation chooses to implement and modify its strategies, suggesting appropriate courses of action to resolve ethical dilemmas that may arise.

## SKILLS ASSESSED

### Assimilating and Using Information

#### *Understand the situation and the requirements*

- Demonstrate understanding of the business context
- Recognise new and complex ideas within a scenario
- Identify the needs of customers and clients
- Explain different stakeholder perspectives and interests
- Identify risks within a scenario
- Identify elements of uncertainty within a scenario
- Identify ethical issues including public interest and sustainability issues within a scenario

#### *Identify and use relevant information*

- Interpret information provided in various formats
- Evaluate the relevance of information provided
- Filter information provided to identify critical facts

#### *Identify and prioritise key issues and stay on task*

- Identify business and financial issues from a scenario
- Prioritise key issues
- Work effectively within time constraints
- Operate to a brief in a given scenario

#### *How skills are assessed: candidates may be required to:*

- understand key information from the scenario provided;
- understand the context of the scenario in terms of type of business, industry and wider context;
- recognise key ethical issues for an accountant undertaking work in accounting and reporting; and
- recognise specific issues that may arise in the context of the situation described.

### Structuring problems and solutions

#### *Structure data*

- Structure information from various sources into suitable formats for analysis
- Identify any information gaps
- Frame questions to clarify information
- Use a range of data types and sources to inform analysis and decision making
- Structure and analyse financial and non-financial data to enhance understanding of business issues and their underlying causes
- Present analysis in accordance with instructions and criteria

#### *Develop solutions*

- Identify and apply relevant technical knowledge and skills to analyse a specific problem
- Use structured information to identify evidence-based solutions
- Identify creative and pragmatic solutions in a business environment
- Identify opportunities to add value
- Identify and anticipate problems that may result from a decision
- Identify a range of possible solutions based on analysis
- Identify ethical dimensions of possible solutions
- Select appropriate courses of action using an ethical framework
- Identify the solution which is the best fit with acceptance criteria and objectives
- Define objectives and acceptance criteria for solutions

#### *How skills are assessed: candidates may be required to:*

- identify and use information to define key business issues;

- demonstrate understanding of the business, its strategy, industry and wider context.
- demonstrate the impact of ethics on the objectives and methods of an organisation;
- identify the ethical implications of strategic proposals;
- demonstrate relevant technical knowledge;
- perform appropriate analysis of numerical data and demonstrate an understanding of what is relevant; and
- use data analysis to develop and illustrate an answer.

## Applying judgement

### *Apply professional scepticism and critical thinking*

- Recognise bias and varying quality in data and evidence
- Identify assumptions or faults in arguments
- Identify gaps in evidence
- Identify inconsistencies and contradictory information
- Assess interaction of information from different sources
- Exercise ethical judgement

### *Relate issues to the environment*

- Appreciate when more expert help is required
- Identify related issues in scenarios
- Assess different stakeholder perspectives when evaluating options
- Retain an overview of the business issue or scenario
- Appraise corporate responsibility and sustainability issues
- Appraise the effects of alternative future scenarios
- Appraise ethical, public interest and regulatory issues

### *How skills are assessed: candidates may be required to:*

- evaluate the impact of a business proposal on an entity;
- assess the reliability, accuracy and limitations of any analysis performed;
- be able to produce arguments integrating numerical and descriptive analysis;
- prioritise the issues facing an entity;
- identify links and relationships between different issues affecting an entity and use these to establish priorities;
- evaluate options for an organisation, taking into account its stakeholders, objectives, priorities, available resources and ethical obligations; and
- provide reasons for the rejection of alternatives.

## Concluding, recommending and communicating

### *Conclusions*

- Apply technical knowledge to support reasoning and conclusions
- Apply professional experience and evidence to support reasoning
- Use valid and different technical skills to formulate opinions, advice, plans, solutions, options and reservations

### *Recommendations*

- Present recommendations in accordance with instructions and defined criteria
- Make recommendations in situations where risks and uncertainty exist
- Formulate opinions, advice, recommendations, plans, solutions, options and reservations based on valid evidence
- Make evidence-based recommendations which can be justified by reference to supporting data and other information
- Develop recommendations which combine different technical skills in a practical situation

### *Communication*

- Present a basic or routine memorandum or briefing note in writing in a clear and concise style
- Present analysis and recommendations in accordance with instructions
- Communicate clearly to a specialist or non-specialist audience in a manner suitable for the recipient
- Prepare the advice, report, or notes required in a clear and concise style

*How skills are assessed: candidates may be required to:*

- draw realistic conclusions from an analysis of data and the information provided;
  - prepare a report or memorandum structured according to the requirements of the scenario, with appropriate context;
  - provide reasoned advice based on an understanding of the business and the relevant scenario, including an assessment of possible alternatives;
  - recommend suitable courses of action in a given situation; and
- identify risks and outline reservations about the advice.

# *Financial Accounting and Reporting*

From March 2017, alternative financial reporting modules were introduced to the Financial Accounting and Reporting module. Students are now able to choose between two different frameworks, either IFRS or UK GAAP. This means that students can study the financial reporting framework most beneficial to their employer and clients.

## *Financial Accounting and Reporting: IFRS*

### **MODULE AIM**

To enable students to prepare complete single entity and consolidated financial statements, and extracts from those financial statements, covering a wide range of International Financial Reporting Standards (IFRS).

Students will also be required to explain accounting and reporting concepts and ethical issues, and the application of IFRS to specified single entity or group scenarios.

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

- explain the contribution and inherent limitations of financial statements, apply the International Accounting Standards Board's (IASB) conceptual framework for financial reporting and identify and explain key ethical issues;
- prepare and present financial statements from accounting data for single entities in conformity with IFRS and explain the application of IFRS to specified single entity scenarios;
- identify the circumstances in which entities are required to present consolidated financial statements, prepare and present them in conformity with IFRS and explain the application of IFRS to specified group scenarios; and
- Describe the principal differences between IFRS and UK GAAP and prepare simple extracts from financial statements in accordance with UK GAAP, for both single entity and consolidated financial statements

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

### **METHOD OF ASSESSMENT**

The Financial Accounting and Reporting module is assessed by a 3 hour computer-based exam. The exam contains four written test questions. Students may use the permitted text(s) as detailed on the ICAEW website; [icaew.com/permittedtexts](http://icaew.com/permittedtexts).

The module will include questions on:

- a. preparation of single entity financial statements (excluding statement of cash flows) from trial balance;
- b. preparation of consolidated financial statements (excluding consolidated statement of cash flows) from individual financial statements; and
- c. explanation of the application of IFRS to specified scenarios.

Other question types could include:

- a. preparation of a full consolidated statement of cash flow, or extracts from consolidated financial statements, or preparation of revised extracts from a draft consolidated statement of cash flows; and
- b. mixed or single topic questions requiring extracts from single entity or consolidated financial statements (including from statement of cash flows) and/or explanation of financial reporting treatment with supporting calculations.

Concepts and ethics and UK GAAP will be tested in any of the written test questions.

## 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 and ethics	10
2 Single entity financial statements	60
3 Consolidated financial statements	30

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids at the end of this document.

### 1 Accounting and reporting concepts and ethics

Students will be able to explain the contribution and inherent limitations of financial statements, apply the International Accounting Standards Board's conceptual framework for financial reporting and identify and explain key ethical issues.

In the assessment, students may be required to:

- a. explain the standard-setting process used by UK and international bodies and the authority of UK and international standards, using appropriate examples as illustration;
- b. explain the objectives and inherent limitations 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. 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;
- f. 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;
- g. 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;

- h. explain and demonstrate the concepts and principles surrounding the consolidation of financial statements; and
- i. identify and explain the ethical and professional issues for a professional accountant undertaking work in financial accounting and reporting and identify appropriate action.

## **2 Single entity financial statements**

Students will be able to prepare and present financial statements from accounting data for single entities in conformity with IFRS requirements and explain the application of IFRS to specified single entity scenarios.

In the assessment, students may be required to:

- a. identify the laws and regulations, and accounting standards and other requirements applicable to the statutory financial statements of an entity;
- b. calculate from financial and other data the amounts to be included in an entity's financial statements according to the international financial reporting framework;
- c. prepare and present the financial statements, or extracts, of an entity according to its accounting policies and appropriate international financial reporting standards;
- d. explain the application of IFRS to specified single entity scenarios;
- e. describe the principal differences between IFRS and UK GAAP and prepare simple extracts from single entity financial statements in accordance with UK GAAP;
- f. define and calculate from information provided the distributable profits of an entity; and
- g. identify the circumstances in which the use of IFRS for not-for-profit entities might be required.

## **3 Consolidated financial statements**

Students will be able to identify the circumstances in which entities are required to present consolidated financial statements, prepare and present them in conformity with IFRS and explain the application of IFRS to specified group scenarios.

In the assessment, students 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 and regulations, and 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, associate or joint venture 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 discontinued interests in subsidiaries, associates and joint ventures (excluding partial disposals of subsidiaries and disposals of associates or joint ventures) according to the international financial reporting framework;
- e. prepare and present the consolidated financial statements, or extracts, of an entity in accordance with its accounting policies and the international financial reporting framework, using calculated amounts and other information;
- f. explain the application of IFRS to specified group scenarios; and
- g. describe the principal differences between IFRS and UK GAAP and prepare simple extracts from consolidated financial statements in accordance with UK GAAP.

## SKILLS ASSESSED

### Assimilating and Using Information

#### *Understand the situation and the requirements*

- Demonstrate understanding of the business context
- Recognise new and complex ideas within a scenario
- Explain different stakeholder perspectives and interests
- Identify ethical issues including public interest and sustainability issues within a scenario

#### *Identify and use relevant information*

- Interpret information provided in various formats
- Evaluate the relevance of information provided
- Filter information provided to identify critical facts

#### *Identify and prioritise key issues and stay on task*

- Identify business and financial issues from a scenario
- Prioritise key issues
- Work effectively within time constraints
- Operate to a brief in a given scenario

#### *How skills are assessed: candidates may be required to:*

- explain the contribution and inherent limitations of financial statements;
- apply elements of the conceptual framework;
- recognise key ethical issues for an accountant undertaking work in accounting and reporting; and
- recognise specific issues that may arise in the context of the situation described.

### Structuring problems and solutions

#### *Structure data*

- Structure information from various sources into suitable formats for analysis

#### *Develop solutions*

- Identify and apply relevant technical knowledge and skills to analyse a specific problem
- Use structured information to identify evidence-based solutions
- Identify a range of possible solutions based on analysis
- Select appropriate courses of action using an ethical framework
- Identify the solution which is the best fit with acceptance criteria and objectives

#### *How skills are assessed: candidates may be required to:*

- apply elements of the conceptual framework ;
- apply knowledge of financial reporting standards;
- prepare and present financial statements from accounting data in conformity with financial reporting standards for single entities, whether organised in corporate or in other forms and entities requiring consolidated financial statements;
- explain the principal differences between IFRS and UK GAAP;
- identify ethical issues and use ethical codes to formulate solutions and provide advice.

### Applying judgement

#### *Apply professional scepticism and critical thinking*

- Recognise bias and varying quality in data and evidence
- Identify faults in arguments
- Exercise ethical judgement

#### *Relate issues to the environment*

- Identify related issues in scenarios
- Appraise ethical, public interest and regulatory issues

*How skills are assessed: candidates may be required to:*

- Use judgement to assess the appropriate accounting treatment for transactions described in the scenarios;
- Identify ethical issues and use ethical codes to formulate solutions and provide advice.

## **Concluding, recommending and communicating**

### *Conclusions*

- Apply technical knowledge to support reasoning and conclusions
- Use valid and different technical skills to formulate opinions, advice, plans, solutions, options and reservations.

### *Communication*

- Present a basic or routine memorandum or briefing note in writing in a clear and concise style
- Communicate clearly to a specialist or non-specialist audience in a manner suitable for the recipient
- Prepare the advice, report, or notes required in a clear and concise style

*How skills are assessed: candidates may be required to:*

- explain accounting and reporting concepts in non-technical language; Explain the appropriate accounting treatment for transactions described in the scenario;
- Explain ethical issues and possible solutions.

# *Financial Accounting and Reporting: UK GAAP*

## **MODULE AIM**

To enable students to prepare complete single entity and consolidated financial statements, and extracts from those financial statements, in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Companies Act 2006.

Students will also be required to explain accounting and reporting concepts and ethical issues, and the application of UK GAAP to specified single entity or group scenarios.

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

- explain the contribution and inherent limitations of financial statements, apply FRS 102 Section 2 Concepts and Pervasive Principles and identify and explain key ethical issues;
- prepare and present financial statements from accounting data for single entities, whether organised in corporate or in other forms, in conformity with FRS 102 and Companies Act 2006 and explain the application of FRS 102 to specified single entity scenarios;
- identify the circumstances in which entities are required to present consolidated financial statements, prepare and present them in conformity with FRS 102 and Companies Act 2006 and explain the application of FRS 102 to specified group scenarios; and
- describe the principal differences between UK GAAP and IFRS and prepare simple extracts from financial statements in accordance with IFRS, for both single entity and consolidated financial statements

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

## **METHOD OF ASSESSMENT**

The Financial Accounting and Reporting module is assessed by a 3 hour computer-based exam. The exam contains four written test questions. Students may use the permitted text(s) as detailed on the ICAEW website; [icaew.com/permittedtexts](http://icaew.com/permittedtexts). Please note that from the September 2017 exam session onwards, this module will be examined as a computer-based exam. A paper-based exam for this module will no longer be available.

The module will include questions on:

- a. preparation of single entity financial statements (excluding statement of cash flows) from trial balance;
- b. preparation of consolidated financial statements (excluding consolidated statement of cash flows) from individual financial statements; and
- c. explanation of the application of UK GAAP to specified scenarios.

Other question types could include:

- a. preparation of a full consolidated statement of cash flow, or extracts, from consolidated financial statements, or preparation of revised extracts from a draft consolidated statement of cash flows; and

- b. mixed or single topic questions requiring extracts from single entity or consolidated financial statements (including from statement of cash flows) and/or explanation of financial reporting treatment with supporting calculations.

Concepts and ethics and IFRS will be tested in any of the written test questions.

## 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 and ethics	10
2 Single entity financial statements	60
3 Consolidated financial statements	30

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids at the end of this document.

### 1 Accounting and reporting concepts and ethics

Candidates will be able to explain the contribution and inherent limitations of financial statements, apply FRS 102 Section 2 Concepts and Pervasive Principles and identify and explain key ethical issues.

In the assessment, students may be required to:

- a. explain the standard-setting process used by UK and the authority of UK standards, using appropriate examples as illustration, as well as the regulatory framework in respect of IFRS;
- b. explain the objectives and inherent limitations 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 FRS 102 Section 2 Concepts and Pervasive Principles;
- e. discuss the concept of “true and fair view” and the circumstances in which this concept may override the detailed provisions of legislation or of accounting standards;
- f. 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;
- g. explain, in non-technical language, the different bases of measurement of assets, liabilities, income and expenses;
- h. explain and demonstrate the concepts and principles surrounding the consolidation of financial statements; and
- i. identify and explain the ethical and professional issues for a professional accountant undertaking work in financial accounting and reporting and identify appropriate action.

## 2 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 FRS 102 and Companies Act 2006 requirements and explain the application of FRS 102 to specified single entity scenarios.

In the assessment, students may be required to:

- a. identify the laws and regulations, and accounting standards and other requirements applicable to the statutory financial statements of an entity;
- b. calculate from financial and other data the amounts to be included in an entity's financial statements according to FRS 102 Section 2 Concepts and Pervasive Principles;
- c. prepare and present the financial statements, or extracts of an entity according to its accounting policies, FRS 102 and Companies Act 2006;
- d. explain the application of FRS 102 to specified single entity scenarios;
- e. describe the principal differences between UK GAAP and IFRS and prepare simple extracts from single entity financial statements in accordance with IFRS;
- f. define and calculate from information provided the distributable profits of an entity; and
- g. identify the circumstances in which the use of FRS 102 for not-for-profit entities might be required.

## 3 Consolidated financial statements

Candidates will be able to identify the circumstances in which entities are required to present consolidated financial statements, prepare and present them in conformity with FRS 102 and Companies Act 2006 and explain the application of FRS 102 to specified group scenarios.

In the assessment, students 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 and regulations, and 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, associate or joint venture of an entity according to FRS 102;
- 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 discontinued interests in subsidiaries, associates and joint ventures (excluding partial disposals of subsidiaries and disposals of associates or joint ventures) according to FRS 102;
- e. prepare and present the consolidated financial statements, or extracts, of an entity in accordance with its accounting policies, FRS 102 and Companies Act 2006, using calculated amounts and other information;
- f. explain the application of FRS 102 to specified group scenarios; and
- g. describe the principal differences between UK GAAP and IFRS and prepare simple extracts from consolidated financial statements in accordance with IFRS.

## SKILLS ASSESSED

### Assimilating and Using Information

#### *Understand the situation and the requirements*

- Demonstrate understanding of the business context
- Recognise new and complex ideas within a scenario
- Explain different stakeholder perspectives and interests
- Identify ethical issues including public interest and sustainability issues within a scenario

#### *Identify and use relevant information*

- Interpret information provided in various formats
- Evaluate the relevance of information provided
- Filter information provided to identify critical facts

#### *Identify and prioritise key issues and stay on task*

- Identify business and financial issues from a scenario
- Prioritise key issues
- Work effectively within time constraints
- Operate to a brief in a given scenario

#### *How skills are assessed: candidates may be required to:*

- explain the contribution and inherent limitations of financial statements;
- apply elements of the conceptual framework;
- recognise key ethical issues for an accountant undertaking work in accounting and reporting; and
- recognise specific issues that may arise in the context of the situation described.

### Structuring problems and solutions

#### *Structure data*

- Structure information from various sources into suitable formats for analysis

#### *Develop solutions*

- Identify and apply relevant technical knowledge and skills to analyse a specific problem
- Use structured information to identify evidence-based solutions
- Identify a range of possible solutions based on analysis
- Select appropriate courses of action using an ethical framework
- Identify the solution which is the best fit with acceptance criteria and objectives

#### *How skills are assessed: candidates may be required to:*

- apply elements of the conceptual framework ;
- apply knowledge of financial reporting standards;
- prepare and present financial statements from accounting data in conformity with financial reporting standards for single entities, whether organised in corporate or in other forms and entities requiring consolidated financial statements;
- explain the principal differences between IFRS and UK GAAP;
- identify ethical issues and use ethical codes to formulate solutions and provide advice.

### Applying judgement

#### *Apply professional scepticism and critical thinking*

- Recognise bias and varying quality in data and evidence
- Identify faults in arguments
- Exercise ethical judgement

#### *Relate issues to the environment*

- Identify related issues in scenarios
- Appraise ethical, public interest and regulatory issues

*How skills are assessed: candidates may be required to:*

- Use judgement to assess the appropriate accounting treatment for transactions described in the scenarios;
- Identify ethical issues and use ethical codes to formulate solutions and provide advice.

## **Concluding, recommending and communicating**

### *Conclusions*

- Apply technical knowledge to support reasoning and conclusions
- Use valid and different technical skills to formulate opinions, advice, plans, solutions, options and reservations.

### *Communication*

- Present a basic or routine memorandum or briefing note in writing in a clear and concise style
- Communicate clearly to a specialist or non-specialist audience in a manner suitable for the recipient
- Prepare the advice, report, or notes required in a clear and concise style

*How skills are assessed: candidates may be required to:*

- explain accounting and reporting concepts in non-technical language; Explain the appropriate accounting treatment for transactions described in the scenario;
- Explain ethical issues and possible solutions.

# *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; and

apply appropriate investment appraisal techniques taking into account other factors affecting investment decisions.

## METHOD OF ASSESSMENT

The Financial Management module is assessed by a 2.5 hour computer-based exam

The exam consists of three questions. Managing financial risk will be assessed as a discrete topic. The other two questions will assess financing options and investment decisions and valuation either as discrete or integrated topics.

Ethics may be tested in any of the questions.

## 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

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids at the end of this document.

### 1 Financing options

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

In the assessment, students may be required to:

- a. explain the general objectives of financial management, understand and apply the fundamental principles of financial economics and describe the financial strategy process for a business;

- b. explain the roles played by different stakeholders, advisors and financial institutions in the financial strategy selected by a business and identify possible conflicts of objectives;
- c. evaluate the ethical implications of an entity's financial strategy (including those for the organisation, individuals and other stakeholders) and suggest appropriate courses of action to resolve any ethical dilemmas that may arise;
- d. describe the impact of financial markets (including their efficiency) and other external factors on a business's financial strategy, using appropriate examples to illustrate the impacts;
- e. describe the implications of terms included in loan agreements in a given scenario (eg, representations and warranties; covenants; guarantees);
- f. calculate and interpret the costs of different sources of finance (before and after tax) and the weighted average cost of capital;
- g. explain, in non-technical terms and using appropriate examples, the effect of capital gearing both on investors' perception of risk and reward and the weighted average cost of capital;
- h. calculate and justify an appropriate discount rate for use in an investment appraisal taking account of both the risk of the investment and its financing;
- i. compare the features of different means of making returns to lenders and owners (including dividend policy), explain their effects on the business and its stakeholders, and recommend appropriate options in a given scenario;
- j. forecast the capital requirements for a business taking into account current and planned activities and/or assess the suitability of different financing options to meet those requirements, comparing the financing costs and benefits, referring to levels of uncertainty and making reasonable assumptions which are consistent with the situation; and
- k. draft a straightforward investment and financing plan for a given business scenario.

## **2 Managing financial risk**

Students will be able to identify the main price and overseas trading risks facing a business and the principal methods of managing those risks.

In the assessment, students may be required to:

- a. identify and describe the key price risks facing a business in a given scenario;
- b. explain how financial instruments (eg derivatives, hedging instruments) can be used to manage price risks and describe the characteristics of those instruments;
- c. explain different methods of managing interest rate risk appropriate to a given situation and perform non-complex calculations to determine the cost of hedging that risk;
- d. explain different methods of managing currency risks appropriate to a given situation and perform non-complex calculations to determine the cost of hedging that risk;
- e. explain different methods of managing share price risk and perform non-complex calculations to determine the cost of hedging that risk; and
- f. explain the additional risks of trading abroad and outline the methods available for reducing those risks.

## **3 Investment decisions and valuation**

Students will be able to apply investment appraisal techniques and calculate the value of shares and businesses.

In the assessment, students may be required to:

- a. outline the investment decision making process and explain how investment decisions are linked to shareholder value;
- b. select appropriate values to be used in an investment appraisal from information supplied, taking account of relevant cash flows, inflation and tax;
- c. calculate and discuss the sensitivity of an investment decision to changes in the input factors;
- d. discuss how the interpretation of results from an investment appraisal can be influenced by an assessment of risk;

- e. recognise how the results of the appraisal of projects are affected by the accuracy of the data on which they are based and strategic factors (such as real options) which could not be included in the computational analysis;
- f. identify in the business and financial environment factors that may affect investment in a different country;
- 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 an investment appraisal and consideration of relevant non-financial factors such as sustainability and which takes account of the limitations of the techniques being used; and
- i. describe options for reconstruction, eg, merger, takeover, spin-off, purchase of own shares and value shares and businesses using income and asset based approaches.

## SKILLS ASSESSED

### Assimilating and Using Information

#### *Understand the situation and the requirements*

- Demonstrate understanding of the business context
- Recognise new and complex ideas within a scenario
- Identify the needs of customers and clients
- Explain different stakeholder perspectives and interests
- Identify risks within a scenario
- Identify elements of uncertainty within a scenario
- Identify ethical issues including public interest and sustainability issues within a scenario

#### *Identify and use relevant information*

- Interpret information provided in various formats
- Evaluate the relevance of information provided
- Filter information provided to identify critical facts

#### *Identify and prioritise key issues and stay on task*

- Identify business and financial issues from a scenario
- Prioritise key issues
- Work effectively within time constraints
- Operate to a brief in a given scenario

#### *How skills are assessed: candidates may be required to:*

- absorb and understand both structured and unstructured material;
- give recommendations based on their understanding and interpretation of the information provided, supported by explanation of the reasoning behind and implications of their recommendations.

### Structuring problems and solutions

#### *Structure data*

- Structure information from various sources into suitable formats for analysis
- Identify any information gaps
- Structure and analyse financial and non-financial data to enhance understanding of business issues and their underlying causes
- Present analysis in accordance with instructions and criteria

#### *Develop solutions*

- Identify and apply relevant technical knowledge and skills to analyse a specific problem
- Identify creative and pragmatic solutions in a business environment
- Identify opportunities to add value
- Identify and anticipate problems that may result from a decision
- Identify a range of possible solutions based on analysis

- Identify ethical dimensions of possible solutions
- Select appropriate courses of action using an ethical framework
- Identify the solution which is the best fit with acceptance criteria and objectives
- Define objectives and acceptance criteria for solutions

*How skills are assessed: candidates may be required to:*

- assimilate significant amounts of information, to analyse it (including quantitative analysis) in a way that demonstrates relevant technical knowledge and to draw and support appropriate conclusions

## **Applying judgement**

*Apply professional scepticism and critical thinking*

- Identify faults in arguments
- Identify gaps in evidence
- Identify inconsistencies and contradictory information
- Exercise ethical judgement

*Relate issues to the environment*

- Identify related issues in scenarios
- Assess different stakeholder perspectives when evaluating options
- Retain an overview of the business issue or scenario
- Appraise corporate responsibility and sustainability issues
- Appraise the effects of alternative future scenarios
- Appraise ethical, public interest and regulatory issues

*How skills are assessed: candidates may be required to:*

- make sense of relatively large volumes of data, making judgments on the relevance of data for use in subsequent calculations and discussions;
- reflect on their calculations and the methodology employed and to identify and discuss the implications of calculations;
- make and justify judgements based on earlier calculations.

## **Concluding, recommending and communicating**

*Conclusions*

- Apply technical knowledge to support reasoning and conclusions
- Use valid and different technical skills to formulate opinions, advice, plans, solutions, options and reservations.

*Recommendations*

- Present recommendations in accordance with instructions and defined criteria
- Make recommendations in situations where risks and uncertainty exist
- Formulate opinions, advice, recommendations, plans, solutions, options and reservations based on valid evidence
- Develop recommendations which combine different technical skills in a practical situation

*Communication*

- Present a basic or routine memorandum or briefing note in writing in a clear and concise style
- Present analysis and recommendations in accordance with instructions
- Communicate clearly to a specialist or non-specialist audience in a manner suitable for the recipient
- Prepare the advice, report, or notes required in a clear and concise style

*How skills are assessed: candidates may be required to:*

- recommend suitable courses of action in a given situation (financing decisions, dividend decisions, investment appraisal decisions);
- incorporate advice within a 'business report' format, addressing both the strengths and weaknesses of any recommendations and/or reasons for the rejection of alternatives.

# ***Tax Compliance***

## **MODULE AIM**

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

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

- recognise the ethical issues arising in the course of performing tax work and identify the obligations the UK system of taxation imposes on taxpayers and the implications for taxpayers of non-compliance;
- calculate the amount of VAT owed by or owed to businesses;
- calculate the amount of stamp taxes due in straightforward transactions;
- calculate the capital gains tax payable by individuals and trustees;
- calculate the amounts of inheritance tax due on lifetime transfers and transfers on death by individuals, personal representatives and trustees;
- calculate the corporation tax liabilities of companies;
- calculate the amounts of income tax owed by or owed to individuals and trustees; and
- calculate the amounts of national insurance payable by individuals, businesses and companies.

## **TAXES COVERED IN THIS MODULE**

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

## **METHOD OF ASSESSMENT**

The Tax Compliance module is assessed by a 2.5 hour computer-based exam.

The exam will test each of the taxes on the syllabus as a discrete topic. Students may use the permitted text(s) as detailed on the ICAEW website; [icaew.com/permittedtexts](http://icaew.com/permittedtexts).

The exam will consist of five questions.

## **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 Ethics and law	5-10
2 Indirect taxes	10-15
3 Capital taxes	20-30
4 Corporation tax	15-20
5 Income tax and NIC	35-45

This grid provides guidance on the relative weighting between knowledge and skills:

	Weighting (%)
Knowledge	65-75
Skills	25-35

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids at the end of this document.

## 1 Ethics and law

Students 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, students may be required to:

- a. identify the five fundamental principles and guidance given in the IESBA Code of Ethics for Professional Accountants and the ICAEW Code of Ethics as well as other relevant guidance, including Professional Conduct in Relation to Taxation (PCRT), in relation to a tax practice with regard to:
  - the threats and safeguards framework
  - disclosure of information
  - conflicts of interest
  - confidentiality;
- b. identify the law and the guidance in the ICAEW Code of Ethics as well as other relevant guidance, including Professional Conduct in Relation to Taxation (PCRT), with regard to:
  - new client procedures
  - regulatory requirements for tax practices
  - HMRC errors
  - money laundering
  - tax planning, tax avoidance and tax evasion;
- c. identify legal and ethical issues arising from tax work undertaken and explain the significance of these issues and suggest appropriate actions or responses;
- d. Identify the role of data analytics in reducing the tax gap.

## 2 Indirect taxes

Students will be able to calculate the amount of VAT owed by or owed to businesses and calculate the amount of stamp taxes due in straightforward transactions.

In the assessment, students may be required to:

- a. explain the VAT consequences of property transactions;

- b. explain the VAT consequences of group registration for VAT;
- c. explain the VAT consequences of the option to tax;
- d. explain and calculate the VAT consequences of the capital goods scheme;
- e. calculate the VAT due to or from HMRC for both wholly taxable and partially exempt traders;
- f. explain the VAT consequences of imports and exports of goods and services to and from VAT registered and non-VAT registered persons in the EU and overseas;
- g. explain the classification of supplies and the distinction between goods and services;
- h. identify and explain the differing VAT treatment of single and multiple supplies;
- i. identify common situations in which a liability to Stamp Duty Land Tax, Stamp Duty Reserve Tax, and Stamp Duty arises;
- j. identify situations where there is an exemption from stamp taxes; and
- k. calculate the amount of stamp taxes due in straightforward transactions.

### 3 Capital taxes

Students will be able to calculate the capital gains tax payable by individuals and trustees.

Students will also be able to calculate the amounts of inheritance tax due on lifetime transfers and transfers on death by individuals, personal representatives and trustees.

In the assessment, students may be required to:

- a. calculate the chargeable gains and losses on assets, including chattels, leases, and shares and securities;
- b. describe the circumstances in which the following reliefs apply and calculate the effect of full or partial relief available in a given situation:
  - letting relief
  - principal private residence relief
  - gift relief
  - rollover relief
  - entrepreneurs' relief;
- c. explain the impact of an individual's residence and domicile on their capital gains tax liability;
- d. calculate total taxable gains and tax payable thereon, using available reliefs and losses to reduce the liability, including the computation of double tax relief where appropriate;
- e. explain the principles of inheritance tax and identify the different classes of taxpayer liable to pay inheritance tax;
- f. explain the impact of an individual's domicile and deemed domicile on their inheritance tax liability;
- g. explain 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;
- h. calculate the death tax due on lifetime transfers and state the due date for payment;
- i. calculate the value of an individual's estate at death and the inheritance tax due and state the due date for payment;
- j. describe the circumstances in which the following inheritance tax reliefs apply and calculate the amount of relief available in a given situation:
  - fall in value relief
  - agricultural property relief
  - business property relief
  - quick succession relief
  - taper relief; and
- k. calculate the interest and penalties due in respect of late payment of inheritance tax.

### 4 Corporation tax

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

In the assessment, students will be required to:

- a. explain the relevance of the distinction between revenue and capital for both receipts and expenses and apply the distinction in a given scenario;
- b. recognise the effect on trading profits of the treatment of:
  - provisions
  - capitalised revenue expenditure
  - intangible assets;
- c. calculate trading profits or losses after adjustments and allowable deductions (including capital allowances on plant and machinery);
- d. calculate the chargeable gains and losses on assets, including chattels, leases, and shares and securities;
- e. describe the circumstances in which rollover relief applies and calculate the effect of full or partial relief available in a given situation;
- f. 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
  - having one or more related 51% group companies;
  - being a member of a group;
- g. explain and illustrate how losses may be used effectively by a company or group;
- h. calculate the taxable total profit and the tax payable or repayable for companies including utilising losses to reduce the tax liability and the computation of double tax relief where appropriate; and
- i. identify the key features of the self-assessment system for companies, determine due dates for returns, payments and payments on account, and calculate the interest and penalties due for late submissions of returns, incorrect returns and late or incorrect payments of tax.

## 5 Income tax and NIC

Students will be able to calculate the amounts of income tax owed by or owed to individuals and trustees as well as the amounts of national insurance payable by employers, the self-employed and employees.

In the assessment, students may be required to:

### Trading profits

- a. explain the relevance of the distinction between revenue and capital for both receipts and expenses and apply the distinction in a given scenario;
- b. recognise the effect on trading profits of the treatment of:
  - provisions
  - capitalised revenue expenditure
  - intangible assets;
- c. calculate trading profits or losses after adjustments and allowable deductions (including capital allowances on plant and machinery) using either the accruals basis or cash basis of accounting;

### Unincorporated businesses

- d. calculate the assessable trading profits or losses of a partnership including after a change in the profit sharing ratio or change in partners, and allocate the profits or losses to each partner including the allocation of notional profits and losses;
- e. calculate the assessable trading profits or losses for a new unincorporated business and identify the overlap profits on the commencement of trade;
- f. calculate the assessable trading profits or losses for a continuing business;
- g. calculate the final assessable trading profits or losses for an unincorporated business ceasing to trade;
- h. calculate the assessable trading profits or losses of a continuing business following a change in accounting date; and

- i. explain and illustrate the possible uses of trading losses in a new or continuing business or a business ceasing to trade.

### **Taxation of income**

- j. calculate assessable employment income for an employee or director, taking into account expenses, allowable deductions and assessable benefits;
- k. calculate taxable savings, income from property, dividend income, taxed income and investment income;
- l. describe and calculate the principal aspects of the taxation of property income, including interest relief, rent-a-room relief and premiums on short leases;
- m. explain the alternative ways in which an individual can provide for retirement and calculate the tax relief available;
- n. explain the impact of an individual's residence and domicile;
- o. calculate total taxable income and the income tax payable or repayable for trustees, beneficiaries, employees, company directors, partners and self-employed individuals including the computation of double tax relief where appropriate and payments under the self-assessment system; and
- p. identify the key features of the self-assessment system for individuals, determine due dates for returns, payments, and payments on account, and calculate the interest and penalties due for late submissions of returns, incorrect returns and late or incorrect payments of tax.

### **National insurance contributions**

Students will be able to calculate the amounts of national insurance payable by individuals, businesses and companies.

In the assessment, students may be required to:

- q. identify the different classes of national insurance contributions;
- r. calculate the national insurance due on employment income and the assessable trading profits of the self-employed;
- s. explain and apply annual maxima rules for the payment of national insurance contributions; and
- t. calculate the total national insurance contributions payable by employees, employers and self-employed individuals.

## **SKILLS ASSESSED**

### **Assimilating and Using Information**

#### *Understand the situation and the requirements*

- Identify ethical issues in a given scenario

#### *Identify and use relevant information*

- Interpret information provided in various formats
- Evaluate the relevance of information provided
- Filter information provided to identify critical facts

#### *Identify and prioritise key issues and stay on task*

- Work effectively within time constraints
- Operate to a brief in a given scenario

#### *How skills are assessed: candidates may be required to:*

- explain the implications of proposed transactions in any of the following ways:
  - calculation of tax liabilities and reliefs available;
  - written description of tax treatments;
  - explanation of tax treatments in light of unstructured information relating to individuals, partnerships or companies;

- description of the availability and values of tax reliefs within the context of numerical questions;
- explanation of alternative tax treatments; and
- explanation of ethical issues within given scenarios.

## **Structuring problems and solutions**

### *Structure data*

- Present analysis in accordance with instructions and criteria

### *Develop solutions*

- Identify and apply relevant technical knowledge and skills to analyse a specific problem
- Use structured information to identify evidence-based solutions
- Select appropriate courses of action using an ethical framework

### *How skills are assessed: candidates may be required to:*

- calculate tax liabilities from a given scenario;
- demonstrate relevant technical knowledge;
- perform relevant, accurate calculations in a logically structured way;
- identify different business entities and their tax status (eg, company, sole trader, partnerships), and understand the tax implications thereof;
- integrate verbal descriptions with calculations;
- use calculations to illustrate an answer; and
- provide relevant legal and ethical information in the context of a tax scenario.

## **Applying judgement**

### *Apply professional scepticism and critical thinking*

- Recognise bias and varying quality in data and evidence
- Identify faults in arguments
- Exercise ethical judgement

### *How skills are assessed: candidates may be required to:*

- critically evaluate the quality, completeness and integrity of information put forward by tax payers.
- assess the legality of options and the consequences of various courses of action with regard to:
  - new client procedures;
  - HMRC errors;
  - money laundering;
  - tax avoidance and evasion.

## **Concluding recommending and communicating**

### *Conclusions*

- Apply technical knowledge to support reasoning and conclusions

### *Communication*

- Present analysis and recommendations in accordance with instructions
- Prepare the advice, report, or notes required in a clear and concise style

### *How skills are assessed: candidates may be required to:*

- analyse the implications of various courses of action out of a limited set of prescribed options.
- determine the tax implications of scenarios and proposals to provide alternative tax implications;
- take a given set of circumstances and reach a reasoned conclusion; and

- justify a conclusion made using knowledge of the existing tax regime.
- show an illustrative example of possible VAT treatments eg with regard to transactions involving land and buildings;
- show an illustrative example of inheritance tax implications of a proposed lifetime transfer or a transfer on death;
- show an illustrative example of the impact of residency status on income tax, capital gains tax or corporation tax; or
- show an illustrative example of whether an individual is trading by applying the badges of trade to reach a reasoned conclusion.

# *Business Planning*

The Business Planning modules provide students with the opportunity to gain subject- and sector-specific knowledge while studying for the ACA. Students will sit one of the Business Planning modules. There are three to choose from – Business Planning: Taxation, Business Planning: Banking and Business Planning: Insurance.

## *Business Planning: Taxation*

### **MODULE AIM**

To enable students to apply technical knowledge and professional skills to identify and resolve taxation issues that arise in the context of preparing tax computations and to advise on tax-efficient strategies for businesses and individuals.

Students will be required to use technical knowledge and professional judgement to identify, explain and evaluate alternative tax treatments and to determine the appropriate solutions to taxation issues, giving due consideration to the needs of clients and the interaction between taxes. The commercial context and impact of recommendations will need to be considered in making such judgements, as will ethical and legal issues.

### **PRIOR KNOWLEDGE**

There are no regulations stipulating the order in which students must attempt this module. However, students are strongly advised to complete both the Principles of Taxation module and the Tax Compliance module before attempting this module, as the ability to prepare tax computations is required to be successful at this module.

Although technical topics by necessity flow through the three taxation papers, a technical topic will not be retested in this module in a comprehensive computational question if it has already been tested in detail in either of the other two taxation papers.

### **METHOD OF ASSESSMENT**

The Business Planning: Taxation module has traditionally been assessed as a paper-based exam, however from the March 2018 session, this module will be assessed as a computer-based exam. The exam will continue to be 2.5 hours in length and will contain questions requiring the use of communication, judgement and evaluation skills as well as an ability to understand the interaction of different taxes. A paper-based version of this module will no longer be available.

The exam will consist of three questions. One question will be an integrated scenario of approximately 40 marks which will cover a range of taxes as well as including tax planning. Ethics and law may be tested in any of the three questions.

The exam will be open book and will permit students to take any written or printed material into the exam, subject to practical space restrictions. To see the recommended text(s) for this exam, go to [icaew.com/permittedtexts](http://icaew.com/permittedtexts).

## SPECIFICATION GRID

This grid provides a general guide as to the subject matter within this module and assessment coverage over a period of time.

Syllabus area	Weighting (%)
Ethics and law	5-10
Taxation of corporate entities	35-45
Taxation of owner-managed businesses	20-30
Personal taxation	15-25

This grid provides guidance on the relative weighting between knowledge and skills:

	Weighting (%)
Knowledge	25-35
Skills	65-75

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids at the end of this document.

### 1 Advanced taxation

Students will be able to analyse, evaluate and calculate the tax consequences of actions for individuals and companies and evaluate the interaction of taxes in given scenarios. This will involve advising and assisting clients in adhering to tax regulations.

In the assessment students may be required to consider:

#### Communication skills

- communicate in a format appropriate to the recipient who may be an external client, a fellow professional, or an internal colleague;
- prepare suitable advice to explain tax liabilities with supporting calculations;
- recommend appropriate tax-planning advice;
- identify further information required to complete tax computations and finalise tax advice;
- identify and explain to all stakeholders the implications of digital tax accounts on the UK taxpayers
- give advice which is appropriate, technically correct, and within the law and the ICAEW Code of Ethics as well as other relevant guidance, including Professional Conduct in Relation to Taxation (PCRT);

#### Taxation of business and corporate entities

- determine, explain and calculate the tax liabilities for individuals and corporate entities, including income tax, national insurance, corporation tax, diverted profits tax, stamp taxes and VAT;
- evaluate the tax implications of the choice of business structures, including provision of services through a company;
- explain the taxation issues relating to business start-ups;
- identify and evaluate the impact of close companies on the taxation of companies and individuals;

- k. explain and evaluate the tax implications of group structures;
- l. apply, explain and evaluate issues relating to transfer pricing;
- m. explain and evaluate the tax implications of business transformations and change;
- n. explain and calculate the tax implications involved in the cessation of trade;

#### **International aspects of corporate taxation**

- o. calculate the impact of international expansion on UK tax liabilities;
- p. explain the tax implications of inward investment in the UK;
- q. recognise the implications of double tax treaties, the OECD Model Tax Convention, and the OECD BEPS Project;
- r. apply and advise on double taxation relief;

#### **Financing and investing**

- s. evaluate the taxation implications of financing existing and new businesses;
- t. evaluate the taxation implications of returns to investors;
- u. advise and calculate the impact of tax efficient schemes including ISAs, enterprise investment schemes, seed enterprise investment schemes and venture capital trusts;

#### **Employment income and remuneration packages**

- v. advise on the tax implications of remuneration packages including share schemes, termination payments, and allowable deductions;

#### **Personal taxation and overseas taxation**

- w. calculate tax liabilities for individuals including income and capital gains tax, national insurance contributions and inheritance tax;
- x. advise on the taxation of foreign assets, income and gains;
- y. evaluate and advise on the impact of residence, non-residence and domicile on an individual's tax liabilities;
- z. analyse and explain the implications of individuals leaving and coming to the UK as well as the special tax position for non-UK domiciled individuals;
- aa. explain the implications of domicile for inheritance tax;.

#### **Trusts**

- bb. identify the need for and advise on the use of trusts in tax planning; and
- cc. appreciate the tax implications of creating and using trusts and the tax implications of assets entering or leaving trusts.

## **2 Tax planning**

Students will be able to advise on alternative tax treatments to defer or minimise tax liabilities. Students will also be able to understand the interaction of taxes in given scenarios and to identify and discriminate between tax evasion and tax avoidance.

In the assessment students may be required to:

- a. identify legitimate tax planning measures to minimise tax liabilities;
- b. evaluate and advise on tax strategies to meet business objectives;
- c. evaluate and advise on alternative tax strategies relating to corporate transformations and changes in personal circumstances such as marriage, divorce and death;
- d. recognise, explain and communicate opportunities to use alternative tax treatments arising from past transactions; and
- e. identify and communicate ethical and professional issues in giving tax planning advice.

### 3 Ethics and law

Students will be able to recognise and explain ethical and legal issues arising in taxation scenarios. Where ethical dilemmas arise, students will be required to apply the five fundamental principles and guidance in the IESBA and ICAEW codes as well as other relevant guidance, including Professional Conduct in Relation to Taxation (PCRT), to recommend and justify appropriate, legal actions.

In the assessment, students may be required to, in the context of taxation:

- a. recognise and explain the relevance, importance and consequences of ethical and legal issues;
- b. recommend and justify appropriate actions where ethical dilemmas arise in a given scenario;
- c. design and evaluate appropriate ethical safeguards; and
- d. recognise and advise when a tax-avoidance scheme is notifiable to HMRC and distinguish between planning, avoidance and evasion and their consequences.

## SKILLS ASSESSED

### Assimilating and Using Information

#### *Understand the situation and the requirements*

- Demonstrate understanding of the business context
- Recognise new and complex ideas within a scenario
- Identify the needs of customers and clients
- Identify risks within a scenario
- Identify elements of uncertainty within a scenario
- Identify ethical issues including public interest and sustainability issues within a scenario

#### *Identify and use relevant information*

- Interpret information provided in various formats
- Evaluate the relevance of information provided
- Filter information provided to identify critical facts

#### *Identify and prioritise key issues and stay on task*

- Identify business and financial issues from a scenario
- Prioritise key issues
- Work effectively within time constraints
- Operate to a brief in a given scenario

#### *How skills are assessed: candidates may be required to:*

- Business Planning: Taxation
  - assimilate information provided by internal and external sources;
  - identify and evaluate inconsistencies in information provided from multiple sources; and
  - recognise and explain key ethical issues for an accountant undertaking work in taxation.

### Structuring problems and solutions

#### *Structure data*

- Structure information from various sources into suitable formats for analysis
- Identify any information gaps
- Frame questions to clarify information
- Use a range of data types and sources to inform analysis and decision-making
- Present analysis in accordance with instructions and criteria

## Develop solutions

- Identify and apply relevant technical knowledge and skills to analyse a specific problem
- Use structured information to identify evidence-based solutions
- Identify creative and pragmatic solutions in a business environment
- Identify opportunities to add value
- Identify and anticipate problems that may result from a decision
- Identify a range of possible solutions based on analysis
- Identify ethical dimensions of possible solutions
- Select appropriate courses of action using an ethical framework
- Identify the solution which is the best fit with acceptance criteria and objectives
- Define objectives and acceptance criteria for solutions

*How skills are assessed: candidates may be required to:*

- Business Planning: Taxation
  - consider and calculate a range of appropriate tax treatments;
  - provide descriptive analysis and explanations;
  - integrate different taxes and jurisdictions;
  - evaluate taxation impact of a transaction;
  - integrate descriptions with calculations in a form appropriate for the user;
  - apply technical knowledge to perform relevant, accurate calculations in a logically structured way;
  - identify further information or clarifying existing arrangements with a client;
  - consider the impact of delaying or modifying future decisions; and
  - identify and explain ethical and legal issues.

## Applying judgement

*Apply professional scepticism and critical thinking*

- Recognise bias and varying quality in data and evidence
- Identify faults in arguments
- Identify gaps in evidence
- Identify inconsistencies and contradictory information
- Assess interaction of information from different sources
- Exercise ethical judgement

*Relate issues to the environment*

- Appreciate when more expert help is required
- Identify related issues in scenarios
- Assess different stakeholder perspectives when evaluating options
- Appraise the effects of alternative future scenarios
- Appraise ethical, public interest and regulatory issues

*How skills are assessed: candidates may be required to:*

- Business Planning: Taxation
  - apply scepticism to the integrity of information provided in the scenario having regard to its source;
  - select between appropriate options;
  - identify omissions in the information;
  - evaluate inconsistencies in information;
  - evaluate the effects of future events;
  - identify key linkages between information provided in a scenario and possible tax treatments;
  - compare the effects of a range of estimates, outcomes or tax treatments; and
  - exercise own ethical judgement in assessing the consequences of various courses of action.

## Concluding, recommending and communicating

### Conclusions

- Apply technical knowledge to support reasoning and conclusions
- Apply technical knowledge, professional experience and evidence to support reasoning
- Use valid and different technical skills to formulate opinions, advice, plans, solutions, options and reservations.

### Recommendations

- Present recommendations in accordance with instructions and defined criteria
- Make recommendations in situations where risks and uncertainty exist
- Formulate opinions, advice, recommendations, plans, solutions, options and reservations based on valid evidence
- Make evidence-based recommendations which can be justified by reference to supporting data and other information
- Develop recommendations which combine different technical skills in a practical situation

### Communication

- Present a basic or routine memorandum or briefing note in writing in a clear and concise style
- Present analysis and recommendations in accordance with instructions
- Communicate clearly to a specialist or non-specialist audience in a manner suitable for the recipient
- Prepare the advice, report, or notes required in a clear and concise style

### How skills are assessed: candidates may be required to:

- Business Planning: Taxation
  - determine the tax implications of scenarios and proposals to provide alternative recommendations to meet a given individual or corporate objective or goal;
  - formulate and recommend a reasoned conclusion from structured calculations;
  - justify a conclusion made using knowledge of the existing tax regime;
  - advise on the ethical considerations;
  - explain the limitations of conclusions or recommendations;
  - present a report/memorandum in response to a specific technical or ethical issue and in accordance with client requirements;
  - present a review of advice or proposed tax strategies making recommendations supported by calculations or analysis of tax issues identified; and
  - present a justification of a specific recommended action when a variety of options are available.

# *Business Planning: Banking*

## MODULE AIM

To enable students to apply technical knowledge and professional skills to identify and resolve technical compliance and ethical issues that arise in the context of the preparation and evaluation of financial and regulatory reporting and from providing audit and assurance services in the banking sector.

## PRIOR KNOWLEDGE

There are no regulations stipulating the order in which students must attempt this module. However, students are strongly advised to complete the Financial Accounting and Reporting module and the Audit and Assurance module before attempting this module, as an understanding of financial reporting and auditing is required to be successful at this module.

## METHOD OF ASSESSMENT

The Business Planning: Banking module has traditionally been examined as a paper-based exam, however from the June 2017 session, this module will be assessed as a computer-based exam. A paper-based version of this module will no longer be available. The exam will continue to be 2.5 hours in length and will contain questions requiring the use of communication, judgement and evaluation skills.

The exam will consist of three questions. One question will be an integrated scenario of approximately 40 marks. Ethics and law may be tested in any of the three questions.

The exam will be open book and will permit students to take any written or printed material into the exam, subject to practical space restrictions. To see the recommended text(s) for this exam, go to [icaew.com/permittedtexts](http://icaew.com/permittedtexts).

## SPECIFICATION GRID

This grid provides a general guide as to the subject matter within this module and assessment coverage over a period of time.

Syllabus Area	Weighting (%)
Risk management and financial services products	20-25
Financial and regulatory reporting for banks	35-40
Audit and assurance of banks	30-35
Ethics	5-10

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids at the end of this document.

## 1 Financial services: institutions, markets and products

Students will be able to demonstrate an understanding of the nature, functions and role of the banking sector and of the financial markets relevant to this industry. They will be able to appraise financial products, evaluate the risks and returns associated with such products and evaluate financial product strategies within the banking sector of the financial services industry.

In the assessment, students may be required to:

### Communication skills

- a. communicate in a format appropriate to the recipient who may be an external client of a bank, a fellow professional, or an internal colleague
- b. prepare suitable advice to explain issues relevant to banks, with supporting calculations where appropriate
- c. identify further information required to finalise preliminary recommendations
- d. give advice only where it is appropriate, technically correct, and within the relevant regulations and is in accordance with the ICAEW Code of Ethics.

### Institutions, markets and products

- e. demonstrate an understanding of the nature, structure and roles of different types of banks (eg commercial banks, retail banks, investment banks, private banks, finance houses, mutuals, Islamic banks)
- f. explain the nature and roles of the financial markets (eg credit, debt, equity, derivatives and money markets) within which banks operate and the functions that banks have within these markets (eg financial intermediation, securitisation, providing liquidity, clearing, relationship with central banks)
- g. explain the nature of derivatives (eg options, futures, swaps) and how they are traded. In a given scenario demonstrate how derivatives may be utilised (eg for foreign exchange, interest rates and commodities)
- h. demonstrate an understanding of financial market instruments including those relating to foreign exchange; money markets and trade finance
- i. identify key aspects of credit risk and appraise the operations of the credit risk function including: corporate loans, bonds, asset finance, trade finance, debt factoring and securitisation
- j. recognise and explain the nature and functions of securities products and markets
- k. explain and evaluate key securities issues for banks including: valuations, reserves, levelling, confirmations, nostro and vostro accounts, and stock reconciliations
- l. explain and evaluate alternative financial assets and the markets in which they operate (eg property, commodities).

## 2 Risk Management

Students will be able to identify the regulatory, operational and financial risks in relation to the banking sector and explain the principal methods and frameworks for managing those risks.

In the assessment, students may be required to:

- a. assess the nature of corporate governance in the banking sector and explain how good governance can set a framework to manage risks in the banking sector in a variety of scenarios and for a range of stakeholders; explain the role of the audit and risk committees
- b. explain the functions and purposes of the asset-liability committee (ALCO) as the primary risk management committee within a bank and perform analysis for risk identification and management
- c. identify and explain the key operational risks experienced by a bank in a given scenario, for example IT failure, cybercrime and fraud, and provide advice in the context of uncertainty

- d. explain the concept of risk appetite, and advise on how an appropriate level of risk taking might be determined by a bank, including the use of data analytics
- e. explain how a bank might manage credit risk and make reasoned recommendations, supported by analysis, in the context of a given scenario
- f. explain and demonstrate, using appropriate analysis, how financial instruments (eg, derivatives, hedging instruments) can be utilised to manage different types of financial risks by clients and in the context of proprietary trading by banks
- g. explain how a bank might manage its own liquidity and capital risk (including assessing the impact of collateral and asset encumbrance issues and funding sources).

### 3 Financial and regulatory reporting

Students will be able to demonstrate an understanding of how banks prepare financial reports for their annual financial statements and other regulatory requirements. This includes demonstrating knowledge of the accounting treatment of key transactions and balances, including financial instruments, and also demonstrating the ability to analyse the financial statements of banks.

In the assessment, students may be required to:

- a. explain and analyse a bank's statement of profit or loss, including its major sources of income
- b. explain and analyse a bank's statement of financial position, including its major components and priorities: liquidity, capital, leverage ratio
- c. determine and calculate how different bases for recognising, measuring, disclosing and classifying financial assets and financial liabilities can impact upon reported performance and financial position in accordance with IAS 32, IAS 39, IFRS 7, IFRS 9
- d. demonstrate an understanding of the financial reporting treatment of derivatives, including appropriate calculations
- e. show, explain and appraise hedge accounting principles and procedures in accordance with IAS 39 and IFRS 9, including appropriate calculations
- f. demonstrate an understanding of the financial reporting treatment of financial asset impairments for banks identifying relevant risks and preparing calculations of impairment allowances
- g. show and appraise the IFRS 9 treatment of the impairment of financial instruments, demonstrating an understanding of the relevant principles and evaluating how the implementation of IFRS 9 may impact capital markets firms in their treatment of the impairment of financial instruments
- h. identify and explain the circumstances where it is appropriate to use fair value measurement for financial instruments in accordance with IFRS 13 and evaluate the factors which may impact upon fair values, including trading cycles, market risk, credit risk, liquidity risk and associated controls (but not including technical valuation)
- i. perform financial statement analysis to appraise the potential credit risk from a company seeking finance, to identify risks facing a financial institution or to evaluate a potential acquisition target
- j. demonstrate an understanding of disclosure and presentation in financial reporting for financial instruments in accordance with IAS 32 and IFRS 7
- k. demonstrate an understanding of the proposals of the Enhanced Disclosure Task Force and explain the fundamental principles for risk disclosures; risk governance and risk management strategies and the business model (relevant risks include: capital adequacy and risk-weighted assets; liquidity risk; funding risk; market risk; credit risk)
- l. describe the principal differences between IFRS and UK GAAP and prepare simple extracts from financial statements in accordance with UK GAAP
- m. demonstrate an understanding of the regulatory reporting requirements for banks including:
  - Regulatory framework (Basel Committee, Financial Stability Board, European Commission, European Banking Authority, Bank of England/FCA/PRA)

- Introduction to regulatory capital, and capital management (Basel framework, CRD IV and CRR, capital ratio, risk-weighted assets, definition of capital, leverage ratio, liquidity coverage ratio)
- Comparison to previous Basel regulation – lessons from the financial crisis
- Basel 3 Pillar 3 disclosures, and bank regulatory returns
- Conduct regulation and accounting for regulatory penalties
- Bank of England/ PRA structural reform regarding ring-fencing core UK financial services and activities

#### 4 Audit and Assurance

Students will be able to demonstrate an understanding of issues relating to audit and assurance assignments for banks and be able to explain the risks, regulations and compliance procedures that are relevant to the banking sector. Students should be able to recognise and appraise the special considerations relating to the audit of banks and design appropriate audit procedures.

In the assessment, students may be required to:

- demonstrate an understanding of the application of auditing standards to banks and be able to apply, in given scenarios, the provisions of Practice Note 19, *The Audit of Banks and Building Societies in the United Kingdom*
- explain, evaluate and apply the provisions of IAPN 1000/Practice Note 23 *Special considerations in auditing financial instruments* and apply the audit procedures necessary in providing assurance over the completeness, accuracy, existence and valuation of financial instruments
- explain and apply appropriate audit procedures with respect to loan loss provisioning; appraising the risk of impairment and providing assurance in respect of the financial reporting treatment
- explain the duty and right to disclose information to FCA, PRA and BoE and dialogue between bank auditors and supervisors
- demonstrate an understanding of the FCA's requirement for holding or controlling client assets as set out in The Client Assets Sourcebook (CASS) and explain:
  - common failings in CASS compliance
  - recent changes to CASS rules
  - the rules, guidance and approach to be followed when completing audit procedures (as laid down by the Financial Conduct Authority) with respect to client money, custody assets and mandates
  - the essential elements of the FRC's Standard on 'Providing Assurance on Client Assets to the Financial Conduct Authority'.
- identify, explain and apply appropriate assurance procedures with respect to a credit review
- explain and apply appropriate procedures with respect to auditing of benchmarks (eg LIBOR)
- demonstrate an understanding of the role of a Skilled Person with reference to a Section 166 report and the application of ICAEW guidance (TECH15/14FSF)
- demonstrate an understanding of the role of assurance and the nature of assurance procedures in the banking industry, including internal audit and due diligence.

#### 5 Ethics

Students will be able to recognise and explain ethical issues arising in banking related scenarios. Where ethical dilemmas arise, students will be required to apply the fundamental principles and guidance in the IESBA and ICAEW codes to identify, recommend and justify appropriate actions.

In the assessment, students may be required to, in the context of banking related scenarios:

- recognise and explain the relevance, importance and consequences of ethical and legal issues

- b. recommend and justify appropriate actions where ethical dilemmas arise in a given scenario
- c. design and evaluate appropriate ethical safeguards
- d. recognise and advise when an issue should be notified to regulators
- e. recognise the ethical implications of providing audit and assurance services to a Public Interest Entity.

## SKILLS ASSESSED

### Assimilating and Using Information

#### *Understand the situation and the requirements*

- Demonstrate understanding of the business context
- Recognise new and complex ideas within a scenario
- Identify the needs of customers and clients
- Identify risks within a scenario
- Identify elements of uncertainty within a scenario
- Identify ethical issues including public interest and sustainability issues within a scenario

#### *Identify and use relevant information*

- Interpret information provided in various formats
- Evaluate the relevance of information provided
- Filter information provided to identify critical facts

#### *Identify and prioritise key issues and stay on task*

- Identify business and financial issues from a scenario
- Prioritise key issues
- Work effectively within time constraints
- Operate to a brief in a given scenario

#### *How skills are assessed: candidates may be required to:*

- Business Planning: Banking
  - recognise specific issues that may arise in the context of the situation described;
  - identify and evaluate inconsistencies in information provided from multiple sources; and
  - recognise and explain key ethical issues for an accountant undertaking work in banking.

### Structuring problems and solutions

#### *Structure data*

- Structure information from various sources into suitable formats for analysis
- Identify any information gaps
- Frame questions to clarify information
- Use a range of data types and sources to inform analysis and decision-making
- Present analysis in accordance with instructions and criteria

#### *Develop solutions*

- Identify and apply relevant technical knowledge and skills to analyse a specific problem
- Use structured information to identify evidence-based solutions
- Identify creative and pragmatic solutions in a business environment
- Identify opportunities to add value
- Identify and anticipate problems that may result from a decision
- Identify a range of possible solutions based on analysis
- Identify ethical dimensions of possible solutions
- Select appropriate courses of action using an ethical framework
- Identify the solution which is the best fit with acceptance criteria and objectives

- Define objectives and acceptance criteria for solutions

*How skills are assessed: candidates may be required to:*

- Business Planning: Banking
  - formulate, evaluate and implement accounting and reporting policies;
  - identify regulatory issues and requirements and consider appropriate responses where necessary;
  - integrate requirements of various international regulatory bodies and jurisdictions;
  - identify audit issues for a banking client and suggest appropriate responses
  - integrate descriptions with calculations in a form appropriate for the user;
  - apply technical knowledge to perform relevant, accurate calculations in a logically structured way;
  - identify further information needed;
  - provide descriptive analysis and explanations; and
  - identify and explain ethical and legal issues.

## Applying judgement

### *Apply professional scepticism and critical thinking*

- Recognise bias and varying quality in data and evidence
- Identify faults in arguments
- Identify gaps in evidence
- Identify inconsistencies and contradictory information
- Assess interaction of information from different sources
- Exercise ethical judgement

### *Relate issues to the environment*

- Appreciate when more expert help is required
- Identify related issues in scenarios
- Assess different stakeholder perspectives when evaluating options
- Appraise the effects of alternative future scenarios
- Appraise ethical, public interest and regulatory issues

### *How skills are assessed: candidates may be required to:*

- Business Planning: Banking
  - apply scepticism to the integrity of information provided in the scenario having regard to its source;
  - identify omissions in the information;
  - evaluate inconsistencies in information;
  - exercise own ethical judgement in assessing the consequences of various courses of action;
  - evaluate the effects of future events;
  - assess the materiality of errors; and
  - select between appropriate options.

## Concluding, recommending and communicating

### *Conclusions*

- Apply technical knowledge to support reasoning and conclusions
- Apply technical knowledge, professional experience and evidence to support reasoning
- Use valid and different technical skills to formulate opinions, advice, plans, solutions, options and reservations.

### *Recommendations*

- Present recommendations in accordance with instructions and defined criteria
- Make recommendations in situations where risks and uncertainty exist
- Formulate opinions, advice, recommendations, plans, solutions, options and reservations based on valid evidence
- Make evidence-based recommendations which can be justified by reference to supporting data and other information
- Develop recommendations which combine different technical skills in a practical situation

### *Communication*

- Present a basic or routine memorandum or briefing note in writing in a clear and concise style
- Present analysis and recommendations in accordance with instructions
- Communicate clearly to a specialist or non-specialist audience in a manner suitable for the recipient
- Prepare the advice, report, or notes required in a clear and concise style

### *How skills are assessed: candidates may be required to:*

- Business Planning: Banking
  - formulate and recommend a reasoned conclusion from data, facts, calculations, judgements and own analysis;

- advise on the ethical considerations; and
- draw conclusions from data, facts, calculations, judgements and own analysis;
- explain the limitations of conclusions or recommendations;
- identify key linkages;
- compare the effects of a range of estimates, and outcomes or financial treatments.
- present a report/memorandum in response to a specific technical or ethical issue and in accordance with client requirements;
- present reasoned, practicable advice that is clear and concise, supported by calculations or analysis of issues identified; and
- present a justification of a specific recommended action when a variety of options are available.

# *Business Planning: Insurance*

## MODULE AIM

To enable students to apply technical knowledge and professional skills to identify and resolve technical compliance and ethical issues that arise in the context of the preparation and evaluation of financial and regulatory reporting and from the provision of audit and assurance services in the insurance sector.

## PRIOR KNOWLEDGE

There are no regulations stipulating the order in which students must attempt this module. However, students are strongly advised to complete the Financial Accounting and Reporting module and the Audit and Assurance module before attempting this module, as an understanding of financial reporting and auditing is required to be successful at this module.

## METHOD OF ASSESSMENT

The Business Planning: Insurance module has traditionally been assessed as a paper-based exam, however from June 2018, this module will be assessed as a computer-based exam. A paper-based version of this module will no longer be available. The exam will continue to be 2.5 hours in length and will contain questions requiring the use of communication, judgement and evaluation skills.

The exam will consist of three questions. One question will be an integrated scenario of approximately 40 marks. Ethics and law may be tested in any of the three questions.

The exam will be open book and will permit students to take any written or printed material into the exam, subject to practical space restrictions. To see the recommended text(s) for this exam, go to [icaew.com/permittedtexts](http://icaew.com/permittedtexts).

## SPECIFICATION GRID

This grid provides a general guide as to the subject matter within this module and assessment coverage over a period of time.

Syllabus area	Weighting (%)
Risk management and insurance products	20-25
Financial and regulatory reporting for insurance companies	35-40
Audit and assurance of insurance companies	30-35
Ethics	5-10

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids at the end of this document.

## **1 Insurance: markets, services and products**

Students will be able to demonstrate an understanding of the principles, services and products applying in the insurance sector and the markets relevant to this industry. They will be able to appraise insurance related financial products, evaluate the risks and returns associated with such products and evaluate asset and liability management strategies within the insurance sector.

Throughout this syllabus, “insurance” means direct insurance, whether general or long-term business, and also reinsurance. It includes business in the Lloyd’s insurance market. Reinsurance includes reinsurance ceded and reinsurance risks accepted from other insurance companies by a reinsurer.

In the assessment, students may be required to:

### **Communication skills**

- a. communicate in a format appropriate to the recipient who may be an external client of an insurance company, a fellow professional, or an internal colleague
- b. prepare suitable advice to explain issues relevant to insurance, with supporting calculations where appropriate
- c. recommend appropriate strategic planning advice
- d. identify further information required to finalise preliminary recommendations
- e. give advice only where it is appropriate, technically correct, and within the relevant regulations and is in accordance with the ICAEW Code of Ethics.

### **Principles, services and products**

- f. demonstrate an understanding of the principles, practices and functions of the insurance sector and its related markets
- g. explain the nature of general (non-life) insurance and demonstrate an understanding of the issues and practices for different classes of insurance, including but not limited to: property, motor, health, catastrophe and casualty
- h. explain the nature of life insurance and demonstrate an understanding of the issues and practices relating to savings products, annuities, pensions and other long-term insurance products
- i. explain the nature, principles and purposes of the various types of reinsurance contracts, including evaluating the costs and benefits of risk sharing between the ceding and reinsurer companies
- j. identify and explain common investment classes; evaluate the risks attached to each class of investment; and advise on asset management strategies in a given scenario
- k. explain and evaluate the liabilities of insurance companies including utilising industry methods and models for estimating the total cost of claims, including claim notified, claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER)
- l. demonstrate a basic understanding of actuarial modelling in the context of insurance, including the use of data, the nature of the assumptions and their implications for estimating liabilities
- m. demonstrate an understanding of the different distribution routes used by insurers
- n. demonstrate an understanding of emerging alternatives to traditional forms of insurance, such as catastrophe bonds.

## **2 Risk Management**

Students will be able to identify the regulatory, operational and financial risks in relation to the insurance sector including the impact of data analytics and explain the principal methods and frameworks for managing those risks.

In the assessment, students may be required to:

- a. assess the nature of corporate governance for an insurance company and explain how good governance can set a framework to manage risks in a variety of scenarios and for a range of stakeholders; explain the role of the audit and risk committees
- b. identify and explain the key operational risks experienced by an insurance company in a given scenario, for example IT failure, cybercrime and fraud, and provide advice in the context of uncertainty
- c. explain the concept of risk appetite, and advise on how an appropriate level of risk taking might be determined by an insurer
- d. explain conduct risk and the customer centric perspective; recognising the role of regulators and evaluating how an insurance company might manage conduct risk in the context of a given scenario, making reasoned recommendations.
- e. identify and evaluate asset and liability matching strategies in the context of a given scenario, providing reasoned advice
- f. explain and demonstrate, using appropriate analysis, how financial instruments (eg, derivatives, hedging instruments) can be utilised to manage different types of financial risks
- g. recognise risk for insurers holistically from an enterprise risk management perspective, demonstrate an understanding of the factors that impact upon enterprise risk management, including culture, controls, risk models, data analytics and strategy, and provide reasoned advice in the context of a given scenario

### **3 Financial and regulatory reporting**

Students will be able to demonstrate an understanding of how insurance companies prepare financial reports for their annual financial statements and other regulatory requirements. This includes demonstrating knowledge of the accounting treatment of key transactions and balances, including financial instruments, and also demonstrating the ability to analyse the financial statements of insurance companies.

In the assessment, students may be required to:

- a. explain and analyse an insurance company's statement of profit or loss (income statement), and demonstrate an understanding of each type of income and expense
- b. explain and analyse an insurance company's statement of financial position, demonstrate an understanding of each of its major components
- c. explain, appraise and apply the provisions of IFRS 4, *Insurance Contracts*
- d. demonstrate an understanding of IFRS 17, *Insurance Contracts*
- e. determine and calculate how different bases for recognising, measuring, disclosing and presenting investment assets and financial liabilities can impact upon reported performance and financial position in accordance with IAS 32, IAS39, IFRS 7, IFRS 9, IFRS 40 and FRS 103
- f. determine the impact on reported performance and financial position of the recoverability of reinsurance receivables, allowing for insolvency of reinsurers, exhaustion of reinsurance, obligations arising from "financial reinsurance" and gaps in reinsurance cover.
- g. demonstrate an understanding of the financial reporting treatment of derivatives, including appropriate calculations
- h. show, explain and appraise hedge accounting principles and procedures in accordance with IAS 39 and IFRS 9, including appropriate calculations
- i. show and appraise the IFRS 9 treatment of the impairment of financial instruments, demonstrating an understanding of the relevant principles and evaluating the impact of the changes from the IAS 39 treatment of impairment
- j. identify and explain the circumstances where it is appropriate to use fair value measurement in accordance with IFRS 13 and evaluate the factors which may impact upon fair values, including trading cycles, credit risk, market risk and associated controls (but not including technical valuation)

- k. demonstrate an understanding of disclosure and presentation in financial reporting for financial instruments in accordance with IAS 32 and IFRS 7
- l. describe the principal differences between IFRS and UK GAAP and prepare simple extracts from financial statements in accordance with UK GAAP
- m. demonstrate an understanding of the regulations and regulatory reporting requirements for insurance companies arising from each of the following:
  - Regulatory framework (European Commission, European Insurance & Occupational Pensions Authority, Bank of England/FCA/PRA)
  - Introduction to regulatory capital, capital management and Solvency 2
  - Solvency 2 Pillar 3 disclosures, the Solvency & Financial Condition Report
  - Capital and regulatory reporting requirements for non-Solvency 2 firms
  - Pension Protection Fund regulatory requirements
  - Economic capital models, including Market Consistent Embedded Value principles
  - Conduct regulation and accounting for regulatory penalties

#### 4 Audit and Assurance

Students will be able to demonstrate an understanding of issues relating to audit and assurance assignments for insurers and be able to explain the risks, regulations and compliance procedures that are relevant to assurance assignments in the insurance sector. Students should be able to recognise and appraise the special considerations relating to assurance for insurance companies and design appropriate assurance procedures.

In the assessment, students may be required to:

- a. demonstrate an understanding of the application of auditing standards to insurance companies and be able to apply, in given scenarios, the provisions of Practice Note 20, *The Audit of Insurers in the United Kingdom*
- b. explain, evaluate and apply the provisions of IAPN 1000/Practice Note 23 *Special considerations in auditing financial instruments* and apply the audit procedures necessary in providing assurance over the completeness, accuracy, existence and valuation of financial instruments
- c. appraise and apply appropriate audit procedures to the assumptions underlying actuarial models in accordance with ISA 540
- d. demonstrate an understanding of the role of the review actuary and explain the principles and issues that determine the relationship between the assurance provider and the review actuary
- e. apply assurance procedures for an insurer's regulatory returns in accordance with the terms of the specific engagement
- f. identify and explain the audit risks and audit procedures in respect of market consistent embedded values (MCEV), including related disclosures
- g. demonstrate an understanding of the regulatory and audit Client Asset requirements in accordance with CASS 5 and the essential elements of the FRC's Standard on 'Providing Assurance on Client Assets to the Financial Conduct Authority'
- h. demonstrate an understanding of the role of a Skilled Person with reference to a Section 166 report and the application of relevant ICAEW guidance (TECH15/14FSF)
- i. demonstrate an understanding of the role of assurance and the nature of assurance procedures in the insurance industry, including internal audit and due diligence.

#### 5 Ethics

Students will be able to recognise and explain ethical issues arising for stakeholders in the insurance sector. Where ethical issues and dilemmas arise, students will be required to apply the fundamental principles and guidance in the IESBA and ICAEW codes to identify, recommend and justify appropriate actions.

In the assessment, students may be required to, in the context of insurance related scenarios:

- a. recognise and explain the relevance, importance and consequences of ethical and legal issues
- b. recommend and justify appropriate actions where ethical issues arise in a given scenario
- c. design and evaluate appropriate ethical safeguards
- d. recognise and advise when an issue should be notified to regulators
- e. recognise the ethical implications of providing audit and assurance services to a Public Interest Entity.

## SKILLS ASSESSED

### Assimilating and Using Information

#### *Understand the situation and the requirements*

- Demonstrate understanding of the business context
- Recognise new and complex ideas within a scenario
- Identify the needs of customers and clients
- Identify risks within a scenario
- Identify elements of uncertainty within a scenario
- Identify ethical issues including public interest and sustainability issues within a scenario

#### *Identify and use relevant information*

- Interpret information provided in various formats
- Evaluate the relevance of information provided
- Filter information provided to identify critical facts

#### *Identify and prioritise key issues and stay on task*

- Identify business and financial issues from a scenario
- Prioritise key issues
- Work effectively within time constraints
- Operate to a brief in a given scenario

#### *How skills are assessed: candidates may be required to:*

- Business Planning Insurance
  - recognise specific issues that may arise in the context of the situation described;
  - identify and evaluate inconsistencies in information provided from multiple sources; and
  - recognise and explain key ethical issues for an accountant undertaking work in insurance.

### Structuring problems and solutions

#### *Structure data*

- Structure information from various sources into suitable formats for analysis
- Identify any information gaps
- Frame questions to clarify information
- Use a range of data types and sources to inform analysis and decision-making
- Present analysis in accordance with instructions and criteria

#### *Develop solutions*

- Identify and apply relevant technical knowledge and skills to analyse a specific problem
- Use structured information to identify evidence-based solutions
- Identify creative and pragmatic solutions in a business environment
- Identify opportunities to add value
- Identify and anticipate problems that may result from a decision
- Identify a range of possible solutions based on analysis
- Identify ethical dimensions of possible solutions
- Select appropriate courses of action using an ethical framework
- Identify the solution which is the best fit with acceptance criteria and objectives

- Define objectives and acceptance criteria for solutions

*How skills are assessed: candidates may be required to:*

- Business Planning: Insurance
  - formulate, evaluate and implement accounting and reporting policies;
  - identify regulatory issues and requirements and consider appropriate responses where necessary;
  - integrate requirements of various regulatory bodies applicable to UK entities;
  - identify audit issues for an insurance client and suggest appropriate responses
  - integrate descriptions with calculations in a form appropriate for the user;
  - apply technical knowledge to perform relevant, accurate calculations in a logically structured way;
  - identify further information needed;
  - provide descriptive analysis and explanations; and
  - identify and explain ethical and legal issues.

### **Applying judgement**

*Apply professional scepticism and critical thinking*

- Recognise bias and varying quality in data and evidence
- Identify faults in arguments
- Identify gaps in evidence
- Identify inconsistencies and contradictory information
- Assess interaction of information from different sources
- Exercise ethical judgement

*Relate issues to the environment*

- Appreciate when more expert help is required
- Identify related issues in scenarios
- Assess different stakeholder perspectives when evaluating options
- Appraise the effects of alternative future scenarios
- Appraise ethical, public interest and regulatory issues

*How skills are assessed: candidates may be required to:*

- Business Planning: Insurance
  - apply scepticism to the integrity of information provided in the scenario having regard to its source;
  - identify omissions in the information;
  - evaluate inconsistencies in information;
  - exercise own ethical judgement in assessing the consequences of various courses of action;
  - evaluate the effects of future events;
  - assess the materiality of errors; and
  - select between appropriate options.

### **Concluding, recommending and communicating**

*Conclusions*

- Apply technical knowledge to support reasoning and conclusions
- Apply technical knowledge, professional experience and evidence to support reasoning
- Use valid and different technical skills to formulate opinions, advice, plans, solutions, options and reservations.

*Recommendations*

- Present recommendations in accordance with instructions and defined criteria
- Make recommendations in situations where risks and uncertainty exist

- Formulate opinions, advice, recommendations, plans, solutions, options and reservations based on valid evidence
- Make evidence-based recommendations which can be justified by reference to supporting data and other information
- Develop recommendations which combine different technical skills in a practical situation

#### *Communication*

- Present a basic or routine memorandum or briefing note in writing in a clear and concise style
- Present analysis and recommendations in accordance with instructions
- Communicate clearly to a specialist or non-specialist audience in a manner suitable for the recipient
- Prepare the advice, report, or notes required in a clear and concise style

#### *How skills are assessed: candidates may be required to:*

- Business Planning: Insurance
  - formulate and recommend a reasoned conclusion from data, facts, calculations, judgements and own analysis;
  - draw conclusions from data, facts, calculations, judgements and own analysis;
  - advise on the ethical considerations; and
  - explain the limitations of conclusions or recommendations;
  - identify key linkages;
  - compare the effects of a range of estimates, and outcomes or financial treatments.
  - present a report/memorandum in response to a specific technical or ethical issue and in accordance with client requirements;
  - present a reasoned, practicable advice that is clear and concise, supported by calculations or analysis of issues identified; and
  - present a justification of a specific recommended action when a variety of options are available.

# *Advanced Level*

## *Corporate Reporting*

### **MODULE AIM**

To enable students to apply technical knowledge, analytical techniques and professional skills to resolve compliance and business issues that arise in the context of the preparation and evaluation of corporate reports and from providing audit services.

Students will be required to use technical knowledge and professional judgement to identify, explain and evaluate alternatives and to determine the appropriate solutions to compliance issues, giving due consideration to the needs of clients and other stakeholders. The commercial context and impact of recommendations and ethical issues will also need to be considered in making such judgements.

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

- Formulate, implement and evaluate corporate reporting policies for single entities and groups of varying sizes and in a variety of industries. They will be able to discern and formulate the appropriate financial reporting treatment for complex transactions and complex scenarios. Students will be able to evaluate and apply technical knowledge from individual accounting standards and apply professional skills to integrate knowledge where several accounting standards are simultaneously applicable and interact.
- Analyse, interpret, evaluate and compare financial statements of entities both over time and across a range of industries.
- Explain the processes involved in planning an audit, evaluating internal controls, appraising risk including analysing quantitative and qualitative data and using data analytics, gathering evidence and drawing conclusions in accordance with the terms of the engagement. In addition, they will be able to perform a range of assurance engagements and related tasks.
- Evaluate corporate reporting policies, estimates and disclosures in a scenario in order to be able to assess whether they are in compliance with accounting standards and are appropriate in the context of audit objectives.
- Identify and explain ethical issues. Where ethical dilemmas arise, students will be able to recommend and justify and determine appropriate actions and ethical safeguards to mitigate threats.

### **PRIOR KNOWLEDGE**

This module assumes and develops the knowledge and skills acquired in the Financial Accounting and Reporting module and in the Audit and Assurance module.

Background knowledge based upon the strategic elements of the Business Planning modules, Business Strategy and Technology and Financial Management modules will also be required in evaluating the business and financial risks of reporting entities.

## REGULATION

The regulations relating to auditing and corporate reporting will have international application and are therefore based upon IFRSs and ISAs (UK). Knowledge of specific national standards will not be tested.

## ETHICS

Ethical codes will be those issued by IESBA and ICAEW. The ethical implications will be at both the organisational level and for individuals, particularly with respect to the accountant in business.

## METHOD OF ASSESSMENT

The Corporate Reporting module will be examined as a 3.5 hour exam. Each exam will contain questions requiring integration of knowledge and skills, including ethics.

The exam will consist of three questions. Ethical issues and problems could appear in any of the three questions.

The exam will be open book and will permit students to take any written or printed material into the exam, subject to practical space restrictions. To see the recommended text(s) for this exam, go to [icaew.com/permittedtexts](http://icaew.com/permittedtexts).

## 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 be within the ranges of weightings below, but slight variations may occur in individual papers to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
Corporate Reporting – Compliance	55-65
Corporate Reporting – Financial statement analysis	
Audit and Assurance	30-40
Ethics	5-10

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids from at the end of this document.

## CORPORATE REPORTING – COMPLIANCE

Students will be able to formulate, implement and evaluate accounting and reporting policies for single entities and groups of varying sizes and in a variety of industries. They will be able to discern and formulate the appropriate financial reporting treatment for complex transactions and complex scenarios. Students will be able to evaluate and apply technical knowledge from individual accounting standards and apply professional skills to integrate knowledge where several accounting standards are simultaneously applicable and interact.

In the assessment, students may be required to:

### **1 Principles**

- a. explain the impact of accounting principles and bases of measurement in corporate reporting, for example fair value measurement;
- b. appraise corporate reporting regulations, and related legal requirements, with respect to presentation, disclosure, recognition and measurement;
- c. explain and appraise accounting standards that relate to the impact of changes in accounting policies and estimates;
- d. explain and evaluate the impact of underlying assumptions on financial statements; and
- e. identify and explain current and emerging issues in corporate reporting.

### **2 Reporting performance**

- a. explain how different methods of recognising and measuring assets and liabilities can affect reported financial performance;
- b. explain and appraise accounting standards that relate to reporting performance: in respect of presentation of financial statements; revenue; operating segments; continuing and discontinued operations; EPS; construction contracts; interim reporting;
- c. formulate and evaluate accounting and reporting policies for single entities and groups of varying sizes and in a variety of industries; and
- d. calculate and disclose, from financial and other qualitative data, the amounts to be included in an entity's financial statements according to legal requirements, applicable financial reporting standards and accounting and reporting policies.

### **3 Assets and non-financial liabilities**

- a. explain how different methods of recognising and measuring assets and liabilities can affect reported financial position, and explain the role of data analytics in financial asset and liability valuation; and
- b. explain and appraise accounting standards that relate to assets and non-financial liabilities for example: property, plant and equipment; intangible assets, held-for-sales assets; inventories; investment properties; provisions and contingencies.

### **4 Financing**

- a. determine and calculate how different bases for recognising, measuring and classifying financial assets and financial liabilities can impact upon reported performance and position;
- b. appraise and evaluate cash flow measures and disclosures in single entities and groups;
- c. evaluate the impact of accounting policies and choice in respect of financing decisions for example hedge accounting and fair values; and
- d. explain and appraise accounting standards that relate to an entity's financing activities which include: financial instruments; leasing; cash flows; borrowing costs; and government grants.

### **5 Employee remuneration**

- a. explain how different methods of providing remuneration for employees may impact upon reported performance and position; and
- b. explain and appraise accounting standards that relate to employee remuneration which include different forms of short-term and long-term employee compensation; retirement benefits; and share-based payment.

### **6 Groups**

- a. identify and show the criteria used to determine whether and how different types of investment are recognised and measured as business combinations; and

- b. calculate and disclose, from financial and other data, the amounts to be included in an entity's consolidated financial statements in respect of its new, continuing and discontinued interests (which include situations when acquisitions occur in stages and in partial disposals) in subsidiaries, associates and joint ventures.

## **7 Reporting overseas activities**

- a. determine and calculate how exchange rate variations are recognised and measured and how they can impact on reported performance, position and cash flows of single entities and groups and
- b. demonstrate, explain and appraise how foreign exchange transactions are measured and how the financial statements of overseas entities are translated.

## **8 Taxation**

- a. explain, determine and calculate how current and deferred tax is recognised and appraise accounting standards that relate to current tax and deferred tax.

# **CORPORATE REPORTING – FINANCIAL STATEMENT ANALYSIS**

Students will be able to analyse, interpret, evaluate and compare financial statements of entities both over time and across a range of industries.

In the assessment, students may be required to:

## **9 Financial statement analysis**

- a. comment on and critically appraise the nature and validity of items included in published financial statements;
- b. comment on and critically appraise the nature and validity of information disclosed in annual reports, including integrated reporting and other voluntary disclosures;
- c. appraise the limitations of financial analysis;
- d. analyse and evaluate the performance, position, liquidity, efficiency and solvency of an entity through the use of ratios and similar forms of analysis including using quantitative and qualitative data;
- e. interpret the potentially complex economic environment in which an entity operates and its strategy based upon financial and operational information contained within the annual report (for example: financial and business reviews; reports on operations by management, corporate governance disclosures, financial summaries and highlights);
- f. appraise the significance of inconsistencies and omissions in reported information in evaluating performance;
- g. compare the performance and position of different entities allowing for inconsistencies in the recognition and measurement criteria in the financial statement information provided;
- h. make adjustments to reported earnings in order to determine underlying earnings and compare the performance of an entity over time;
- i. analyse and evaluate business risks and assess their implications for corporate reporting;
- j. analyse and evaluate financial risks (for example financing, currency and interest rate risks) and assess their implications for corporate reporting; and
- k. compare and appraise the significance of accruals basis and cash flow reporting.

# **AUDIT AND ASSURANCE**

Students will be able to explain the processes involved in planning an audit, evaluating internal controls, appraising risk including analysing quantitative and qualitative data, gathering evidence

and drawing conclusions in accordance with the terms of the engagement. In addition, they will be able to perform a range of assurance engagements and related tasks.

In the assessment, students may be required to:

### **10 Professional practice**

- a. appraise and explain the role and context of auditing;
- b. explain the nature and purpose of quality assurance (both at the level of the firm and the individual audit) and assess how it can contribute to risk management; and
- c. evaluate and explain current and emerging issues in auditing including developments in the use of big data and data analytics.

### **11 Planning**

- a. identify the components of risk and how these components may interrelate;
- b. appraise the entity and the, potentially complex, economic environment within which it operates as a means of identifying and evaluating the risk of material misstatement;
- c. identify the risks, including analysing quantitative and qualitative data, arising from, or affecting, a potentially complex set of business processes and circumstances and assess their implications for the engagement;
- d. identify significant business risks and assess their potential impact upon the financial statements and the audit engagement;
- e. evaluate the impact of risk and materiality in preparing the audit plan, for example the nature, timing and extent of audit procedures;
- f. determine analytical procedures, where appropriate, at the planning stage using technical knowledge of corporate reporting, data analytics and skills of financial statement analysis;
- g. evaluate the components of audit risk for a specified scenario, for example the interactions of inherent risk, control risk and detection risk, considering their complementary and compensatory nature;
- h. show professional scepticism in assessing the risk of material misstatement, having regard to the reliability of management;
- i. evaluate, where appropriate, the extent to which reliance can be placed on expertise from other parties to support audit processes; and
- j. prepare, based upon planning procedures, an appropriate audit strategy and detailed audit plan or extracts.

### **12 Internal control systems**

- a. analyse and evaluate the control environment for an entity based on an understanding of the entity, its operations and its processes;
- b. evaluate an entity's processes for identifying, assessing and responding to business and operating risks as they impact on the financial statements;
- c. appraise an entity's accounting information systems and related business processes relevant to corporate reporting and communication including virtual arrangements and cloud computing;
- d. analyse and evaluate strengths and weaknesses of preventative and detective control mechanisms and processes, highlighting control weaknesses; including weaknesses related to cyber security and corporate data controls;
- e. evaluate controls relating to information technology and e-commerce; including controls associated with cyber security and corporate data security;
- f. explain and appraise the entity's system for monitoring and modifying internal control systems; and
- g. devise, explain and evaluate tests of controls.

### **13 Corporate governance**

- a. describe and explain the nature and consequences of corporate governance and accountability mechanisms in controlling the operating and financial activities of entities of differing sizes, structures and industries;
- b. explain the rights and responsibilities of the board, board committees (eg, audit and risk committees), those charged with governance and individual executive and non-executive directors, with respect to the preparation and audit of financial statements;
- c. describe and explain the rights and responsibilities of stakeholder groups (eg, executive management, bondholders, government, securities exchanges, employees, public interest groups, financial and other regulators, institutional and individual shareholders) with respect to the preparation and audit of financial statements;
- d. evaluate and appraise appropriate corporate governance mechanisms;
- e. explain and evaluate the nature and consequence of relevant corporate governance codes and set out the required compliance disclosures;
- f. explain the OECD principles of corporate governance;
- g. explain the respective responsibilities of those charged with governance and auditors for corporate risk management and risk reporting;
- h. explain the respective responsibilities of those charged with governance and auditors in respect of internal control systems;
- i. explain and evaluate the role and requirement for effective two-way communication between those charged with governance and auditors; and
- j. describe and explain the roles and purposes of meetings of boards and of shareholders.

### **14 Audit evidence**

- a. explain and evaluate the relationship between audit risk and audit evidence;
- b. determine audit objectives for each financial statement assertion;
- c. determine for a particular scenario what comprises sufficient, appropriate audit evidence;
- d. design and determine audit procedures in a range of circumstances and scenarios, for example identifying an appropriate mix of tests of controls, analytical procedures and tests of details;
- e. demonstrate how professional scepticism should be applied to the process of gathering audit evidence and evaluating its reliability including the use of client-generated information and external market information in data analytics;
- f. demonstrate and explain, in the application of audit procedures, how relevant ISAs affect audit risk and the evaluation of audit evidence;
- g. evaluate, applying professional judgement, whether the quantity and quality of evidence gathered from various audit procedures, including analytical procedures and data analytics, is sufficient to draw reasonable conclusions;
- h. prepare appropriate audit documentation; and
- i. recognise issues arising whilst gathering assurance evidence that should be referred to a senior colleague.

### **15 Reporting and concluding**

- a. review the appropriateness of the going concern basis of accounting and describe relevant going concern disclosures;
- b. review events after the reporting period;
- c. review and evaluate, quantitatively and qualitatively, for example using analytical procedures and data analytics, the results and conclusions obtained from audit procedures;
- d. draw conclusions on the nature of the report on an audit engagement, and formulate an opinion for a statutory audit, which are consistent with the results of the audit evidence gathered; and
- e. draft suitable extracts for reports (for example any report to the management or those charged with governance issued as part of the engagement).

### **16 Assurance engagements**

- a. explain the nature of a range of different assurance engagements;

- b. evaluate the evidence necessary to report at the appropriate level of assurance;
- c. evaluate risk in relation to the nature of the assurance engagement and the entity or process for a given scenario; and
- d. design and determine procedures necessary to attain the relevant assurance objectives in a potentially complex scenario.

### **17 Other engagements**

- a. evaluate the role of internal audit and design appropriate procedures to achieve the planned objectives;
- b. appraise and explain the nature and purposes of forensic audit and prepare and plan procedures required to achieve a range of differing objectives;
- c. explain the roles and responsibilities that auditors may have with respect to a variety of different types of information and design procedures sufficient to achieve agreed objectives; and
- d. explain the nature and purposes of due diligence procedures (for example: financial, commercial, operational, legal, tax, human resources) and plan procedures required to achieve a range of differing financial objectives.

## **AUDIT AND CORPORATE REPORTING – INTEGRATED LEARNING OUTCOMES**

Students will be able to evaluate corporate reporting policies, estimates and disclosures in a scenario in order to be able to assess whether they are in compliance with accounting standards and are appropriate in the context of audit objectives.

In the assessment, students may be required to:

### **18 Integrated learning outcomes**

- a. identify and explain corporate reporting and assurance issues in respect of social responsibility, sustainability and environmental matters for a range of stakeholders;
- b. critically evaluate accounting policies choices and estimates, identifying issues of earnings manipulation and creative accounting; and
- c. critically appraise corporate reporting policies, estimates and measurements for single entities and groups in the context of an audit.

## **ETHICS**

Students will be able to identify and explain ethical issues. Where ethical dilemmas arise, they will be able to recommend, justify and determine appropriate actions and ethical safeguards to mitigate threats. In the assessment, students may be required, in the context of corporate reporting and auditing, to:

### **19 Ethics**

- a. identify and explain ethical issues in reporting, assurance and business scenarios;
- b. explain the relevance, importance and consequences of ethical issues;
- c. evaluate the impact of ethics on a reporting entity, relating to the actions of stakeholders;
- d. recommend and justify appropriate actions where ethical issues arise in a given scenario; and
- e. design and evaluate appropriate safeguards to mitigate threats and provide resolutions to ethical problems.

## SKILLS ASSESSED

### Assimilating and Using Information

#### *Understand the situation and the requirements*

- Demonstrate understanding of the business context
- Identify and understand the requirements
- Recognise new and complex ideas within a scenario
- Identify the needs of customers and clients
- Explain different stakeholder perspectives and interests
- Identify risks within a scenario
- Identify elements of uncertainty within a scenario
- Identify ethical issues including public interest and sustainability issues within a scenario

#### *Identify and use relevant information*

- Interpret information provided in various formats
- Evaluate the relevance of information provided
- Use multiple information sources
- Filter information provided to identify critical facts

#### *Identify and prioritise key issues and stay on task*

- Identify business and financial issues from a scenario
- Prioritise key issues
- Work effectively within time constraints
- Operate to a brief in a given scenario

#### *How skills are assessed: candidates may be required to:*

- have a detailed knowledge and understanding of relevant regulations in financial reporting, auditing and ethics, which will need to be related to practical business scenarios and applied to any data provided. The data provided will focus on technical compliance and understanding;
- respond to instructions from a line manager, a client request or from other senior personnel. The requests may be specific, or they may be more general requiring interpretation and judgement to be applied by the candidate;
- evaluate the quality and relevance of information provided in the context of a particular assignment;
- evaluate inconsistencies in information provided from multiple sources;
- use different sources and types of evidence to confirm, or question, financial statement assertions applying professional scepticism; and
- evaluate the ethical implications of making information available including confidentiality and transparency.

### Structuring problems and solutions

#### *Structure data*

- Structure information from various sources into suitable formats for analysis
- Identify any information gaps
- Frame questions to clarify information
- Use a range of data types and sources to inform analysis and decision making
- Structure and analyse financial and non-financial data to enhance understanding of business issues and their underlying causes
- Present analysis in accordance with instructions and criteria

#### *Develop solutions*

- Identify and apply relevant technical knowledge and skills to analyse a specific problem
- Use structured information to identify evidence-based solutions
- Identify creative and pragmatic solutions in a business environment

- Identify opportunities to add value
- Identify and anticipate problems that may result from a decision
- Identify a range of possible solutions based on analysis
- Identify ethical dimensions of possible solutions
- Select appropriate courses of action using an ethical framework
- Identify the solution which is the best fit with acceptance criteria and objectives
- Define objectives and acceptance criteria for solutions

*How skills are assessed: candidates may be required to:*

- apply technical knowledge, analytical techniques and professional skills to resolve compliance and business issues that arise in the context of the preparation and evaluation of corporate reports and from providing audit services;
- structure problems and solutions in scenario based questions which may be presented in the following forms:
  - Mini case – in the context of auditing but with significant corporate reporting emphasis. This may be technical, compliance or interpretive (for example including analytical procedures).
  - Financial statement analysis – including technical aspects of corporate reporting.
  - Technical question on aspects of audit and corporate reporting (which may include assurance, internal audit).
- consider ethical problems in reporting, assurance and business scenarios;
- formulate, evaluate and implement accounting and reporting policies;
- measure and recognise assets and obligations on reported financial performance;
- consider the impact and interaction of applicable accounting principles, bases and standards;
- consider the appraisal of remuneration policies on reported performance;
- evaluate reporting issues in relation to group scenarios and overseas activities.

## **Applying judgement**

*Apply professional scepticism and critical thinking*

- Recognise bias and varying quality in data and evidence
- Identify faults in arguments
- Identify gaps in evidence
- Identify inconsistencies and contradictory information
- Assess interaction of information from different sources
- Exercise ethical judgement

*Relate issues to the environment*

- Appreciate when more expert help is required
- Identify related issues in scenarios
- Assess different stakeholder perspectives when evaluating options
- Appraise corporate responsibility and sustainability issues
- Appraise the effects of alternative future scenarios
- Appraise ethical, public interest and regulatory issues

*How skills are assessed: candidates may be required to:*

- use technical knowledge and professional judgement to identify, explain and evaluate alternatives and to determine the appropriate solutions to compliance issues, giving due consideration to the needs of clients and other stakeholders. The commercial context and impact of recommendations and ethical issues will also need to be considered in making such judgements.
- Demonstrate judgement in the following ways:
  - selecting between technical choices;
  - filtering data to identify critical elements;

- prioritising information, issues or tasks;
- identifying omissions in the information;
- evaluating inconsistencies in information;
- distinguishing between the various qualities of the data provided;
- evaluating the impact of economic and political factors;
- evaluating the effects of known events;
- evaluating the appropriateness of accounting policy choice and estimation selection;
- evaluating options;
- comparing the effects of a range of estimates, outcomes or financial treatments;
- assessing the materiality of errors;
- exercising ethical judgement;
- identifying key linkages; and
- drawing appropriate conclusions from data provided to satisfy specified objectives and assessing the materiality of errors and omissions.

## **Concluding, recommending and communicating**

### *Conclusions*

- Apply technical knowledge to support reasoning and conclusions
- Apply professional experience and evidence to support reasoning
- Use valid and different technical skills to formulate opinions, advice, plans, solutions, options and reservations.

### *Recommendations*

- Present recommendations in accordance with instructions and defined criteria
- Make recommendations in situations where risks and uncertainty exist
- Formulate opinions, advice, recommendations, plans, solutions, options and reservations based on valid evidence
- Make evidence-based recommendations which can be justified by reference to supporting data and other information
- Develop recommendations which combine different technical skills in a practical situation

### *Communication*

- Present a basic or routine memorandum or briefing note in writing in a clear and concise style
- Present analysis and recommendations in accordance with instructions
- Communicate clearly to a specialist or non-specialist audience in a manner suitable for the recipient
- Prepare the advice, report, or notes required in a clear and concise style

### *How skills are assessed: candidates may be required to:*

- draw conclusions from data, facts, calculations, judgments and own analysis;
- draw conclusions from complex assurance engagements;
- identify weaknesses in financial information systems and their potential consequences;
- distinguish between the qualities of data provided or other evidence generated;
- develop risk management solutions in an audit and corporate reporting environment;
- create report/memorandum in response to a specific technical issue and in accordance with client requirements;
- draft reasoned, practicable advice that is clear and concise, supported by calculations or analysis of technical/business issues identified;
- use judgement to select the most appropriate audit procedures in the context of risks identified;
- justify a specific recommended action when a variety of options are available;
- explain the limitations of their conclusions or recommendations.

# *Strategic Business Management*

## **MODULE AIM**

To enable students to demonstrate quantitative and qualitative skills, in order to make realistic business recommendations in complex scenarios. Business awareness will need to be demonstrated at strategic, operating and transactional levels.

To achieve this aim, students will be required to use technical knowledge and professional judgement to apply appropriate models and to analyse quantitative and qualitative data from multiple sources, including corporate reports, in order to evaluate alternatives and determine appropriate solutions.

On completion of this module, in a national or global context, and for a range of different business structures and industry scenarios, students will be able to:

- Analyse and identify the external environment and internal strategic capability of an entity; evaluate the consequences of strategic choices; recommend strategies to achieve stakeholder objectives, recommend appropriate methods of implementing strategies and monitoring strategic performance; manage business risks; and advise on corporate governance.
- Identify and advise upon appropriate finance requirements; evaluate financial risks facing a business and advise upon appropriate methods of measuring and managing those risks; provide valuations for businesses and securities; and advise upon investment and distribution decisions.
- Identify and explain ethical issues. Where ethical dilemmas arise, students will be able to recommend and justify and determine appropriate actions and ethical safeguards to mitigate threats.
- Interpret and apply corporate reporting information in evaluating business and financial performance; recognise and explain the corporate reporting consequences of business and financial decisions; apply corporate reporting information in appropriate models to determine asset, equity and entity valuations, demonstrating an understanding of the usefulness and limitations of accounting information in this context.
- Appraise and explain the role of assurance in raising new equity and debt funding and in the subsequent monitoring of such funding arrangements; understand, explain and evaluate the role of assurance in selecting and implementing key business decisions including acquisitions and strategic alliances; understand and explain the role of assurance in financial and business risk management.

## **PRIOR KNOWLEDGE**

This module assumes and develops the knowledge and skills acquired in the Financial Accounting and Reporting module, the Business Strategy and Technology module and the Financial Management module.

Background knowledge based upon the strategic elements of the Business Planning: Taxation and the Audit and Assurance module will also be required in evaluating the business and financial risks of reporting entities.

## ETHICS

Ethical codes will be those issued by IESBA and the ICAEW. The ethical implications will be at both the organisational level and for individuals, particularly with respect to the accountant in business.

## METHOD OF ASSESSMENT

The Strategic Business Management module will be examined as a 3.5 hour exam. Each exam will contain questions requiring integration of knowledge and skills, including ethics.

The exam will consist of two questions, and ethical issues and problems could appear in either question.

The exam will be open book and will permit students to take any written or printed material into the exam, subject to practical space restrictions. To see the recommended text(s) for this exam, go to [icaew.com/permittedtexts](http://icaew.com/permittedtexts)

## SPECIFICATION GRID

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

Syllabus area	Weighting (%)
Business Strategy and Management	30-40
Financial Strategy Financial Structure and Financial Reconstruction Financial Instruments and Financial Markets	25-35
Corporate Reporting	15-20
Assurance	10
Ethics	5-10

## BUSINESS CONTEXTS

The learning outcomes may all be assessed within an integrated business scenario.

The following are examples of possible scenarios:

- developing management information strategies
- developing management and corporate governance mechanisms
- business and financial risk management
- business start-up planning
- business and security valuations
- developing policies for sustainability and corporate responsibility
- raising, structuring and restructuring of finance
- resource management issues

- developing performance management strategies
- developing remuneration and reward packages
- reorganisation and restructuring of entities, and the management of change
- financial distress and business recovery
- developing global financial and business strategies and operations
- developing global divisional and transfer pricing strategies for tax and performance management
- appraisal methods for businesses undertaking major projects and/or organisational or process transformation
- issues arising from use of complex financial instruments in business finance in the context of risk and treasury management
- ethical issues arising in business and finance.

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids at the end of this document.

## **INTEGRATED LEARNING OUTCOMES**

### **BUSINESS STRATEGY AND MANAGEMENT**

Students will be able to analyse and identify the external environment and internal strategic capability of an entity; evaluate the consequences of strategic choices; recommend strategies to achieve stakeholder objectives, recommend appropriate methods of implementing strategies and monitoring strategic performance; measure and manage business risks; and advise on corporate governance. Students will also be able to apply corporate reporting and assurance principles and practices in the context of key business decisions and events.

In the assessment, students may be required to:

#### **1 Strategic analysis**

- describe and explain the strategic objectives of an entity considering the interests of stakeholders
- analyse and evaluate, for a given scenario, the external economic, market and industry environment which may impact upon a business's performance and position
- identify and evaluate the significance of the internal factors in a given scenario which may influence an entity's ability to achieve its chosen strategic objectives
- analyse and evaluate an entity's current position and performance, from both a financial perspective and a non-financial perspective, using a variety of internal and external information sources
- demonstrate how strategic analysis tools can be used in a complex scenario
- demonstrate how business strategy and financial strategy can interrelate in a complex scenario
- evaluate and advise upon the strategic capability of an entity
- evaluate strategy at corporate, business unit and operational levels.

#### **2 Strategic choice**

- assess, advise on and propose appropriate business strategies to meet stated objectives
- identify and evaluate business unit strategies to achieve sustainable competitive advantage
- explain and demonstrate how financial and non-financial data can be analysed in order to select an optimal business strategy, including the impact of big data on business models

- d. explain and demonstrate how strategic business models can be used in a given scenario, to identify factors that a business can consider in choosing between competing strategies
- e. explain international strategies; appraise international value chains and markets; including the concepts of globalisation and the borderless business; and show the impact on individual and group financial statements of changes in foreign exchange rates
- f. evaluate digital strategies.

### **3 Strategic implementation**

- a. demonstrate and explain the impact of acquisitions and strategic alliances in implementing corporate strategy and evaluate the nature and role of assurance procedures in selecting and monitoring such strategies
- b. evaluate and explain the relationship between business strategy and organisational structure
- c. explain and evaluate the nature and methods of change management and advise on the implementation of change in complex scenarios
- d. demonstrate and explain the techniques that may be used in implementing a strategy to reduce costs, for example supply chain management, business process re-engineering and outsourcing
- e. evaluate, in a given scenario, the functional strategies necessary to achieve a business's overall strategy
- f. develop business plans and proposals and advise on technical issues relating to business and organisational plans, assessing the impact on historic and projected corporate reporting information.
- g. Demonstrate an understanding of data security issues, including cyber security issues, arising from communications, shared systems and data sharing throughout the supply chain and with strategy partners,
- h. Identify and explain barriers to implementation of digital strategy and make recommendations as to how they may be overcome.

### **4 Strategic performance management**

- a. advise on, and develop, appropriate performance management approaches for businesses and business units, including the use of data analytics
- b. explain and demonstrate how a business can analyse complex, quantitative and qualitative data from multiple sources to provide strategic management accounting information to implement, monitor and modify a strategy at an appropriate organisational level in order to create competitive advantage
- c. use financial and non-financial performance data from a variety of sources, including integrated reporting disclosures, to measure multiple aspects of performance at a variety of organisational levels
- d. advise on, and develop, appropriate remuneration and reward packages for staff and executives linked to performance, considering agency relationship issues; and evaluate the impact on corporate reports arising from employee remuneration, including pensions and share-based payment
- e. develop measures to evaluate performance in the context of social responsibility, sustainability and environmental matters.

### **5 Strategic marketing and brand management**

- a. assess strategic marketing issues and demonstrate the application of quantitative and qualitative marketing techniques in complex scenarios
- b. evaluate and analyse markets and the marketing environment and develop a marketing strategy consistent with the overall business strategy
- c. explain, using information provided, how to position particular products and services in the market place (domestic or international) to maximise competitive advantage, and assess the corporate reporting impact arising from revenue and profit recognition in accordance

- d. demonstrate, across a range of industries, how elements of the marketing mix can be used to promote competitive advantage
- e. develop and explain marketing strategies using databases, big data and information technology applications such as social media and other internet sources
- f. develop and explain the strategies for managing and sustaining existing brands
- g. prepare marketing strategies and show how they can be used to develop brands
- h. demonstrate how appraisal techniques can be used for valuing brands, patents, R&D projects and intellectual property and evaluate relevant corporate reporting recognition and measurement for Intangible Assets.

## **6 Business risk management**

- a. analyse and evaluate the key types of business risks using relevant quantitative and qualitative data and assess their implications within a given scenario, for business strategy and corporate reporting disclosures
- b. advise on the risks involved in business and organisational plans and show how these risks can be managed by assurance procedures and other forms of risk mitigation
- c. explain the responsibility of those charged with governance for managing risk and assess the role of assurance in risk mitigation
- d. assess the impact of risk on a variety of stakeholders
- e. explain and assess the various steps involved in constructing a business risk management plan, by establishing context, identifying risks and the assessment and quantification of risk
- f. evaluate and explain the limitations of business risk management
- g. assess and explain enterprise risk management, evaluating its framework and its benefits
- h. using data provided, analyse quantitatively and qualitatively, business risks under a range of complex scenarios.

## **7 Corporate governance**

- a. assess the nature of governance and the explain the characteristics and principles of good governance in a variety of scenarios
- b. assess the interests and impact of organisational stakeholders in determining strategy and the consequences for stakeholders of strategic choices
- c. evaluate the impact of governance mechanisms on a range of stakeholders
- d. assess and advise on appropriate corporate governance mechanisms, and evaluate stakeholder management
- e. analyse and evaluate the strengths and weaknesses of corporate governance mechanisms and processes
- f. explain the role of boards in determining and evaluating an entity's policy for social responsibility, sustainability and environmental matters and advise on corporate reporting disclosures relating to these policies
- g. evaluate the suitability of corporate governance and organisational structures for implementing strategy
- h. explain the role of boards in monitoring corporate performance and risk, and assess the role of assurance procedures in this context
- i. explain the nature, and assess the consequences, of the legal framework within which businesses, assurance and governance systems operate (with particular reference to company law, fraud, money laundering, civil liabilities, social security law, employment law, contract law, tort and environmental law).

## **8 Data analysis**

- a. undertake appropriate quantitative and qualitative data analysis, business analysis and financial statement analysis
- b. explain financial and operational data and other management information, drawing inferences relating to its completeness, accuracy and credibility, as a basis for a meaningful analysis of the position, future prospects and risks for a business

- c. demonstrate how suitable financial, strategic and operational analysis techniques can be used to analyse financial and operational data and to evaluate business position, prospects and risks, including the analysis and benefits of 'Big Data'.
- d. communicate an explanation (stating any reservations regarding transparency and objectivity of data and information) of the position, prospects and risks of a business, based on analysis of financial and operational data and information, including data analytics and assess the extent to which limited assurance and reasonable assurance engagements can identify and mitigate information risks in this context.

## **9 Information strategy**

- a. outline proposals and advise on outline requirements for information technology applications to support business strategy, for example in the context of e-commerce, e-business, virtual arrangements and cloud computing, including assurance issues in relation to data security
- b. use management accounting information (for example, costs, prices, budgets, transfer prices) and management accounting tools (for example, break-even, variances, limiting factors, expected values, ABC, balanced scorecard) to evaluate short and long term aspects of strategy
- c. explain and appraise how management information systems can provide relevant quantitative and qualitative data to analyse markets, industry and performance, including the capture and analysis of big data
- d. demonstrate and explain methods for determining the value of information in the context of developing an information strategy
- e. assess financial and operational data and information from management information systems, drawing inferences relating to its completeness, accuracy and credibility, and provide an evaluation of assurance procedures in evaluating information risks, including those relating to cyber security
- f. demonstrate and explain how businesses capture, analyse and utilise information to develop competitive advantage
- g. evaluate the impact of cloud computing and the borderless business on the provision of strategic management information
- h. explain and appraise corporate strategies for ensuring security of data and preventions of attacks against data in the context of cyber security.

## **10 Human resource management**

- a. assess, explain and advise on the role of human resource management in implementing strategy
- b. demonstrate and explain how human resource management can contribute to business strategy
- c. identify the impact of remuneration structures on organisational behaviour and other aspects of human resource management, and show the corporate reporting consequences
- d. demonstrate and explain the role and impact of human resource management in change management.

## **FINANCIAL STRATEGY**

Students will be able to identify and advise upon appropriate finance requirements; evaluate financial risks facing a business and advise upon appropriate methods of managing and quantifying those risks; provide valuations for businesses and securities; and advise upon investment and distribution decisions. Students will also be able to apply corporate reporting and assurance principles and practices in the context of key financing decisions and events.

In the assessment, students may be required to:

### **11 Finance awareness**

- a. demonstrate and explain the financing alternatives available for projects and assets, and make informed choices as to which alternative is the most compatible with the overall financial strategy of the entity, showing the corporate reporting consequences relating to presentation, disclosure, recognition and measurement of projects and their financing
- b. assess and explain current and emerging issues in finance
- c. identify social responsibility, sustainability and environmental factors for a range of financial stakeholders, including UN sustainable development goals, and assess assurance and corporate reporting issues relating to such factors
- d. explain how financial crises, which have occurred in the past over a long time period, may impact on approaches and attitudes to financial risk and may inform corporate reporting practice.

### **12 Business and securities valuation**

- a. explain, advise on and demonstrate appropriate valuation methods for businesses and equity securities using: asset-based; adjusted earnings-based; and cash-based methods (for example SVA, EVAR, VBM, MVA and other appropriate techniques)
- b. critically appraise business and securities valuation methods in the context of specified complex scenarios
- c. explain and demonstrate appropriate valuation techniques in the context of acquisitions and mergers; assess the contribution of due diligence procedures; and show the impact on corporate reports arising from acquisitions for groups in consolidated financial statements
- d. explain and demonstrate appropriate valuation techniques in the context of demergers and for disposal of entities and business units, and show the impact on corporate reporting issues relating to discontinued operations
- e. determine the value of debt and explain the techniques used.

## **FINANCIAL STRUCTURE AND FINANCIAL RECONSTRUCTION**

### **13 Capital structure**

- a. appraise and evaluate the sources of finance and the process for raising finance
- b. advise on and develop proposals for determining the appropriate financing mix for new businesses and projects
- c. explain and advise on issues relating to the cost of capital
- d. show and explain how dividend policy impacts upon equity value and upon financing and investment decisions
- e. appraise and explain how the choice of financing impacts on reported corporate performance, and on the recognition and measurement of financial assets and financial liabilities.

### **14 Financial reconstruction**

- a. show and explain how financial reconstruction takes place and explain the consequences of such reconstructions for corporate reporting
- b. appraise and evaluate financial reconstruction proposals in a given scenario, and determine the nature and role of assurance procedures in this context
- c. explain the different reasons for refinancing, and demonstrate how companies in financial distress can be managed, having regard to insolvency law
- d. explain and appraise the workings of, and reasons for, securitisation, showing the impact on financial statement information
- e. explain and appraise the nature and consequences of leveraged buy outs
- f. appraise and evaluate various forms of reconstruction (for example, spin-off, MBO, divestment, demergers, purchase of own shares, use of distributable profits), explaining the corporate reporting impact.

## **15 Small and medium company financing**

- a. appraise and explain the small and medium-sized enterprise financing problem
- b. appraise and evaluate the various methods of financing available to small and medium-sized enterprises, and explain the nature and role of assurance for small and medium-sized companies in raising such finance  
assess and explain the characteristics of sources of equity for smaller companies and the financial institutions operating in these markets (for example, venture capital and private equity).

## **FINANCIAL INSTRUMENTS AND FINANCIAL MARKETS**

### **16 Equity instruments**

- a. assess and explain the types of equity securities, and evaluate the implications for disclosure, presentation, recognition and measurement in financial statements
- b. appraise and explain the characteristics of equity markets and the financial institutions operating in these markets
- c. analyse and evaluate the cost of equity, portfolio theory and the use of appropriate asset pricing models, applying principles of financial economics.

### **17 Fixed interest**

- a. explain the types of fixed interest securities and evaluate the implications for disclosure, presentation, recognition and measurement in financial statements
- b. appraise and explain the characteristics of bond markets and the financial institutions operating in these markets
- c. appraise and evaluate the use of bonds/loans as a method of finance, and explain the implications of terms included in loan agreements in a given scenario (for example, covenants and guarantees) and the explain the procedures by which monitoring and assurance can be provided in respect of such agreements
- d. explain and appraise bond valuation techniques and assess flat and gross redemption yields
- e. explain and appraise yield curves, sensitivity to yield and components of the yield
- f. evaluate and explain interest rate risk
- g. appraise and evaluate credit risk and credit spread.

### **18 Derivatives**

- a. explain the types of derivative securities and evaluate the implications for disclosure, presentation, recognition and measurement in financial statements
- b. assess and explain the characteristics of derivative markets and the financial institutions operating in these markets
- c. appraise and evaluate the characteristics of forwards, futures, options, swaps, credit derivatives.

### **19 Financial risk management**

- a. analyse and evaluate financial risks and their implications (for example financing, currency and interest rate risks) and show the application of qualitative and quantitative risk disclosures for financial instruments and other corporate reporting disclosures relevant to risk assessment
- b. appraise and advise on appropriate methods to assess, manage and quantify financial risk in specific business scenarios
- c. explain and appraise financial instruments available for hedging against interest rate and foreign exchange rate risk, for example, swaps, collars and floors
- d. demonstrate and explain the nature and operation of financial instruments underlying the disclosure, recognition and measurement requirements in financial statements

- e. demonstrate and explain how interest rate hedging strategies and foreign currency risk management strategies can be formulated, both at the level of the individual transaction and for macro hedging arrangements.

## **20 International financial management**

- a. explain and appraise the various methods of financing available for overseas investments and evaluate the implications for disclosure, presentation, recognition and measurement of changes in foreign exchange rates in financial statements
- b. appraise and explain global treasury organisation and international liquidity management
- c. appraise and evaluate the factors affecting the capital structure of a multinational company
- d. explain and appraise the advantages and risks associated with international borrowing
- e. demonstrate and explain the risks associated with international trade and the ways in which these risks can be managed, and assess the nature and role of assurance procedures in mitigating risk and the financial reporting consequences of currency hedging
- f. appraise and evaluate the different methods open to multinationals wishing to set up overseas operations and the choices of finance available, identifying tax and corporate reporting consequences
- g. assess and explain the impact of exchange controls and how companies can overcome the effects of these controls
- h. appraise and evaluate the management of dividends in multinational organisations
- i. appraise and evaluate the management of transfer prices in multinational organisations and the implications for reported profit and tax.

## **21 Investment appraisal**

- a. select and advise on investment appraisal techniques which are appropriate to the objectives and circumstances of a given business
- b. appraise and advise on appropriate measures of return and risk for assessing business projects
- c. demonstrate and evaluate investment appraisal techniques for international projects, identifying the impact of tax and the effects on corporate reporting
- d. explain and appraise real options and determine the impact of options to abandon, expand, delay and redeploy
- e. appraise and evaluate the quantitative and qualitative issues surrounding international investment appraisal
- f. evaluate the impact of externalities when making investment appraisal decisions
- g. identify social responsibility, sustainability and environmental consequences of investment decisions, explaining corporate reporting issues in relation to such policies.

## **22 Treasury and working capital management**

- a. demonstrate and explain the role and responsibilities of the treasury management function
- b. demonstrate and explain the role of treasury management in short-term finance, short-term investment and liquidity risk
- c. appraise and evaluate the contribution of working capital management to short term and long term financing
- d. evaluate the risks arising from working capital management and how these may be mitigated
- e. evaluate and explain working capital requirements for a range of different organisations and circumstances
- f. demonstrate and explain the nature and role of working capital management within financial management
- g. appraise, evaluate and advise with respect to working capital management techniques.

## ETHICS

Students will be able to identify and explain ethical issues. Where ethical dilemmas arise, students will be able to recommend, justify and determine appropriate actions and ethical safeguards to mitigate threats.

### 23 Ethics

In the assessment, students may be required to:

- a. recognise and explain ethical issues
- b. explain the relevance, importance and consequences of ethical issues
- c. evaluate the impact of ethics on an entity, its stakeholders and the scope of its strategies and operations
- d. recommend and justify appropriate actions where ethical dilemmas arise in a given scenario
- e. design and evaluate appropriate ethical safeguards.

## SKILLS ASSESSED

### Assimilating and Using Information

#### *Understand the situation and the requirements*

- Demonstrate understanding of the business context
- Identify and understand the requirements
- Recognise new and complex ideas within a scenario
- Identify the needs of customers and clients
- Explain different stakeholder perspectives and interests
- Identify risks within a scenario
- Identify elements of uncertainty within a scenario
- Identify ethical issues including public interest and sustainability issues within a scenario

#### *Identify and use relevant information*

- Interpret information provided in various formats
- Evaluate the relevance of information provided
- Use multiple information sources
- Filter information provided to identify critical facts

#### *Identify and prioritise key issues and stay on task*

- Identify business and financial issues from a scenario
- Prioritise key issues
- Work effectively within time constraints
- Operate to a brief in a given scenario

#### *How skills are assessed: candidates may be required to:*

- draw conclusions in the following ways:
  - from data, facts, calculations, judgments and own analysis;
  - on complex assurance engagements;
  - by identifying weaknesses in financial information systems and their potential consequences;
  - by distinguishing between the qualities of data provided or other evidence generated; and
  - by developing risk management solutions in an audit and corporate reporting environment.
- present and communicate their recommendations include:
  - a report/memorandum in response to a specific technical issue and in accordance with client requirements.
  - reasoned, practicable advice that is clear and concise, supported by calculations or analysis of technical/business issues identified.

- use judgement to select the most appropriate audit procedures in the context of risks identified.
- justify a specific recommended action when a variety of options are available.
- explain the limitations of their conclusions or recommendations.

## Structuring problems and solutions

### *Structure data*

- Structure information from various sources into suitable formats for analysis
- Identify any information gaps
- Frame questions to clarify information
- Use a range of data types and sources to inform analysis and decision making
- Structure and analyse financial and non-financial data to enhance understanding of business issues and their underlying causes
- Present analysis in accordance with instructions and criteria

### *Develop solutions*

- Identify and apply relevant technical knowledge and skills to analyse a specific problem
- Use structured information to identify evidence-based solutions
- Identify creative and pragmatic solutions in a business environment
- Identify opportunities to add value
- Identify and anticipate problems that may result from a decision
- Identify a range of possible solutions based on analysis
- Identify ethical dimensions of possible solutions
- Select appropriate courses of action using an ethical framework
- Identify the solution which is the best fit with acceptance criteria and objectives
- Define objectives and acceptance criteria for solutions

### *How skills are assessed: candidates may be required to:*

- Business management
  - Undertake a critical assessment of key business issues.
  - Structure market data and industry data from various sources.
  - Explain and evaluating the strengths and weaknesses of an organisation or segments of an organisation.
  - Evaluate the impact of decisions on business strategy.
  - Evaluate the impact of financial strategy on business strategy.
- Finance
  - Undertake valuations, where the information is incomplete, suspect or unsuitable.
  - Undertake financial risk analysis and considering the management of financial risks.
  - Evaluate the impact of business strategy on financial strategy.
- Corporate reporting
  - Consider relevance and reliability of unstructured information.
  - Evaluate the impact and legitimacy of a range of financial reporting treatments.
  - Deal with complex financial reporting information.
  - Impact of future events on financial statements.
  - Impact on financial statements of delaying or modifying business and financial decisions.
  - Evaluate business position, prospects and risks.
- Assurance
  - Understand business and inherent risks in complex scenarios.
  - Evaluate the control environment.
  - Undertake selective financial analysis.
  - Evaluate risk and control evaluation in the context of IT.
  - Undertake assurance to support specific transactions (eg, due diligence).
  - Apply professional scepticism.
- Ethics

- Identify ethical problems in complex scenarios and structuring appropriate actions.

## Applying judgement

### *Apply professional scepticism and critical thinking*

- Recognise bias and varying quality in data and evidence
- Identify faults in arguments
- Identify gaps in evidence
- Identify inconsistencies and contradictory information
- Assess interaction of information from different sources
- Exercise ethical judgement

### *Relate issues to the environment*

- Appreciate when more expert help is required
- Identify related issues in scenarios
- Assess different stakeholder perspectives when evaluating options
- Appraise corporate responsibility and sustainability issues
- Appraise the effects of alternative future scenarios
- Appraise ethical, public interest and regulatory issues

### *How skills are assessed: candidates may be required to:*

- drawing of inferences and conclusions from prior qualitative and quantitative analysis, and other information, in order to solve problems and developing a solution, or alternative solutions;
- select between technical choices;
- filter data to identify critical elements;
- prioritise information, issues or tasks;
- identify omissions in the information provided;
- evaluate inconsistencies in information;
- distinguish between the various qualities of the data provided;
- evaluate the impact of business, financial and economic factors;
- evaluate the effects of future events;
- evaluate the appropriateness of accounting policy and estimation selection;
- compare the effects of a range of estimates, outcomes or financial treatments;
- exercise ethical judgement;
- identify key linkages; and
- draw appropriate conclusions from data provided to satisfy specified objectives and assessing the materiality of errors and omissions.

## Concluding, recommending and communicating

### *Conclusions*

- Apply technical knowledge to support reasoning and conclusions
- Apply professional experience and evidence to support reasoning
- Use valid and different technical skills to formulate opinions, advice, plans, solutions, options and reservations.

### *Recommendations*

- Present recommendations in accordance with instructions and defined criteria
- Make recommendations in situations where risks and uncertainty exist
- Formulate opinions, advice, recommendations, plans, solutions, options and reservations based on valid evidence
- Make evidence-based recommendations which can be justified by reference to supporting data and other information
- Develop recommendations which combine different technical skills in a practical situation

### *Communication*

- Present a basic or routine memorandum or briefing note in writing in a clear and concise style
- Present analysis and recommendations in accordance with instructions
- Communicate clearly to a specialist or non-specialist audience in a manner suitable for the recipient
- Prepare the advice, report, or notes required in a clear and concise style

*How skills are assessed: candidates may be required to:*

- draw conclusions from data, facts, calculations, judgements and own analysis;
- draw conclusions on complex assurance engagements;
- draw conclusions by identify weaknesses in financial information systems and their potential consequences;
- draw conclusions by distinguishing between the qualities of data provided or other evidence generated;
- draw conclusions by developing risk management solutions;
- draw conclusions by making strategic decisions; and
- draw conclusions by valuing a company or a financial instrument.
- present a report/memorandum in response to a specific technical or business issue and in accordance with client requirements.
- present reasoned, practicable advice that is clear and concise, supported by calculations or analysis of technical or business issues identified.
- justify a specific recommended action when a variety of options are available.

# *Case Study*

## **MODULE AIM**

To ensure that students can provide advice in respect of complex business issues in the form of a written report.

The objective of the Case Study is to assess students' understanding of complex business issues and the ability to analyse financial and non-financial data, exercise professional and ethical judgement, and develop conclusions and recommendations.

## **CASE STUDY FORMAT**

The Case Study scenario may be based on any one of a variety of different organisational structures or operations. Students will be provided with background details ('Advance Information') on the organisation and its business environment ahead of the exam.

This information will not give specific indication of the eventual requirements of the Case Study. Students will be expected to familiarise themselves with the information provided about the organisation and the industry in which it operates, by undertaking details analysis of that Advance Information and some additional analysis and research where necessary. Students may take the results of their work into the exam.

## **ASSESSMENT**

The Case Study module will be examined as a 4 hour exam. The Case Study will not require the detailed computations needed for the Certificate, Professional and Advanced Levels; but students will be required to undertake financial and business analysis.

Requirements will be open in that there will be no predetermined correct answers to the Case Study. All areas of the syllabus may be tested over time.

## **PREPARATION AND APPROACH TO THE CASE**

The Case Study is designed to reproduce a typical situation in which ICAEW Chartered Accountants find themselves. This will involve using information arising from meetings and communicated in memoranda, letters or reports from a variety of business and professional advisors and stakeholders. The situation will generally relate to a business plan or transaction and will require preparation for the submission of a report.

The reality of such situations is that in drafting a report you would:

- receive some materials in advance;
- carry out some work beforehand and make use of it in the report;
- include additional analysis in appendices to the report;
- develop additional lines of enquiry as you assemble the report; and
- expect to discuss and advise on relevant matters.

The limited class time available with a tutor, even when supplemented by extensive home study, is insufficient for success in the Case Study. Students must bring work experience into their preparation and development programme.

Success at the Case Study requires an integration of the technical knowledge and skills acquired from all of the ACA modules, namely:

- the core technical knowledge and skills and practical application acquired at the Certificate and Professional levels;
- the technical, analytical, evaluative and integration skills from Corporate Reporting and Strategic Business Management; and
- the advisory, judgemental and communication skills acquired through practical work experience undertaken during the training agreement.

## SKILLS ASSESSED

### Assimilating and Using Information

#### *Understand the situation and the requirements*

- Demonstrate understanding of the business context
- Identify and understand the requirements
- Recognise new and complex ideas within a scenario
- Identify the needs of customers and clients
- Explain different stakeholder perspectives and interests
- Identify risks within a scenario
- Identify elements of uncertainty within a scenario
- Identify ethical issues including public interest and sustainability issues within a scenario

#### *Identify and use relevant information*

- Interpret information provided in various formats
- Evaluate the relevance of information provided
- Use multiple information sources
- Filter information provided to identify critical facts

#### *Identify and prioritise key issues and stay on task*

- Identify business and financial issues from a scenario
- Prioritise key issues
- Work effectively within time constraints
- Operate to a brief in a given scenario

#### *How skills are assessed: candidates may be required to:*

- use the Advance Information, Exam Paper, knowledge of ethical codes and professional experience to define the specific issue/situation;
- identify and use the key financial figures from the Advance Information and Exam Paper;
- use their own understanding of context and relevant findings from their own research;
- describe the wider context in which the business operates;
- identify relevant business issues showing:
  - understanding of a business entity
  - understanding of its position in the industry sector;
- recognise where a business is in its life cycle;
- identify any important parameters affecting an issue (eg, competitors, loss of clients); and
- demonstrate an awareness of ethical and business trust issues and situations.

## Structuring problems and solutions

### *Structure data*

- Structure information from various sources into suitable formats for analysis
- Identify any information gaps
- Frame questions to clarify information
- Use a range of data types and sources to inform analysis and decision making
- Structure and analyse financial and non-financial data to enhance understanding of business issues and their underlying causes
- Present analysis in accordance with instructions and criteria

### *Develop solutions*

- Identify and apply relevant technical knowledge and skills to analyse a specific problem
- Use structured information to identify evidence-based solutions
- Identify creative and pragmatic solutions in a business environment
- Identify opportunities to add value
- Identify and anticipate problems that may result from a decision
- Identify a range of possible solutions based on analysis
- Identify ethical dimensions of possible solutions
- Select appropriate courses of action using an ethical framework
- Define objectives and acceptance criteria for solutions
- Identify the solution which is the best fit with acceptance criteria and objectives

### *How skills are assessed: candidates may be required to:*

- identify and use key information;
- demonstrate technical knowledge;
- use professional experience;
- use relevant strategic analytical tools (SWOT, PESTLE, Porter's 5 Forces);
- perform relevant analysis;
- produce quality analysis showing:
  - depth
  - breadth
  - logic
  - reasonableness;
- use knowledge of ethical codes and professional experience to perform relevant analysis; and
- assess issues of business trust.

### Financial statement analysis:

- use appropriate analytical tools on information and data provided in the Advance Information and Exam Paper to measure financial performance, identify trends and make comparisons;
- perform relevant analysis on:
  - financial statements;
  - other information;
- make specific adjustments to align equivalent financial information for different factors;
- assess the causes and effects of both financial and non-financial factors on the business;
- assess the effect of external factors on business activities and financial results; and
- integrate numbers and words.

### Financial data analysis:

- prepare and explain relevant calculations based on financial information provided in the Advance Information and Exam Paper;
- use appropriate analytical tools (eg, valuation methodologies);
- perform relevant analysis on:
  - numerical data;
  - other information;

- determine specific outcomes from financial and non-financial information provided;
- comment on assumptions provided;
- consider and calculate possible alternative outcomes (flexing numbers, sensitivity analysis);
- integrate numbers and words.

## Applying judgement

### *Apply professional scepticism and critical thinking*

- Recognise bias and varying quality in data and evidence
- Identify faults in arguments
- Identify gaps in evidence
- Identify inconsistencies and contradictory information
- Assess interaction of information from different sources
- Exercise ethical judgement

### *Relate issues to the environment*

- Appreciate when more expert help is required
- Identify related issues in scenarios
- Assess different stakeholder perspectives when evaluating options
- Retain an overview of the business issue or scenario
- Appraise corporate responsibility and sustainability issues
- Appraise the effects of alternative future scenarios
- Appraise ethical, public interest and regulatory issues

### *How skills are assessed: candidates may be required to:*

- evaluate and build on implications of financial or strategic analysis or calculations;
- identify and use key financial information;
- recognise linkages;
- recognise gaps or shortcomings in the information provided;
- select and evaluate key points, such as strengths and weaknesses of a business proposal;
- question and evaluate the adequacy of any assumptions and quality of information provided;
- explain own assumptions;
- discuss output, such as pros/cons;
- demonstrate professional scepticism;
- demonstrate objectivity/balance;
- demonstrate an appreciation of more than one side/bias;
- evaluate and balance options;
- prioritise key points;
- assess weaknesses in decisions;
- reflect on the underlying analysis performed and what it means for the organisation;
- use knowledge of ethical codes and professional experience;
- identify risks and ethical issues within, and derived from, the scenario;
- identify key ethical issues for an accountant undertaking work in accounting, finance and assurance; and
- evaluate any specific business trust points relating to the issue under review.

## Concluding, recommending and communicating

### *Conclusions*

- Apply technical knowledge to support reasoning and conclusions
- Apply professional experience and evidence to support reasoning
- Use valid and different technical skills to formulate opinions, advice, plans, solutions, options and reservations.

### *Recommendations*

- Present recommendations in accordance with instructions and defined criteria
- Make recommendations in situations where risks and uncertainty exist
- Formulate opinions, advice, recommendations, plans, solutions, options and reservations based on valid evidence
- Make evidence-based recommendations which can be justified by reference to supporting data and other information
- Develop recommendations which combine different technical skills in a practical situation

#### *Communication*

- Present analysis and recommendations in accordance with instructions
- Communicate clearly to a specialist or non-specialist audience in a manner suitable for the recipient
- Prepare the advice, report, or notes required in a clear and concise style

#### *How skills are assessed: candidates may be required to:*

- draw conclusions, make recommendations and reach decisions based on their foregoing work and relevant to the organisation as described in the business scenario;
- draw conclusions that:
  - are realistic;
  - flow from the analytical work and evaluation previously conducted;
  - include the impact of any assumptions and any sensitivity analysis;
  - form an opinion on the validity of information sources; and
  - conclude on ethical issues.
- offer clear, practical, and commercial advice and recommendations that:
  - follow logically from the analytical work, evaluations and conclusions;
  - are backed up by reasoned argument;
  - are realistic;
  - help to improve the situation or mitigate any problems or uncertainties identified within the context of the business scenario and wider context;
  - lie within the range of current business activity;
  - identify any significant positive points or areas of concern relating to any decision(s) reached;
  - identify any financial implications of action (or no action);
  - identify additional work needed to support the decision(s);
  - identify the next steps that the client should take to progress or reject an issue;
  - identify where any specific additional advice may be required; and
  - resolve any identified ethical dilemmas or issues of business trust.

# *Technical knowledge*

The tables contained in this section show the technical knowledge in the disciplines of financial reporting, audit and assurance, business analysis, ethics and taxation covered in the ACA syllabus by module.

For each individual standard the level of knowledge required in the relevant Certificate and Professional Level module and at the Advanced Level is shown.

The knowledge levels are defined as follows:

## **Level D**

An awareness of the scope of the standard.

## **Level C**

A general knowledge with a basic understanding of the subject matter and training in its application thereof sufficient to identify significant issues and evaluate their potential implications or impact.

## **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.

## **Level A**

A thorough knowledge with a solid understanding of the subject matter and experience in the application thereof sufficient to exercise reasonable professional judgement in the application of the subject matter in those circumstances generally encountered by chartered accountants.

## **Key to other symbols:**

→ The knowledge level reached is assumed to be continued

# Assurance and Audit

Topic	Assurance	Audit and Assurance	Advanced Level
The International Auditing and Assurance Standards Board		D	C
The Authority Attaching to Standards Issued by the International Auditing and Assurance Standards Board		C	A
The Authority Attaching to Practice Statements Issued by the International Auditing and Assurance Standards Board			A
Discussion Papers			C
Working Procedures			C
<b>International Standards on Auditing (UK)</b>			
200 (Revised June 2016) Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	B	A	→
210 (Revised June 2016) Agreeing the Terms of Audit Engagements		B	→
220 (Revised June 2016) Quality Control for an Audit of Financial Statements		B	→
230 (Revised June 2016) Audit Documentation	C	B	A
240 (Revised June 2016) The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	C	B	A
250 A (Revised June 2016) Consideration of Laws and Regulations in an Audit of Financial Statements		B	A
250 B (Revised June 2016) The Auditor's Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector			C
260 (Revised June 2016) Communication with Those Charged with Governance		B	A
265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management		B	A
300 (Revised June 2016) Planning an Audit of Financial Statements	B	A	→
315 (Revised June 2016) Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and its Environment	C	A	→
320 (Revised June 2016) Materiality in Planning and Performing an Audit	C	A	→
330 (Revised June 2016) The Auditor's Responses to Assessed Risks	C	B	A
402 Audit Considerations Relating to an Entity Using a Service Organisation		C	B
450 (Revised June 2016) Evaluation of Misstatements Identified during the Audit	C	A	
500 Audit Evidence	B	A	→
501 Audit Evidence - Specific Considerations for Selected Items		B	A
505 External Confirmations	B	B	A

Topic	Assurance	Audit and Assurance	Advanced Level
510 (Revised June 2016) Initial Audit Engagements - Opening Balances	C	B	A
520 Analytical Procedures	B	A	A
530 Audit Sampling	B	B	A
540 (Revised June 2016) Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures	C	B	A
550 Related Parties	C	B	A
560 Subsequent Events		B	A
570 (Revised June 2016) Going Concern		A	→
580 Written Representations	C	B	A
600 (Revised June 2016) Special Considerations – Audits of Group Financial Statements (including the Work of Component Auditors)		C	A
610 (Revised June 2013) Using the Work of Internal Auditors	C	B	A
620 (Revised June 2016) Using the Work of an Auditor's Expert		B	A
700 (Revised June 2016) Forming an Opinion and Reporting on Financial Statements	B	A	→
701 (Revised June 2016) Communicating Key Audit Matters in the Independent Auditor's Report		B	A
705 (Revised June 2016) Modifications to the Opinion in the Independent Auditor's Report		A	→
706 (Revised June 2016) Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report		A	→
710 Comparative Information – Corresponding Figures and Comparative Financial Statements		B	A
720 (Revised June 2016) The Auditor's Responsibility Relating to Other Information		B	A
800 (Revised October 2016) Special Considerations – Audits of Financial Statements prepared in Accordance with Special Purpose Frameworks		B	→
805 (Revised October 2016) Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or items of a Financial Statement		A	→
<b>International Standards on Auditing</b>			
810 (Revised) Engagements to Report on Summary Financial Statements			A
<b>International Auditing Practice Note (IAPN)</b>			
1000 Special Considerations in Auditing Financial Instruments			B
<b>International Standards on Review Engagements (ISREs)</b>			
2400 (Revised September 2012) Engagements to Review Historical Financial Statements		C	B

Topic	Assurance	Audit and Assurance	Advanced Level
<b>International Standards on Review Engagements (UK &amp; Ireland)</b>			
2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity	C		B
<b>International Standards on Assurance Engagements (ISAEs)</b>			
3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information		C	B
3400 The Examination of Prospective Financial Information		C	A
3402 Assurance Reports on Controls at a Service Organisation		C	A
3410 Assurance Engagements on Greenhouse Gas Statements		C	→
<b>International Standards on Related Services (ISRSs)</b>			
4400 Engagements to Perform Agreed-upon Procedures Regarding Financial Information			B
4410 Compilation Engagements (Revised March 2012)			B
<b>IAASB Statements</b>			
ISQC1 (Revised June 2016) Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements		C	B
<b>Other Guidance</b>			
Bulletin (October 2016): Compendium of Illustrative Auditor's Reports on United Kingdom Private Sector Financial Statements for periods commencing on or after 17 June 2016		B	B
FRC Briefing Paper Professional Scepticism – establishing a common understanding and reaffirming its central role in delivering audit quality		C	B

# Business Analysis

Topic	Certificate and Professional Levels			Advanced Level
	Management Information	Business, Technology and Finance Management	Business Strategy and Technology	
<b>STRATEGIC ANALYSIS</b>				
<b>Environmental and market analysis tools</b>				
PESTEL analysis		C	A	→
Porter's five forces		C	A	→
Product life cycle		C	A	→
Boston consulting group matrix		C	A	→
Prices and markets		C	A	→
Competitor analysis		C	A	→
<b>Positional and other analysis tools</b>				
Resource audit		C	A	→
Resource-based strategy		C	A	→
Value chain analysis		C	A	→
SWOT analysis		C	A	→
Gap analysis		C	A	→
Marketing analysis		C	A	→
Competitive advantage		C	A	→
Benchmarking		C	A	→
Directional policy matrix				B
Business process analysis			B	A
Strategic risk analysis			A	→
Balanced scorecard		C	A	→
<b>STRATEGIC CHOICE</b>				
Strategy formulation, evaluation and choice		C	A	→
Business risk management		C	A	→
Financial analysis and data analysis			A	→
Stakeholder analysis		C	A	→
Objectives and stakeholders' preferences		C	A	→
Corporate responsibility and sustainability		C	B	A
<b>STRATEGIC IMPLEMENTATION</b>				

Topic	Certificate and Professional Levels				Advanced Level
	Management Information	Business, Technology and Finance Management	Business Strategy and Technology		
Business plans		C	A	→	
Organisational structure		C	A	→	
Information management		C	B	A	
Change management			A	→	
Project management					A
<b>BUSINESS MANAGEMENT</b>					
Performance management			C	A	
Strategic marketing and brand management			B	A	
Corporate Governance		C	B	A	
Information strategy			B	A	
Human resource management			C	A	
<b>COST ANALYSIS FOR DECISION MAKING</b>					
<b>Costing</b>					
Cost classification	A		→	→	
Costing systems – direct, marginal, absorption	B		→	→	
Activity based costing (ABC)	C		→	B	
Break even analysis	B		→	A	
Multi-product break even analysis					B
Budgeting and performance management	B		→	A	
<b>Pricing</b>					
Pricing decisions	B		A	→	
Transfer pricing	B		A	→	
<b>Decision making techniques</b>					
Expected values			B	A	
Relevant cash flows			B	A	
Sensitivity analysis			B	A	
<b>BUSINESS AND SHAREHOLDER VALUE</b>					
<b>Valuation Techniques</b>					
Income – dividend yield		B		A	
Income – P/E		B		A	
Income – discounted cash flow		B		A	

Topic	Certificate and Professional Levels				Advanced Level
	Management Information	Business, Technology and Finance	Financial Management	Business Strategy and Technology	
Asset based measures			B		A
Options approach					B
<b>Shareholder value</b>					
Value based management (VBM)					B
Value drivers			B		A
Shareholder value analysis (SVA)			B		A
Short and long term growth rates and terminal values					A
Economic profit					A
Cash flow return on investment (CFROI)					A
Total shareholder return (TSR)					A
Market value added (MVA)					A
<b>INVESTMENT APPRAISAL AND RISK ANALYSIS</b>					
<b>Project appraisal</b>					
NPV	B		A		→
IRR	B		A		→
Payback	B		A		→
Relevant cash flows			A		→
Tax and inflation			A		→
Replacement Analysis			A		→
Capital rationing			A		→
Adjusted present value (APV)			A		→
<b>Assessing risk</b>					
Project appraisal and sensitivity analysis			B		A
Project appraisal and simulation			B		A
Expected values			B		A
Scenario planning					A
Gap analysis				B	→
Continuous vs. event risk				B	→
<b>FINANCIAL ANALYSIS</b>					
<b>Cost of capital</b>					
Cost of equity			B		A

Topic	Certificate and Professional Levels					Advanced Level
	Management Information	Business, Technology and Finance	Financial Management	Business Strategy and Technology		
Cost of debt			B			A
Cost of preference shares			B			A
Cost of bank loans			B			A
Weighted average cost of capital (WACC)			B			A
Effective interest rates						A
Splitting convertibles into equity and debt elements						A
Equity instruments						A
<b>Portfolio theory and CAPM</b>						
Portfolio theory			B			A
CAPM			B			A
APT and MCPM						A
CAPM and cost of capital			B			A
International cost of capital						A
<b>Bonds and fixed interest securities</b>						
Bond pricing using NPV						A
Yields to maturity						A
Duration and price volatility						A
Convexity						A
Term structure of interest rates						A
Corporate borrowing and default risk						A
<b>SOURCES OF FINANCE AND FINANCING ARRANGEMENTS</b>						
Short, medium and long term sources of finance			B			A
Loan agreement conditions (warranties; covenants; guarantees)				B		A
Raising capital			B			A
Gearing and capital structure				A		→
Loan agreements and covenants				A		→
Dividend policy				A		→
Financing reconstructions (eg: group reconstruction, spin off, purchase of own shares, use of distributable profits)				B		A
Treasury and working capital management		C				A
Small and medium company financing						B

Topic	Certificate and Professional Levels					Advanced Level
	Management Information	Business, Technology and Finance	Financial Management	Business Strategy and Technology		
History of finance						C
<b>FINANCIAL ENGINEERING</b>						
<b>Futures, options and swaps</b>						
Options			B			A
Interest rate futures			B			A
Interest rate options			B			A
Interest forward rate agreements (FRAs)			B			A
Interest rate swaps			B			A
<b>Foreign exchange</b>						
Currency forward contracts			B			A
Currency money market cover			B			A
Currency options			B			A
Currency swaps			B			A
Operational techniques for managing currency risk			B			A
Theoretical determinants of foreign exchange rates			B			A
<b>Option value</b>						
Value of a call and put option			C			B
Black Scholes option pricing model						B
Binomial Option Pricing Model						B
Real options			C			B

# *Ethics Codes and Standards*

Ethics Codes and Standards	Level	Modules
IESBA Code of Ethics for Professional Accountants (parts A, B and C and Definitions)  ICAEW Code of Ethics		<b>Certificate Level</b>
	C/D	Accounting
	B	Assurance
	C/D	Business, Technology and Finance
	D	Law
	C	Management Information
	C	Principles of Taxation
		<b>Professional Level</b>
	A	Audit and Assurance
	B	Business Strategy and Technology
	B	Financial Accounting and Reporting
	B/C	Financial Management
	B	Tax Compliance
	B	Business Planning
	<b>Advanced Level</b>	
A	Corporate Reporting	
A	Strategic Business Management	
A	Case Study	
FRC Revised Ethical Standard (2016)	B	Assurance
	A	Audit and Assurance
		<b>Advanced Level</b>
	A	Corporate Reporting
	A	Strategic Business Management
	A	Case Study

# Financial Reporting - IFRS

Topic	Certificate & Professional Level		Advanced Level
	Accounting	Financial Accounting	Corporate Reporting
Preface to International Financial Reporting Standards		A	A
Conceptual Framework for Financial Reporting	B	A	A
IAS 1 Presentation of Financial Statements	A	A	A
IAS 2 Inventories	B	A	A
IAS 7 Statement of Cash flows	B	A	A
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	B	A	A
IAS 10 Events after the Reporting Period		A	A
IAS 11 Construction Contracts		-	A
IAS 12 Income Taxes		C	A
IAS 16 Property, Plant and Equipment	B	A	A
IAS 17 Leases		B	A
IAS 18 Revenue	C	A	A
IAS 19 Employee Benefits		-	A
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance		A	A
IAS 21 The Effects of Changes in Foreign Exchange Rates		C	A
IAS 23 Borrowing Costs		A	A
IAS 24 Related Party Disclosures		B	A
IAS 26 Accounting and Reporting by Retirement Benefit Plans		-	D
IAS 27 Separate Financial Statements		B	A
IAS 28 Investments in Associates and Joint Ventures		B	A
IAS 29 Financial Reporting in Hyperinflationary Economics		-	D
IAS 32 Financial Instruments: Presentation		B	A
IAS 33 Earnings Per Share		C	A
IAS 34 Interim Financial Reporting		-	A
IAS 36 Impairment of Assets		B	A
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	C	A	A

Topic	Certificate & Professional Level		Advanced Level
	Accounting	Financial Accounting	Corporate Reporting
IAS 38 Intangible Assets	C	A	A
IAS 39 Financial Instruments: Recognition and Measurement (Note 2)		C	A
IAS 40 Investment Property		-	A
IAS 41 Agriculture		-	D
IFRS 1 First-Time Adoption of IFRS		-	A
IFRS 2 Share-based Payment		-	A
IFRS 3 Business Combinations		B	A
IFRS 4 Insurance Contracts (Note 2)		-	D
IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations		B	A
IFRS 6 Exploration for and Evaluation of Mineral Resources		-	D
IFRS 7 Financial Instruments: Disclosures		C	A
IFRS 8 Operating Segments		-	A
IFRS 9 Financial Instruments		-	C
IFRS 10 Consolidated Financial Statements		B	A
IFRS 11 Joint Arrangements		B	A
IFRS 12 Disclosure of Interests in Other Entities		B	A
IFRS 13 Fair Value Measurement		C	A
IFRS 14 Regulatory Deferral Accounts		-	C
IFRS for SMEs		-	A
IFRS 15 Revenue from Contracts with Customers (Note 1)			C
IFRS 16 Leases (Note 1)			C

**Note 1:** The mandatory effective dates for IFRS 15 and IFRS 16 is after 1 January 2017 so they are not examinable for the Professional Level 2018 syllabus.

**Note 2:** Business Planning: Banking and Insurance covers these standards in more detail than in the Financial Accounting and Reporting syllabus at Professional Level.

# Differences between IFRS and UK GAAP

The following table identifies the scope of the differences examinable in the Accounting, Financial Accounting and Reporting and Corporate Reporting modules. In general, the differences will become examinable where the relevant IFRS is set at knowledge level 'A'. The differences may also be examined in subsequent modules but only in a different context, for example at the Advanced Level where knowledge of the differences forms part of an integrated question. Where a general awareness only of an accounting standard is expected (knowledge level 'D') any differences will also be dealt with at this level.

Title	Key examinable differences between IFRS and FRS 102 (and Companies Act 2006 where appropriate)
Preface to International Financial Reporting Standards	Not applicable.
Conceptual Framework for Financial Reporting	<ul style="list-style-type: none"> <li>• Qualitative characteristics are simplified as a list on one tier rather than being based on fundamental qualitative characteristics of relevance and faithful representation and then having enhancing qualitative characteristics.</li> <li>• Two common measurement bases are described, being historical cost and fair value rather than four.</li> </ul>
IAS1 Presentation of Financial Statements	<ul style="list-style-type: none"> <li>• Choice of presenting performance in a single statement of comprehensive income or in two statements being an income statement and a statement of comprehensive income.</li> <li>• A single statement of income and retained earnings rather than a statement of comprehensive income and statement of changes in equity may be used in specific circumstances.</li> <li>• The "bottom line" of the statement of comprehensive income may be presented as "profit or loss" where there are no items of comprehensive income.</li> <li>• Although FRS 102 uses similar terminology to IFRS, CA 2006 uses different terminology for line items in the statement of financial position (which is referred to as a balance sheet in the Companies Act) such as debtors and creditors, rather than receivables and payables and fixed assets rather than non-current assets.</li> <li>• Non-current (due after more than one year) debtors and creditors may be combined on the face of the statement of financial position.</li> <li>• Minor differences in the classification of headings on the face of the financial statements.</li> </ul>

#### IAS2 Inventories

- Inventories (referred to as 'stocks' in CA 2006) held for distribution at no or nominal consideration, or through a non-exchange transaction, should be measured at adjusted cost (to recognise any loss of service potential). IAS 2 includes no such requirement.
- Additional guidance is provided on what should be included in production overheads.
- Impairment losses can be reversed if there are changes in economic circumstances or circumstances which led to the impairment no longer exist. No such guidance is provided in IAS 2.

#### IAS7 Statement of Cash Flows

- An exemption from the preparation of a statement of cash flows is available for a member of a group where the parent entity prepares publicly available consolidated financial statements and that member is included in the consolidation. IAS 7 contains no such exemption.

#### IAS8 Accounting Policies, Changes in Accounting Estimates and Errors

- The standard explicitly states that a change to the cost model when a reliable measure of fair value is no longer available is not a change in accounting policy. IAS 8 contains no such statement.

#### IAS10 Events after the Reporting Period

- Consistent with IAS 10 a dividend declared after the end of the reporting period should not be recognised as a liability. However, the standard states that the amount of the dividend may be presented as a segregated component of retained earnings (referred to as a profit and loss account reserve in CA 2006) at the end of the reporting period.

#### IAS12 Income Taxes

- The standard requires deferred taxation to be recognised on the basis of timing differences rather than IAS 12's temporary differences.
- The standard specifically states that current tax should not be discounted, however IAS 12 is silent on the issue.
- The treatment of VAT is included. IAS 12 does not include such guidance.
- Simplified guidance is provided.
- Reduced disclosures are set out compared with IAS 12.

#### IAS16 Property, Plant and Equipment

- If indicators of a change exist then residual value, depreciation method and the useful life of an asset should be reviewed. IAS 16 requires the residual value, depreciation method and the useful life of an asset to be reviewed at least at each financial year-end.
- Compensation from third parties for items of property, plant and equipment (referred to as tangible fixed assets in CA 2006) that have been impaired/lost should be recognised in profit or loss when the receipt of the amount is "virtually certain". IAS 16 states that the amount should be recognised when it becomes "receivable".
- A plan to dispose of an asset before the previously expected date is an indicator of impairment that triggers the calculation of the asset's recoverable amount for the purpose of determining whether the asset is impaired.

IFRS 5 deals with non-current assets held for sale and would require the asset to be valued at the lower of carrying amount and fair value less costs to sell.

#### IAS17 Leases

- Reduced disclosures are set out compared with IAS 17.

#### IAS18 Revenue

- The standard is specific in its guidance and uses clear examples whilst being all encompassing. A definition for turnover is included as well as one for revenue – there are no examinable differences.

#### IAS20 Accounting for Government Grants and Disclosure of Government Assistance

- A government grant may be recognised using either the performance model or the accrual model (prohibiting the deduction of a government grant from the carrying amount of the related asset). IAS 20 has the more general requirements that they should be recognised on a systematic basis matching the related expenditure (which in practice means using a capital or income approach).
- There is a specific requirement that the accounting policy should be applied on a class-by-class basis. No such requirement exists in IAS 20.

#### IAS21 The Effects of Change in Foreign Exchange Rates

- On the disposal of a net investment in a foreign operation any related exchange differences accumulated in equity should not be recognised in profit or loss. IAS 21 requires such accumulated exchange differences to be reclassified from equity to profit or loss.
- IAS 21 requires the cumulative amount of exchange differences recognised in other comprehensive income to be presented in a separate component of equity. FRS 102 includes no such specific requirement.
- Reduced disclosures are set out compared with IAS 21.

#### IAS23 Borrowing Costs

- Entities are provided with the choice of capitalising borrowing costs. This is a choice of accounting policy and must be applied consistently to a class of assets. IAS 23 requires borrowing costs to be included as part of the directly attributable costs of a qualifying asset.
- Where general borrowings are used, the amount of borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the expenditure on that asset, which is consistent with IAS 23. However, for this purpose the expenditure on the asset is the average carrying amount of the asset during the period, including borrowing costs previously capitalised. No such guidance is provided in IAS 23.

#### IAS24 Related Party Disclosures

- Unlike IAS 24, wholly owned UK subsidiaries are not required to disclose transactions between two or more members of a group.

IAS27 Separate Financial Statements

- There are three options for accounting for investments in subsidiaries, associates and joint ventures in a parent entity's separate financial statements. IAS 27 allows cost, use of the equity method in accordance with IAS 28 or measurement and recognition in accordance with IFRS 9.
- Additional disclosures are required under IAS 27.
- The accounting treatment for exchanges of businesses and other non-monetary assets for an interest in a subsidiary, joint venture or associate is provided. IAS 27 provides no such guidance.
- The standard includes guidance on the accounting treatment for intermediate payment arrangements. IAS 27 provides no such guidance.

IAS28 Investments in Associates and Joint Ventures

- Simplified guidance is provided on recognising an associate where the investor is not a parent and hence only prepares individual company financial statements. Under IFRS, accounting for such financial instruments in individual financial statements would instead follow guidance in IAS 27 and IFRS 9.
- Less detail is provided in the definition of 'significant influence' compared with IAS 28.
- Simplified disclosures are set out. Detailed disclosures are instead set out in a single accounting standard, being IFRS 12.

IAS32 Financial Instruments: Presentation

Simplified language is used with specific examples – there are no examinable differences.

IAS33 Earnings per Share

No separate guidance is provided, instead it states that IAS 33 should be followed.

IAS36 Impairment of Assets

- Additional guidance is provided on the measurement of fair value less costs to sell.
- Where future cash flows are estimated using financial budgets or forecasts, extrapolation techniques should be used. IAS 36 states that such financial forecasts or budgets should cover a maximum of five years unless there is justification for a longer period.
- Reduced disclosures are provided.

IAS37 Provisions, Contingent Liabilities and Contingent Assets

- The standard's scope extends to include certain types of financial guarantee contracts. Such contracts are instead within the scope of IAS 39/IFRS 9.

### IAS38 Intangible Assets

- The capitalisation of development expenditure is optional, although a consistent accounting policy should be adopted. IAS 38 requires development expenditure to be capitalised where it meets the recognition criteria.
- Heritage assets are specially excluded from its scope, with separate guidance instead provided for such assets. IAS 38 does not include a similar exclusion.
- An intangible asset acquired in a business combination should not be recognised when it arises from legal or other contractual rights and there is no history or evidence of exchange transactions for the same or similar assets and otherwise estimating fair value would be dependent on immeasurable variables. IAS 38 does not include this specific requirement for recognition.
- If an intangible asset is acquired by way of a grant, the cost of that intangible asset is its fair value at the date the grant becomes receivable. IAS 38 states that there is a choice of recognition at fair value or at the nominal value of the grant.
- All intangible assets are considered to have a finite useful life. IAS 38 permits both intangible assets with finite and indefinite useful lives.
- If an entity is unable to make a reliable estimate of the useful life of an intangible asset, a maximum useful life of ten years is allocated. IAS 38 contains no such limitation.
- If indicators of a change exist then the amortisation method and period for an intangible asset should be reviewed. IAS 38 requires the amortisation method and period for an intangible asset to be reviewed at least at each financial year-end.

### IAS39 Financial Instruments: Recognition and Measurement

- The choice to use simplified measurement provisions is available for basic financial instruments.
- Measurement after initial recognition is generally at amortised cost or fair value through profit or loss, whereas IAS 39 has more complex categories with four for financial assets and two for financial liabilities.
- Simplified guidance in relation to hedge accounting is provided.
- IAS 39 includes more detailed and specific guidance on derecognition of financial assets and liabilities and the accounting for non-closely related embedded derivatives.

### IFRS3 Business Combinations

- The definition of a business combination is included in its simplest form and provides expanded guidance on what it might include. IFRS 3 includes a more open definition although additional discussion/guidance is provided in the basis of conclusions.
- The standard includes the separation of group reconstructions from other business combinations and the use of merger accounting for such transactions. Common control transactions are outside of the scope of IFRS 3.
- Business combinations should be accounted for using the purchase method. IFRS 3 stipulates the use of the acquisition method.
- Guidance on the identification of the acquirer is provided. IFRS 3 includes a more open definition although additional discussion/guidance is provided in the basis of conclusions.
- The standard requires acquisition-related costs to be included in the cost of the business combination. IFRS3 requires them to be treated as period costs recognised in profit or loss.

- Where control is achieved following a series of transactions, the cost of the business combination is the aggregate of the fair values of the assets given, liabilities assumed and equity instruments issued by the acquirer at the date of each transaction in the series. IFRS 3 instead requires the acquirer to remeasure its previously held equity interest at its acquisition date fair value.
- Post-acquisition changes to the estimates of contingent consideration affect the amount of goodwill recognised (assuming the adjustment is probable and can be reliably estimated). IFRS 3 permits few subsequent changes to be reflected in goodwill. IFRS 3 also requires contingent consideration to be reassessed at fair value each year and the difference taken to profit or loss.
- Goodwill arising from a business combination is considered to have a finite useful life. IFRS 3 prohibits amortisation and requires annual impairment reviews.
- If an entity is unable to make a reliable estimate of the useful life of goodwill arising from a business combination, a maximum useful life of ten years is required. IFRS 3 prohibits amortisation.
- Negative goodwill is capitalised as a separate item within goodwill and amortised over the period over which any related losses are expected and as acquired non-monetary assets are realised. IFRS 3 requires immediate recognition as a gain in profit or loss and also refers to “negative goodwill” as a “bargain purchase”.
- The non-controlling interest should be measured based on the share of ownership not held by the parent (ie on a proportionate basis). IFRS 3 contains an option to measure the non-controlling interest at fair value.
- Reduced narrative disclosures are provided compared with IFRS 3.

IFRS5 Non-current Assets  
Held for Sale and  
Discontinued Operations

- Continuing and discontinued activities must be analysed. Unlike IFRS 5 detailed analysis is shown on face of the income statement (profit and loss).
- Classification and measurement of assets generally continues as normal without regard for the disposal. This includes depreciation until the date of disposal. IFRS 5 on the other hand requires depreciation to cease while a non-current asset is held for sale as well as separate classification.

IFRS7 Financial Instruments:  
Disclosures

Simplified disclosures are provided in line with the simplified measurement and valuation basis.

IFRS10 Consolidated  
Financial Statements

- The exemptions from the preparation of consolidated financial statements are slightly different and include an exclusion of a subsidiary from consolidation on the grounds of severe long-term restrictions, no such exemption exists under IFRS 10.
- The definition of control is linked to the power to govern the financial and operating policies. IFRS 10 is slightly wider in its definition.
- Special purpose entities are specifically identified as being included in consolidated financial statements where they are controlled by the entity.
- The standard includes extensive guidance on the treatment of total and partial acquisitions and disposals of subsidiaries. IFRS 10 includes less detailed guidance.

#### IFRS11 Joint Arrangements

- The accounting treatment for all types of joint venture arrangements are covered, including the separate treatment of jointly controlled assets. IFRS 11 instead classifies jointly controlled assets as jointly controlled operations.
- Simplified guidance is provided on recognising a joint venture where the investor is not a parent and hence only prepares individual company financial statements. Accounting for such financial instruments in individual financial statements would instead follow guidance in IAS 27 and IFRS 9.
- Simplified disclosures are set out. Detailed disclosures are instead set out in a single accounting standard, being IFRS 12.

#### IFRS12 Disclosure of interests in Other Entities

Simplified disclosures are generally set out.

#### IFRS13 Fair Value Measurement

Simplified guidance is provided on how fair value should be determined and suitable valuation techniques.

## IFRS IN INDIVIDUAL COMPANY ACCOUNTS

Students may be required to discuss the key issues that need to be considered when considering whether UK companies should retain UK GAAP for their individual company accounts or to move to IFRS. This is examinable in the Financial Accounting and Reporting module. FRS 105 for micro-entities also forms part of the suite of UK standards with effect from 1 January 2015,

# Financial Reporting – UK GAAP

Topic	Professional Level Financial Accounting and Reporting
FRS 102 s.1 Scope	A
FRS 102 s.2 Concepts and Pervasive Principles	A
FRS 102 s.3 Financial Statement Presentation	A
FRS 102 s.4 Statement of Financial Position	A
FRS 102 s.5 Statement of Comprehensive Income and Income Statement	A
FRS 102 s.6 Statement of Changes in Equity and Statement of Income and Retained Earnings	A
FRS 102 s.7 Statement of Cash Flows	A
FRS 102 s.8 Notes to the Financial Statements	A
FRS 102 s.9 Consolidated and Separate Financial Statements	B
FRS 102 s.10 Accounting Policies, Estimates and Errors	A
FRS 102 s.11 Basic Financial Instruments	C
FRS 102 s.13 Inventories	A
FRS 102 s.14 Investments in Associates	B
FRS 102 s.15 Investments in Joint Ventures	B
FRS 102 s.17 Property, Plant and Equipment	A
FRS 102 s.18 Intangible Assets other than Goodwill	A
FRS 102 s.19 Business Combinations and Goodwill	B
FRS 102 s.20 Leases	B
FRS 102 s.21 Provisions and Contingencies	A
FRS 102 s.22 Liabilities and Equity	B
FRS 102 s.23 Revenue	A
FRS 102 s.24 Government Grants	A
FRS 102 s.25 Borrowing Costs	B
FRS 102 s.27 Impairment of Assets	B
FRS 102 s.29 Income Tax	C

Topic	Professional Level Financial Accounting and Reporting
FRS 102 s.30 Foreign Currency Translation	C
FRS 102 s.32 Events after the End of the Reporting period	A
FRS 102 s.33 Related Party Disclosures	B

# *Differences between UK GAAP and IFRS*

The following table identifies the scope of the differences examinable in the ACA qualification and where they will be introduced. In general, the differences will become examinable where the relevant section of FRS 102 is set at knowledge level 'A'. The differences may also be examined in subsequent modules but only in a different context, for example at the Advanced Level where knowledge of the differences forms part of an integrated question. Where a general awareness only of an accounting standard is expected (knowledge level 'D') any differences will also be dealt with at this level.

Title	Key examinable differences between FRS 102 (and Companies Act 2006 where appropriate) and IFRS
Section 2: Concepts and Pervasive Principles	<ul style="list-style-type: none"><li>• Qualitative characteristics are based on fundamental qualitative characteristics of relevance and faithful representation and have enhancing qualitative characteristics, rather than the one tier approach of qualitative characteristics set out in FRS 102.</li><li>• Four measurement bases are described, being historical cost, current cost, realisable value and present value, rather than only two in FRS 102, being historical cost and fair value.</li></ul>
Section 3: Financial Statement Presentation Section 4: Statement of financial position Section 5: Statement of Comprehensive Income and Income Statement Section 6: Statement of Changes in Equity and Statement of Income and Retained Earnings Section 8: Notes to the Financial Statements	<ul style="list-style-type: none"><li>• Separate statements should be presented for the statement of profit or loss and other comprehensive income and the statement of changes in equity.</li><li>• IAS 1 uses the same terminology as FRS 102, however CA 2006 uses different terminology for line items in the statement of financial position (balance sheet) such as receivables and payables, rather than debtors and creditors and non-current assets rather than fixed assets.</li><li>• Receivables and payables, current and non-current, should be shown separately on the face of the statement of financial position.</li><li>• Minor differences in the classification of headings on the face of the financial statements.</li></ul>

## Title

## Key examinable differences between FRS 102 (and Companies Act 2006 where appropriate) and IFRS

### Section 7: Statement of Cash Flows

No exemption from the preparation of a statement of cash flows is available for a member of a group where the parent entity prepares publicly available consolidated financial statements and that member is included in the consolidation.

### Section 9: Consolidated and Separate Financial Statements

- Only two options for accounting for investments in subsidiaries, associates and joint ventures in a parent entity's separate financial statements are provided, being cost, use of the equity method in accordance with IAS 28 or measurement and recognition in accordance with IFRS 9. FRS 102 provides three options.
- Additional disclosures are required.
- No specific guidance is provided on the accounting treatment for exchanges of businesses and other non-monetary assets for an interest in a subsidiary, joint venture or associate.
- No specific guidance is provided on the accounting treatment for intermediate payment arrangements.
- The exemptions from the preparation of consolidated financial statements are more restrictive, for example there is no exclusion of a subsidiary from consolidation on the grounds of severe long-term restrictions.
- The definition of control is wider and not solely linked to the power to govern the financial and operating policies.
- Special purpose entities are not specifically identified. FRS 102 requires such entities as being included in consolidated financial statements where they are controlled.
- Simplified guidance on the treatment of total and partial acquisitions and disposals of subsidiaries is provided.

### Section 10: Accounting Policies, Estimates and Errors

No specific guidance is provided on changing to the cost model when a reliable measure of fair value is no longer available. FRS 102 specifically states that this is not a change in accounting policy.

## Title

## Key examinable differences between FRS 102 (and Companies Act 2006 where appropriate) and IFRS

Section 11: Basic Financial Instruments  
Section 12: Other Financial Instruments Issues

- No simplified measurement provisions for basic financial instruments are available.
- There are more complex categories for measurement after initial recognition with four for financial assets and two for financial liabilities. FRS 102 has a more simplified measurement approach of generally at amortised cost or fair value through profit or loss
- Additional guidance in relation to hedge accounting is provided.
- More detailed and specific guidance on derecognition of financial assets and liabilities and the accounting for non-closely related embedded derivatives is provided.
- More detailed disclosures are required.
- Detailed guidance is provided on how fair value should be determined and suitable valuation techniques.

Section 13: Inventories

- Less guidance is provided on the measurement of inventories held for distribution at no or nominal consideration, or through a non-exchange transaction. FRS 102 states that these transactions should be measured at adjusted cost (to recognise any loss of service potential) and fair value respectively.
- Less guidance is provided on what should be included in production overheads.
- Less guidance is provided on the reversal of impairment losses if there are changes in economic circumstances or circumstances which led to the impairment no longer existing.

Section 14: Investments in Associates

- No simplified guidance is provided on recognising an associate where the investor is not a parent and hence only prepares individual company financial statements, instead under IFRS, accounting for such financial instruments in individual financial statements would follow guidance in IAS 27 and IFRS 9.
- More detail is provided in the definition of 'significant influence'.
- More detailed disclosures are required and are set out in a single accounting standard, being IFRS 12.

## Title

## Key examinable differences between FRS 102 (and Companies Act 2006 where appropriate) and IFRS

### Section 15: Investments in Joint Ventures

- Jointly controlled assets are classified as jointly controlled operations rather than as a joint venture. FRS 102 provides for the accounting treatment for all types of joint venture arrangements, including the separate treatment of jointly controlled assets.
- The treatment of a joint venture where the investor is not a parent and hence only prepares individual company financial statements should be recognised in accordance with the guidance in IAS 27 and IFRS 9. FRS 102 provides simplified guidance.
- Detailed disclosures are set out in a single accounting standard, being IFRS 12.

### Section 17: Property, Plant and Equipment

- The residual value, depreciation method and the useful life of an asset should be reviewed at least at each financial year-end. FRS 102 states that a review is only necessary where there are indicators that a change exists.
- Compensation from third parties for items of property, plant and equipment (referred to as tangible fixed assets in CA 2006) that have been impaired/lost should be recognised in profit or loss when it becomes “receivable”. FRS 102 states that it should be recognised when the receipt of the amount is “virtually certain”.
- A plan to dispose of an asset before the previously expected date should be recognised in accordance with IFRS 5 which deals with non-current assets held for sale and would require the asset to be valued at the lower of carrying amount and fair value less costs to sell. FRS 102 would instead identify this as an indicator of impairment which would trigger the calculation of the asset’s recoverable amount for the purpose of determining whether the asset is impaired.
- A non-current asset held for sale would no longer be depreciated, whereas FRS 102 would require the classification and measurement of the asset to continue as normal without regard to the disposal.

### Section 18: Intangible Assets other than Goodwill

- Development expenditure should be capitalised where it meets the recognition criteria. FRS 102 permits a choice of capitalisation or recognising the amounts as part of profit or loss for the period.
- No specific exclusion is included for heritage assets.
- An intangible asset acquired in a business combination should be recognised when it arises from legal or other contractual rights even if there is no history or evidence of exchange transactions for

## Title

## Key examinable differences between FRS 102 (and Companies Act 2006 where appropriate) and IFRS

the same or similar assets and otherwise estimating fair value would be dependent on immeasurable variables.

- If an intangible asset is acquired by way of a grant, the intangible asset may be recognised at either fair value or at the nominal value of the grant. FRS 102 requires fair value at the date the grant becomes receivable.
- Intangible assets may have either finite or indefinite useful lives. FRS 102 considers all intangible assets to have a finite useful life.
- There is no restriction on the maximum useful life of an intangible asset where an entity is unable to make a reliable estimate. FRS 102 sets a maximum useful life of ten years.
- Amortisation method and period for an intangible asset should be reviewed at least at each financial year-end, rather than if indicators of a change exist.

## Section 19: Business Combinations and Goodwill

- A more open definition of a business combination is provided although additional discussion/guidance is provided in the basis of conclusions.
- Common control transactions are outside of the scope of IFRS 3.
- Business combinations should be accounted for using the acquisition method. FRS 102 requires the use of the purchase method.
- A more open definition on the identification of the acquirer is provided although additional discussion/guidance is provided in the basis of conclusions.
- Acquisition-related costs should be recognised as period costs as part of profit or loss. FRS 102 requires them to be included in the cost of the business combination.
- Where control is achieved following a series of transactions, the acquirer is required to remeasure its previously held equity interest at its acquisition date fair value. FRS 102 states that the cost of the business combination is the aggregate of the fair values of the assets given, liabilities assumed and equity instruments issued by the acquirer at the date of each transaction in the series.
- Post-acquisition changes to the calculation of goodwill are generally not permitted. Contingent consideration should be reassessed at fair value each year and the difference taken to profit and loss. FRS 102 permits changes to goodwill for changes in the estimate of contingent consideration
- (Assuming the adjustment is probable and can be reliably estimated).

Title	Key examinable differences between FRS 102 (and Companies Act 2006 where appropriate) and IFRS
	<ul style="list-style-type: none"> <li>• Goodwill should not be amortised but instead annual impairment reviews should be carried out. FRS 102 stipulates that goodwill arising from a business combination is considered to have a finite useful life and if a reliable estimate of the useful life of goodwill arising from a business combination cannot be determined, a maximum useful life of ten years is required.</li> <li>• A gain on a bargain purchase, negative goodwill, should be recognised immediately as a gain in profit or loss. FRS 102 requires negative goodwill to be capitalised as a separate item within goodwill and amortised over the period over which any related losses are expected and as acquired non-monetary assets are realised.</li> <li>• The non-controlling interest may be measured based on the share of ownership not held by the parent (ie on a proportionate basis) or at fair value. FRS 102 does not permit fair value.</li> <li>• Additional narrative disclosures are required.</li> </ul>
Section 20: Leases	More detailed disclosures are set out in IAS 17.
Section 21: Provisions and Contingencies	Certain types of financial guarantee contracts are not within the standards scope.
Section 22: Liabilities and Equity	No examinable differences.
Section 23: Revenue	<ul style="list-style-type: none"> <li>• No examinable differences for revenue recognition.</li> <li>• FRS 102 includes a definition for turnover as well as one for revenue</li> <li>• Construction contracts contain their own detailed guidance and principles in IAS 11, rather the simplified approach taken in FRS 102. However, the overriding principles are the same.</li> </ul>
Section 24: Government Grants	<ul style="list-style-type: none"> <li>• Government grants should be recognised on a systematic basis matching the related expenditure (which in practice means using a capital or income approach). FRS 102 is more specific and states that they should be recognised using either the performance model or the accrual model (prohibiting the deduction of a government grant from the carrying amount of the related asset).</li> </ul>

## Title

## Key examinable differences between FRS 102 (and Companies Act 2006 where appropriate) and IFRS

- No guidance is provided on whether an accounting policy for the treatment of government grants should be applied on a class-by-class basis.

### Section 25: Borrowing Costs

- Borrowing costs should be included as part of the directly attributable costs of a qualifying asset. FRS 102 permits a choice of capitalisation or recognising the amounts as part of profit or loss for the period.
- No specific guidance is provided on what constitutes 'expenditure on the asset' for the purpose of applying a capitalisation rate to the expenditure on the assets for determining the amount of borrowing cost eligible for capitalisation. FRS 102 states that 'expenditure on the asset' is the average carrying amount of the asset during the period, including borrowing costs previously capitalised.

### Section 27: Impairment of Assets

- Less guidance is provided on the measurement of fair value less costs to sell.
- Where future cash flows are estimated using financial budgets or forecasts (covering a maximum of five years unless there is justification for a longer period), extrapolation techniques should be used.
- Reversals of impairment losses are permitted, except for goodwill. Additional disclosures are required.

### Section 29: Income Tax

- Deferred taxation should be recognised on the basis of temporary differences rather than FRS 102's timing differences.
- No guidance is provided on the treatment of VAT, since this is a UK tax.
- IAS 12 is silent on the use of discounting for current tax, however this is explicitly stated as not being required in FRS 102
- More detailed guidance is provided.
- Additional disclosures are set out in IAS 12.

Title

Key examinable differences between FRS 102 (and Companies Act 2006 where appropriate) and IFRS

Section 30: Foreign Currency Translation

- On the disposal of a net investment in a foreign operation any related exchange differences accumulated in equity should be recognised in profit or loss. FRS 102 does not permit this reclassification.
- Cumulative exchange differences recognised in other comprehensive income should be presented as a separate component of equity. FRS 102 includes no such requirement.
- Additional disclosures are required.

Section 32: Events after the End of the Reporting Period

A dividend declared after the end of the reporting period should be disclosed in the notes to the financial statements but may not be presented as a segregated component of retained earnings (referred to as the profit and loss account reserve in CA 2006) at the end of the reporting period as permitted by FRS 102.

Section 33: Related Party Disclosures

No disclosure exemptions are permitted for transactions between two or more members of a group where the subsidiaries are wholly owned.

# Taxation

Topic	Certificate & Professional Level modules		
	Principles of Taxation	Tax Compliance	Business Planning: Taxation
<b>LEGAL AND ETHICAL FRAMEWORK</b>			
Anti-money laundering guidance	C	B	A
Base erosion and profit-shifting project			B
Disclosure of tax avoidance schemes (DOTAS)			A
General anti-abuse rule			A
HMRC	B	→	→
Objectives of taxation	C	→	→
Professional Conduct in Relation to Taxation (PCRT)		C	B
Tax planning, evasion and avoidance	C	B	A
<b>ADMINISTRATION</b>			
Administration	B	→	→
Appeals	C	→	→
Digital accounts	B	→	→
PAYE	B	→	→
Payments	B	A	→
Penalties and interest	B	→	→
Self-assessment	B	A	→
<b>CAPITAL GAINS TAX</b>			
<b>Chargeable gains</b>			
Annual exempt amount	B	A	→
Capital gains tax for trusts		B	→
Chargeable assets	C	B	→
Chargeable disposals	C	B	→
Chargeable persons	C	B	→
Chattels: wasting and non-wasting	B	→	→
Connected persons		A	→
Converted trading losses		B	→
Costs of acquisition and disposal	C	B	→

Topic	Certificate & Professional Level modules		
	Principles of Taxation	Tax Compliance	Business Planning: Taxation
Leases		A	
Nil gain/nil loss transfers		A	→
Part disposals		B	→
Qualifying corporate bonds		B	→
Rate of tax	B	A	→
Relief for capital losses			A
Reorganisations and reconstructions			A
Shares and securities (including bonus and rights issues)		B	→
<b>Chargeable gains reliefs</b>			
Entrepreneurs' relief		B	A
Gift relief		B	A
Incorporation relief			A
Letting relief		A	→
Principal private residence relief		A	→
Reinvestment relief under EIS/SEIS			B
Roll-over relief		B	A
<b>Overseas aspects of capital gains tax</b>			
Arising basis		B	A
Domicile		B	A
Double tax relief		A	→
Gains on foreign assets		B	A
Remittance basis		B	A
Residence		C	A
Temporary absence			A
UK taxation of non-domiciled individuals		B	A

Topic	Certificate & Professional Level modules		
	Principles of Taxation	Tax Compliance	Business Planning: Taxation

## INCOME TAX

### Trading profits

Adjustments to profits	B	A	→
Badges of trade	B	A	→
Capital allowances	B	A	→
Cash basis of accounting	B	A	→
Foreign currency transactions			A
Pension contributions		A	→
Pre-trading expenditure		A	→
Patent royalties		B	→

### Owner-managed businesses

Basis of assessment – current year basis	B	A	→
Change of accounting date		A	→
Commencement and cessation of trade	B	A	→
Overlap profits	B	A	→
Partnerships	B	A	→
Trading losses		A	→
Treatment of opening year losses		A	→
Treatment of terminal losses		A	→

### Employment income

Allowable deductions against employment income		A	→
Employment income	B	A	→
Share schemes			A
Statutory Mileage Rates Scheme		A	→
Taxable and exempt benefits	B	A	→
Termination payments			B

### Other income/expenditure

Dividends from UK companies	B	A	→
Enterprise Investment Scheme			B
Investment income	B	A	→

Topic	Certificate & Professional Level modules		
	Principles of Taxation	Tax Compliance	Business Planning: Taxation
ISAs	B	→	→
Lease premiums	B	A	→
Miscellaneous income		A	→
Property income	C	A	→
Savings income	B	A	→
Seed Enterprise Investment Scheme			B
Venture Capital Trusts			B
<b>Overseas aspects of income tax</b>			
Arising basis		B	A
Domicile		B	A
Double tax relief		A	→
Income on foreign assets and income from foreign employment		B	A
Remittance basis		B	A
Residence		C	A
UK taxation of non-domiciled individuals		B	A
<b>Income tax computation</b>			
Exempt income	B	A	→
Gifts of assets and cash to charity	B	A	→
Income tax liability and income tax payable	B	A	→
Income tax charge on child benefit		B	→
Independent taxation and jointly owned assets		B	A
Income tax for trusts		B	→
Limit on income tax reliefs		A	→
Married couples' allowance and marriage allowance	B	A	→
Pension contributions – provisions for retirement		B	A
Pension contributions – tax reliefs		B	A
Personal allowances	B	A	→
Qualifying interest payments		B	→
Rates of taxation	B	A	→
Taxable persons	C	A	→

Topic	Certificate & Professional Level modules		
	Principles of Taxation	Tax Compliance	Business Planning: Taxation

## INHERITANCE TAX

### Fundamental principles of inheritance tax

Chargeable persons	B	→
Chargeable property	B	→
Excluded property	B	→
Inter-spouse transfers	A	→
Rates of taxation	A	→
Related property	B	→
Seven-year accumulation period	A	→
Transfers of value	A	→
Trusts	B	→
Valuation	A	→

### Inheritance tax on lifetime transfers

Relevant property trusts	A	→
Potentially exempt transfers	A	→

### Inheritance tax on death

Death estate	A	→
Deeds of variation		B
Lifetime transfers	A	→

### Overseas aspects of inheritance tax

Deemed domicile for IHT	A	→
Domicile	A	→
Double tax relief	A	→
Lex-situs rules	A	→

### Reliefs & exemptions from inheritance tax

Agricultural property relief	C	B
Annual exemption	A	→
Business property relief	B	A
Fall in value relief	A	→
Gifts to charities and political parties	A	→

Topic	Certificate & Professional Level modules		
	Principles of Taxation	Tax Compliance	Business Planning: Taxation
Gifts with reservation of benefit			A
Inter-spouse transfers		A	→
Marriage/civil partnership exemption		A	→
Normal expenditure out of income		A	→
Quick succession relief		B	→
Small gifts exemption		A	→
Taper relief		A	→
<b>NATIONAL INSURANCE CONTRIBUTIONS</b>			
Classes of NIC	C	B	→
Directors		B	→
Maximum contributions		C	→
Taxable benefits		B	→
<b>CORPORATION TAX</b>			
<b>Chargeable gains</b>			
Chargeable assets	C	B	→
Chargeable disposals	C	B	→
Chargeable persons	C	B	→
Chattels: wasting and non-wasting	B	→	→
Costs of acquisition and disposal	C	B	→
Indexation	B	A	→
Leases		A	
Nil gain/nil loss transfers		A	→
Part disposals		B	→
Purchase of own shares			A
Qualifying corporate bonds		B	→
Relief for capital losses		A	→
Reorganisations and reconstructions			A
Shares and securities (including bonus and rights issues)		B	→
Substantial shareholding exemption		B	A
<b>Trading profits</b>			

Topic	Certificate & Professional Level modules		
	Principles of Taxation	Tax Compliance	Business Planning: Taxation
Adjustments to profits	B	A	→
Badges of trade	B	A	→
Capital allowances	B	A	→
Foreign currency transactions			A
Long periods of account	C	A	→
Pension contributions		A	→
Patent royalties		B	→
<b>Taxable total profits</b>			
Chargeable gains	B	A	→
Intangible assets		B	A
Loan relationships	B	B	A
Loan relationships – worldwide debt cap			A
Miscellaneous income	B	A	→
Patent box			B
Property income (including lease premiums)		A	→
Qualifying donations	B	A	→
Research and development expenditure		A	→
Research and development tax credits		B	A
Trading losses		B	A
Trading profits	B	A	→
Use of deficit on non-trading loan relationships		B	A
<b>Corporation tax computation</b>			
Accounting periods	C	B	A
Close companies			A
Corporation tax liability	B	A	→
Distributions		B	→
Diverted profits tax			B
Double tax relief (including underlying tax and withholding tax)		B	→
Liquidation			A
Provision of services through a company			A

Topic	Certificate & Professional Level modules		
	Principles of Taxation	Tax Compliance	Business Planning: Taxation
Rates of taxation	B	A	→
Residence	C	B	→
Tax treaties and the OECD Model Tax Convention			C
<b>Groups</b>			
Capital gains groups		B	A
Change in group structure			A
Change in ownership		B	A
Consortium relief			A
Controlled foreign companies			A
Degrouping charges		B	A
Group loss relief		B	A
Group relationships		A	→
Non-coterminous accounting periods		B	A
Overseas companies and branches			A
Pre-acquisition gains and losses			A
Related 51% group companies		B	A
Roll-over relief		B	A
Transfer of assets		B	A
Transfer pricing			A
<b>STAMP TAXES</b>			
Basic principles		B	→
Chargeable occasions		B	→
Exemptions		B	→
Stamp taxes for groups		B	→
<b>VAT</b>			
Capitals goods scheme		A	→
Classification of supplies		B	→
Distinction between goods and services		C	→
EU and overseas aspects		A	→
Group aspects		A	→

Topic	Certificate & Professional Level modules		
	Principles of Taxation	Tax Compliance	Business Planning: Taxation
Input VAT	A	→	→
Output VAT	A	→	→
Partial exemption		B	→
Payments	A	→	→
Penalties and interest	A	→	→
Property transactions		B	A
Registration and deregistration	A	→	→
Single and multiple supplies		B	→
Small business reliefs	A	→	→
Taxable person	A	→	→
Taxable supplies	A	→	→
Transfer of a business as a going concern			A
VAT records and accounts	A	→	→

# Business Planning: Banking

Topic	Business Planning: Banking
<b>Banking: markets, services and products</b>	
The nature and roles of different types of banks	A
The nature and roles of the financial markets within which banks operate	A
The nature of derivatives and how they are traded	B
Financial market instruments including those relating to foreign exchange	A
Key aspects of credit risk and the operations of the credit risk function	A
The nature and functions of securities products and markets	A
Key securities issues for banks	B
Alternative financial assets and the markets in which they operate	B
<b>Risk Management</b>	
The nature of corporate governance in the banking sector	A
The key operational risks experienced by a bank	A
The concept of risk appetite	A
How a bank might manage credit risk	A
How financial instruments can be utilised to manage different types of financial risks by clients and in the context of proprietary trading by banks	A
<b>Financial and regulatory reporting</b>	
Statement of Profit or Loss and Statement of Financial Position	A
Financial assets and liabilities – IAS 32, IAS 39, IFRS 7, IFRS 9, FRS 102	A
Financial reporting treatment of derivatives	A
Hedge accounting	A
The financial reporting treatment of loan loss provisioning for banks	A
Impairments in accordance with IFRS 9 vs IAS 39	A
Fair value measurement in accordance with IFRS 13	A
Financial statement analysis to appraise potential credit risk	A
Disclosing financial instruments in accordance with IAS 32 and IFRS 7	B
The proposals of the Enhanced Disclosure Task Force and the fundamental principles for risk disclosures	C
Principal differences between IFRS and UK GAAP	A
Regulatory framework	A

Topic	Business Planning: Banking
Regulatory capital and capital management	B
Comparison to previous Basel regulation	B
Basel 3 Pillar 1 and 2 calculations of minimum capital requirements	B
Basel 3 Pillar 3 disclosures, and bank regulatory returns	B
Conduct regulation and accounting for regulatory penalties	A
<b>Audit and Assurance</b>	
Practice Note 19, <i>The Audit of Banks in the United Kingdom</i>	A
IAPN 1000/Practice Note 23 <i>Special considerations in auditing financial instruments</i>	A
Loan loss provisioning audit procedures	A
The duty and right to disclose information to FCA, PRA and BoE	B
The FCA's requirement for holding or controlling client assets as set out in The Client Assets Sourcebook (CASS)	A
Assurance procedures with respect to a credit review	A
Appropriate procedures with respect to auditing of benchmarks (eg LIBOR)	C
Section 166 reports (and the role of a skilled person)	B
<b>Ethics</b>	B
Recognition and explanation of ethical and legal issues	A
Appropriate ethical actions	A
Ethical safeguards	A
Ethical issues to be notified to regulators	A
Ethical implications of providing audit and assurance services to a Public Interest Entity	A

# *Business Planning: Insurance*

Topic

Business Planning:  
Insurance

## **Insurance: markets, services and products**

Principles, practices and functions of the insurance sector and its related markets	A
The nature, principles and purposes of general (non) life insurance	A
The nature, principles and purposes of life insurance	A
The nature, principles and purposes of reinsurance contracts	A
Common investment classes	A
Liabilities of insurance companies including IBNR and IBNER	A
The principles and models of actuarial modelling	C

## **Risk Management**

The nature of corporate governance in the insurance sector	A
The key operational risks experienced by an insurance company	A
The concept of risk appetite	A
Conduct risk and the customer centric perspective	B
Asset and liability matching scenarios	B
Financial instruments to manage risk	A
Enterprise risk management	A

## **Financial and regulatory reporting**

Income Statement and Statement of Financial Position	A
IFRS 4 – Insurance Contracts	A
IFRS 17 – Insurance Contracts	B
Assets and liabilities – IAS 32, IAS 39, IFRS 7, IFRS 9, FRS 103	A
Financial reporting treatment of derivatives	A
Hedge accounting	A
Impairments in accordance with IFRS 9 vs IAS 39	A
Fair value measurement in accordance with IFRS 13	A
Disclosing financial instruments in accordance with IAS 32 and IFRS 7	C
Principle differences between IFRS and UK GAAP	A
Regulatory framework	A
Regulatory capital, capital management and Solvency II	B

Topic	Business Planning: Insurance
Solvency II Pillar 3 disclosures, the Solvency & Financial Condition Report	B
Capital and regulatory reporting requirements for non-Solvency II firms	B
Economic capital models	B
Conduct regulation and accounting for regulatory penalties	A
<b>Audit and Assurance</b>	
Practice note 20 - The audit of Insurers' in the United Kingdom	A
IAPN 1000/Practice Note 23 – Special considerations in auditing financial instruments	A
ISA 540 – Audit of accounting estimates	A
The review actuary	B
Assurance procedures for an insurer's regulatory returns	A
Audit risks and procedures in respect of MCEVs	A
Regulatory and audit client asset requirements of CASS 5	A
Section 166 reports (and the role of a skilled person)	B
<b>Ethics</b>	
Recognition and explanation of ethical and legal issues	A
Appropriate ethical actions	A
Ethical safeguards	A
Ethical issues to be notified to regulators	A