



Making you count™

Institute of Certified Bookkeepers

Level IV Certificate in Preparing and submitting accounts for a Micro-entity under FRS105

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Introduction

The Level IV Certificate in Preparing and Submitting Accounts for a Micro-entity (using the Accounting Standard FRS 105) covers the production of a set of accounts for an incorporated body (including a relevant Limited Liability Partnership) which does not require an audit to the point at which they can be signed off by the relevant authorised person in accordance with the Companies Act 2006. It also covers the calculation of the provision for Corporation Tax and the submission of the year end accounts and the annual return to HMRC and Companies House.

Note: this unit does not cover the production and submission of accounts for entities which need to, or have decided to, report under any other relevant standard currently in force, either under UKGAAP or International Financial Reporting Standards.

The Certificate forms one optional unit of the Level IV Diploma in Advanced Bookkeeping and Accounting.

Occupational Role: self-employed bookkeeper / senior employed bookkeeper

On completion of this qualification candidates will be able to carry out the role of an employed or self-employed bookkeeper, producing year-end accounts for limited companies in both a manual and a computerised system in accordance with FRS105 and to complete and submit both the relevant annual return and the final accounts to HMRC and Companies House on behalf of the company director(s).

Prior Knowledge

Before commencing the study at this level the candidate should have achieved, or been granted exemption from, ICB Level IV Certificate in Advanced Bookkeeping and Accounts.

Assessment and Grading

The testing of knowledge and skills for the qualification will comprise one online assessment, which is taken in the candidate's home or place of work. The assessment involves online questions covering the underpinning knowledge of the subject, and the completion of simulated returns.

The qualification will be graded at Distinction, Merit or Pass

Because the assessment is taken at home or at the place of work, it will be graded as follows:

Distinction	95 -100%
Merit	90 - 94%
Pass	85 - 89%
Fail	0 - 84%

CPD Points

On successful completion of this qualification you will automatically be credited with 15 structured and 15 unstructured points on your CPD record.

Topic 1 – Underpinning Knowledge	
Learning Outcome	Assessment Criteria
1. Explain the statutory returns that need to be made for an incorporated entity	(1) The company annual return (2) Annual accounts to Companies House (3) Corporation tax return to HMRC
2. Explain the purpose of Financial Statements, and the legal and conceptual frameworks that govern these and the role of Accounting Standards	Be able to: <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 and function of the Financial Reporting Council 4) Outline the distinctive features of an eligible Limited Liability Company and an eligible Limited Liability Partnership which may report under this standard 5) Understand the scope of the reporting standard for Micro-entities (FRS 105) (Section 1) 6) Explain how assets and liabilities are measured under FRS105 (Section 2) 7) Understand the use of sections 7 to 20 of FRS105

Topic 2 – Limited Company Financial Statements

Learning Outcome	Assessment Criteria
<p>1. Prepare accounts for a Limited Company and/or a Limited Liability Partnership to ensure they comply with the relevant Accounting Standards and Company Legislation</p>	<ol style="list-style-type: none"> 1) Produce a set of internal management accounts to include all year-end adjustments 2) Post relevant entries to the accounts for the provision and payment of Corporation Tax 3) Complete details for the fixed assets register. 4) Understand and apply the Accounting Concepts that are contained in FRS105 (Section 3) 5) Prepare a Statement of Financial Position with the relevant minimum accompanying notes under either of the recognised formats in FRS 105 (Section 4) 6) Prepare a Statement of Income as per the format in FRS 105 (Section 5) 7) Prepare a set of notes to the accounts as per the format in FRS 105 (Section 6) to include, as appropriate: <ul style="list-style-type: none"> ○ The total amount of any financial commitments, guarantees and contingencies that are not included in the statement of financial position ○ The total amount of any commitments concerning pensions ○ The total amount of any commitments which are undertaken on behalf of or for the benefit of: <ol style="list-style-type: none"> (a) any parent, fellow subsidiary or any subsidiary of a micro-entity; or (b) any undertaking in which a micro-entity has a participating interest

Topic 3 – Accounting Adjustments for Corporation Tax

Learning Outcome	Assessment Criteria
Outline the purpose of adjusted trading profits and identify disallowable expenditure	<ol style="list-style-type: none"> (1) Explain the principle of a chargeable accounting period (2) Explain how profits are adjusted. (3) Identify expenditure considered disallowable. (4) Explain the treatment of dividends. (5) Identify bad debts as an allowable deduction. (6) Explain the treatment of interest payable on trading loans. (7) Treatment of hire and lease charges. (8) Identify income in the accounts but not taxable as trading profit. (9) Compute adjusted trading profit for the period.
Explain the nature and purpose of capital allowances.	<ol style="list-style-type: none"> (1) Distinguish between depreciation and capital allowances. (2) Identify qualifying expenditure. (3) Identify the main types of capital expenditure and the capital allowances available. (4) Calculate the allowances: <ul style="list-style-type: none"> • Expenditure not pooled • General or main pool • FYA - First Year Allowance • AIA - Annual Investment Allowance • WDA - Writing Down Allowances • Balancing Charges (5) Capital allowances: <ul style="list-style-type: none"> • Motor Vehicles v Motor Cars • Expensive Cars (6) Short Life Assets. (7) Prepare a computation for capital allowances. (8) Apply Business Cessation and allowances.
Explain the nature and purpose of capital gains tax	<ol style="list-style-type: none"> (1) Explain the principle of Entrepreneurs' relief. (2) Identify qualifying business disposals, qualifying ownership period; and apply the relief (3) Apply the principle of Rollover relief: <ul style="list-style-type: none"> • Conditions for relief

	<ul style="list-style-type: none"> • Partial reinvestment <p>(4) Explain the principles of gift relief: (5) Calculate gains and/or losses on the disposal of assets (6) Calculate the capital gains tax due</p>
Complete the relevant sections of the corporation tax return	(1) Complete the relevant sections of the corporation tax return

Topic 4 – Interpretation of Financial Statements

Learning Outcome	Assessment Criteria
1. Analyse and Interpret Limited Company Financial Statements using Performance Indicators and Ratio Analysis.	<p>1) Calculate Profitability Ratios:</p> <ul style="list-style-type: none"> a) Return on Capital Employed (profits before interest and tax divided by capital employed (total assets less current liabilities)) b) Gross Profit % of Sales c) Net Profit % of Sales <p>2) Calculate Liquidity Ratios and Asset utilisation:</p> <ul style="list-style-type: none"> a) Current Ratio b) Acid Test c) Receivables Collection Period d) Payables Payment Period e) Inventory Turnover f) Asset Turnover <p>3) Calculate Financial Structure Ratios:</p> <ul style="list-style-type: none"> a) Gearing <p>4) Analyse and interpret a set of performance indicators for a Limited Company over a series of years and comment on the financial performance</p> <p>5) Compare a set of figures with other organisations and industry figures</p>



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