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Institute of Certified Bookkeepers

Level IV Module 2 – Drafting Financial Statements

Topic 1 – The Regulatory Framework

Learning Outcome	Assessment Criteria
<p>Explain the purpose of Financial Statements, the legal framework that govern these and the role of Accounting Standards.</p> <p>Understand the role of the Regulatory System; and the Structure and purpose of the IFRS Foundation and the International Accounting Standards Board.</p>	<p>Be able to:</p> <ol style="list-style-type: none">(1) Define the purpose of Financial Statements.(2) Explain the need to comply with the Companies Act.(3) Outline the role of the IFRS Foundation and the IASB and function of the International Financial Reporting Standards.

Topic 2 – The Conceptual Framework

Learning Outcome	Assessment Criteria
<p>Explain the objectives of Financial Statements and their use and users.</p>	<ol style="list-style-type: none">(1) Outline the elements of The Conceptual Framework for Financial Reporting.(2) Identify the elements of Financial Statements.(3) Understand and apply the qualitative characteristics of Financial Statements.(4) Understand and apply the Accounting Concepts.(5) Identify the User Groups and state clearly the way in which they use Financial Statements.

Topic 3 – Limited Company Finance.

Learning Outcome	Assessment Criteria
Explain the elements of Limited Company Finance	<ol style="list-style-type: none">(1) Define the terms:<ul style="list-style-type: none">• Share capital• Reserves• Equity(2) Explain what is meant by the Nominal and Market Value of a share.(3) Distinguish between Ordinary Shares and Preference Shares.(4) Explain the process of a share issue.(5) Explain what is meant by issuing shares at a Premium.(6) Distinguish between a bonus and rights issue.(7) Define the term Loan Notes.

Topic 4 – Preparing Limited Company Financial Statements.

Learning Outcome	Assessment Criteria
Draft Limited Company Accounts to ensure they comply with the relevant Accounting Standards and Company Legislation.	<ol style="list-style-type: none">(1) Outline the distinctive features of a Limited Company.(2) Draft a Statement of Profit and Loss and other Comprehensive Income.(3) Draft a Statement of Financial Position.(4) Prepare a set of notes to the accounts to include:<ul style="list-style-type: none">• Non-Current Assets to include Tangible and Intangible Assets.• Provisions.• Events after the Reporting Period.• Inventory.

Topic 5 – The Statement of Cash Flows.

Learning Outcome	Assessment Criteria
Explain the purpose of the Statement of Cash Flows and prepare the Statement based on IAS 7.	<ol style="list-style-type: none">(1) Explain the need and purpose of The Statement of Cash Flows.(2) Outline the elements of The Statement of Cash Flows as detailed in IAS 7.(3) Prepare The Statement of Cash Flows showing clearly cash flow from:<ul style="list-style-type: none">• Operating Activities,• Investing Activities• Financing Activities• And the subsequent increase/decrease in Cash or Cash Equivalent.(4) Interpret and prepare a set of notes on a company's cash position as outlined in The Statement of Cash Flows.

Topic 6 – An Introduction to Consolidated (Group Accounts)

Learning Outcome	Assessment Criteria
<p>Explain the general principles of consolidation and prepare a set of Group Accounts to include both a Subsidiary and an Associate.</p>	<ol style="list-style-type: none"> (1) Explain what is meant by the Single Entity Concept. (2) Establish the Group Structure. <ul style="list-style-type: none"> • Apply what is meant by Fair Value Adjustments and Fair Value Consideration • Determine the Net Assets of the Subsidiary. • Calculate the Goodwill on acquisition. • Calculate the Minority Interest. • Determine the Retained earnings of the Group. • Draft a Consolidated statement of financial position. (3) Define the term Control. (4) Explain the treatment of pre and post acquisition reserves and acquisition of a subsidiary part way through the year. (5) Explain the treatment of Inter- Company Trading. (6) Prepare a Consolidated Statement of Profit and Loss and other Comprehensive Income. (7) Associate: Explain what is meant by an Associate and the term Significant Influence. (8) Explain the principle Equity Accounting. (9) Identify an Associate in a Group Structure

Topic 7 – Interpretation of Financial Statements.

Learning Outcome	Assessment Criteria
<p>Analyse and Interpret Limited Company Financial Statements using Performance Indicators and Ratio Analysis.</p>	<p>(1) Calculate Profitability Ratios:</p> <ul style="list-style-type: none"> • Return on Capital Employed • Gross Profit % of Sales • Net Profit % of Sales • Return on Equity <p>(2) Calculate Liquidity Ratios and Asset utilisation:</p> <ul style="list-style-type: none"> • Current Ratio • Acid Test • Receivables Collection Period • Payables Payment Period • Inventory Turnover • Asset Turnover <p>(3) Calculate Financial Structure Ratios:</p> <p>Risk:</p> <ul style="list-style-type: none"> • Gearing • Interest Cover <p>(4) Calculate Investor Ratios:</p> <ul style="list-style-type: none"> • Earnings per share (EPS) • Price Earnings Ratio • Dividend Cover <p>(5) Analyse and interpret a set of performance indicators for a Limited Company over a series of years and comment on the financial performance.</p>

Topic 8 – Associated Accounting Standards (IASB); International Financial Reporting Standards (IAS's and IFRS's)

Learning Outcome	Assessment Criteria
<p>Explain the meaning and purpose of a range of Accounting Standards.</p>	<p>(1) Outline the meaning and purpose of the following International Financial Reporting Standards:</p> <ul style="list-style-type: none"> • IAS 1 Presentation of Financial Statements. • IAS 2 Inventories. • IAS 7 Statement of Cash Flows. • IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. • IAS 10 Events after the Reporting Period. • IAS 16 Property, Plant and Equipment. • IAS 18 Revenue. • IAS 28 Investments in Associates and Joint Ventures. • IAS 38 Intangible Assets. • IFRS 10 Consolidated Financial Statements. • IFRS 13 Fair Value Measurement.



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