

ICB Level 4 Certificate in Business Insight

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About ICB

The Institute of Certified Bookkeepers (ICB) is the largest bookkeeping institute in the world. It promotes and maintains the standards of bookkeeping as a profession through the establishment of relevant qualifications and the award of grades of membership that recognise academic attainment, working experience and competence.

In ICB's role as a membership body, it provides ongoing support to members to ensure they are knowledgeable and up to date with the latest legislation, mindful of their ethical obligations, and best-placed to provide a trusted and exemplary service to business.

ICB Objectives:

- to promote bookkeeping as a profession
- to increase recognition for bookkeeping as an integral part of the financial profession
- to promote education and learning
- to enable the achievement of a recognised bookkeeping qualification
- to provide a trusted benchmark for the profession
- to improve the career prospects of ICB members

ICB Principles

ICB believes that sound financial management can have a profound effect on society at a personal, professional and global level. ICB is passionate about empowering students of all ages and backgrounds to learn new skills, find fulfilling employment or set up their own businesses. By creating a pool of highly qualified bookkeeping talent, ICB endeavours to help business owners take control of their finances at the right cost and, in turn, support the economy as a whole.

Introduction to ICB Level 4 Certificate in Business Insight

The Level 4 Diploma in Business Insight is an option module for the ICB Level 4 Diploma in Advanced Bookkeeping and Accounts. It is open to all members of ICB, regardless of their route to membership.

This certificate covers skills that a bookkeeper can apply to enhance the services provided to clients or employers by providing an insight to the meaning of the figures in the financial statements and being able to advise on planning, control and decision making.

Qualification Aims

Working with a business to record its transactions and report on its financial position gives the bookkeeper access to data which can be used to help the business navigate its future; identifying risks to profitability and cash flow and opportunities to mitigate those risks as well as evaluating opportunities to grow the business.

This qualification develops skills that allow a bookkeeper to add value to employers or clients when engaged to record transactions and prepare financial statements. Whilst the financial statements provide a true and fair view of where a business stands (regarding what it owns and what it owes and how it got to that financial position), they look backwards at what has happened over the year in question.

The core elements of the module are:

1. Planning
2. Control
3. Performance measurement
4. Short-term financial management
5. Short- and medium-term decision making

Pre-requisites

ICB Level 4 qualifications have been designed for bookkeepers, building on the core knowledge and skills developed in the ICB Level 2 Certificate in Bookkeeping and Level 3 Certificate in Bookkeeping and Accounts. Candidates for this module should be a full Member (MICB) of ICB or be able to provide evidence of recent relevant qualifications and/or work experience equivalent to the Level 2 Certificate in Bookkeeping and Level 3 Certificate in Bookkeeping and Accounts.

There is no mandatory order for attempting the modules within the ICB Level 4 Diploma in Advanced Bookkeeping and Accounting and this certificate can be completed in isolation.

Qualification Structure

The Level 4 Certificate in Business Insight is made up of seven topics:

1. Cost behaviour and analysis
2. Forecasting and budgeting
3. Performance measurement
4. Managing the cash operating cycle
5. Short-term financing decisions
6. Short-term decision making
7. Medium-term capital investment decision making

On completion of learning, the candidate will be able to demonstrate competence in the following tasks:

Topic 1 – Cost behaviour and analysis

Learning outcomes

- 1.1. Explain how costs will behave at different levels of activity; distinguishing between fixed, variable, stepped and semi-variable costs and the principle of 'contribution'.
- 1.2. Compare and contrast value-adding and non-value-adding activities and their associated costs

Topic 2 – Forecasting and budgeting

Learning outcomes

- 2.1. Explain factors to consider when preparing forecasts of activity levels; factors including:
 - Competition
 - Pricing
 - Economic influences
 - Market trends
- 2.2. Explain the purposes of preparing budgets.
 - Planning
 - Utilisation of scarce resources
 - Allocating responsibilities
 - Target-setting and performance management
- 2.3. Prepare an operational budget based on forecasts for sales and resource availability.
- 2.4. Prepare flexible budgets to demonstrate possible out-turns for best-case and worst-case scenarios.

Topic 3 – Setting targets to monitor performance

Learning Outcome

- 3.1 Using flexed budgets, identify possible reasons for total budget variances. Note that a break-down of budget variances into component parts (such as price and usage variances) will not be tested; nor will reconciliation of budget to actual profit be.
- 3.2 Compare and contrast the use of financial and non-financial measures for performance measurement. NOTE that Kaplan and Norton's Balanced Scorecard will not be examined, although it may be a useful learning tool to explore the benefits of incorporating non-financial performance measures.

Topic 4 – The operating cycle

Learning outcome

- 4.1 Calculate and explain the operating cycle using
 - Stock days (raw materials, W.I.P and finished goods as appropriate)
 - Debtor days
 - Creditor days
- 4.2 Evaluate proposals to manage the operating cycle by reducing investment in stock.
- 4.3 Evaluate proposals to manage the operating cycle by reducing the investment in debtors using either early settlement discounts or debt collection services (factoring)

Topic 5 – Short-term financing decisions

Learning outcomes

- 5.1. Compare and contrast the use of short-term and long-term finance to fund the working capital cycle with specific attention to:
 - Costs
 - Flexibility
 - Risk
- 5.2. Identify the relative advantages of funding working capital financing requirements using either an:
 - Aggressive approach (relying mainly on short-term financing), or
 - Conservative approach (raising long-term financing)

Topic 6 – Short-term decision making

Learning outcome

- 6.1 Identify relevant costs for short-term decision making, including the concept of sunk costs, avoidable costs and opportunity costs
- 6.2 Appraise short-term decision scenarios.

Topic 7 – Capital investment decision making

Learning outcomes

- 7.1 Identify relevant cash flows for a capital investment decision.
- 7.2 Explain the principle of the time value of money.
- 7.3 Evaluate project cash flows using
 - Simple (not discounted) payback period, or
 - Net present value (NPV)

Assessment

The testing of knowledge and skills for the qualification will comprise one online assessment, which can be taken at home, at a place of work or another suitable place where the candidate can work uninterrupted for three hours (such as a library).

The exam will consist of a set of scenario based questions and tasks following the assessment criteria. All questions are objective and will be answered using number entry or selection from a list of options.

Grading

The qualification will be graded at Distinction, Merit or Pass with grade boundaries as follows:

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

Level of Membership

The Level 4 Certificate in Business Insight is not attached to a level of ICB membership. However, if taken as part of the Level 4 Diploma in Advanced Bookkeeping and Accounts it may lead to the offer to upgrade to Fellow Member of ICB and the award of the designatory letter FICB.

CPD

On successful completion of this qualification, those holding current ICB membership will automatically be credited with 15 structured and 15 unstructured points on their CPD record.

Level 4 Certificate in Business Insight – detailed syllabus

The following detailed syllabus provides the Learning Outcomes and Assessment Criteria for each topic which make up the Level 4 Certificate in Business Insight qualification.

Topic 1 – Cost behaviour and analysis	
Learning Outcome	Assessment criteria
1.1. Explain how costs will behave at different levels of activity	• Classify costs as: ○ Fixed ○ Variable ○ Stepped ○ Semi-variable • Explain the principle of contribution (being variable) and its relevance for planning and decision making.
1.2. Compare and contrast value-adding and non-value-adding activities and their associated costs	• Explain the concept of value with reference to function, esteem and price • Analyse activities into those which add value to a product or service and those which add little or no value • Identify the benefits to be gained by eliminating activities which add less value than their costs

Topic 2 – Forecasting and budgeting

Learning Outcome	Assessment Criteria
2.1 Explain factors to consider when preparing forecasts of activity levels	- List factors which should be considered when forecasting future sales (such as: price, quality, competition, availability of resources, market trends, government policies, economic risk, etc.) - Compare and contrast different approaches to preparing sales forecasts. <i>Note that production of sales forecasts (using techniques such as time series analysis or linear regression) will not be examined but it is important that the bookkeeper can advise on reliance upon past sales volume data, given the number of influencing factors in 2.1.1.</i>
2.2. Explain the purposes of preparing budgets.	- Explain the relationship between forecasting and budgeting - Explain that budget is a quantified plan of action for a forthcoming time period which has the following purposes: - Planning allows the business to consider possible opportunities and risks and for targets to be set across the business - Limited resources can be used optimally - Responsibilities for achieving different targets can be allocated throughout the business. - Targets may be set against which performance of people, product lines or divisions/branches may be measured.
2.3. Prepare an operational budget	- Prepare the following functional budgets based on given forecast data: - Sales Revenue - Production - Material usage and purchases - Labour utilisation and rate - Overheads - Prepare a budgeted income statement - Prepare a cash flow forecast
2.4. Prepare flexible budgets	Prepare flexed budgets showing the effect on budget volume of 'best-case' and 'worst-case' outcomes for forecast activity levels.

Topic 3 – Setting targets to monitor performance

Learning Outcome	Assessment Criteria
3.1 Use flexed budgets to identify overall budget variances	• Prepare a flexed budget based on outturn activity data and calculate total variances • Identify possible reasons for total budget variances and actions a business might take to control costs. <i>Note that a breakdown of cost variances into their component parts (such as materials price and usage) will not be examined numerically. Nor will reconciliation of budget to actual profit be.</i>
3.2 Compare and contrast the use of financial and non-financial measures for performance measurement.	• Identify limitations of relying only on financial measures of performance • Identify comparative benefits and disadvantages of using non-financial performance measures • Illustrate the range of possible non-financial performance measures across different categories, such as: ○ Efficiency, productivity or wastage ○ Customer satisfaction ○ Staff satisfaction or effectiveness

Topic 4 – The operating cycle

Learning Outcome	Assessment Criteria
4.1. Calculate the operating cycle	- Calculate values for: - Stock turnover (including: raw materials; work- in-progress, and finished goods) - Debtor days - Creditor days - The overall (cash) operating cycle <i>Note that stock turnover, debtor days and creditor days calculations will be based on closing balance sheet values</i> - Identify the costs associated with holding current assets and consider whether they add value to the business. - Explain the meaning of the operating cycle and the need for funding to finance the operating cycle.
4.2. Evaluate proposals to manage the operating cycle by reducing investment in stock	- Define a 'Just-in-Time' (JIT) approach to stock management - Identify the conditions that should apply if a business is to implement JIT successfully. - Recommend whether adoption of JIT stock management will benefit a business in a given scenario. <i>Note that this outcome tests the principle of stock holding costs being non-value-adding; that "JIT" is a philosophy that's ideal in many large businesses; that small businesses can learn from its adoption but that there are risks due to being smaller businesses.</i>
4.3. Evaluate proposals to manage the operating cycle by reducing the investment in debtors	- Identify the main factors when considering whether to offer credit terms to a customer. - Calculate the costs associated with a business's credit policy (costs of administration; settlement discounts; cost of capital; bad debts) - Calculate the impact of changing credit policy either by: - Changing terms for settlement discounts - Using the services of a debt collection agency (factoring)

Topic 5 – Short-term financing decisions

Learning Outcome	Assessment Criteria
5.1 Compare and contrast the use of short-term and long-term finance to fund the working capital cycle	- Identify common sources of finance that may be used by a micro or small business to fund its working capital needs. - Contrast the use of short-term finance for funding working capital with using long-term finance.
5.2 Identify the relative advantages of funding working capital financing requirements	Appraise the relative benefits, risks and costs of adopting either a 'conservative' (predominantly long-term) or an 'aggressive' (reliant on short-term) strategy towards funding working capital requirements.

Topic 6 – Short-term decision making

Learning Outcome	Assessment Criteria
6.1. Identify relevant costs for short-term decision making	- Explain the concept of relevant costs as being incremental cash flows affected by the decision to follow a described course of action. - Identify where relevant costs are different to accounting costs: - Sunk costs - Avoidable costs - Committed costs - Opportunity costs
6.2. Appraise short-term decision scenarios	- Calculate whether to make or buy requirements when resources are limited. - Calculate the minimum price for one-off, short-term projects.

Topic 7 – Capital investment decision making

Learning Outcome	Assessment Criteria
7.1. Identify relevant cash flows for a capital investment decision	• Explain the concept of relevant costs as being incremental cash flows affected by the decision to make the investment. • Produce forecast cash flows for a given investment scenario. <i>Note that there will be no exam requirement to calculate tax payable, working capital cash flows or to translate foreign currencies in an investment forecast.</i>
7.2. Explain the principle of the time value of money	• Explain why future cash flows have a lower value than present cash flows. • Identify the factors which influence a business's cost of capital (i.e. cost of money and risk of project)
7.3 Evaluate project cash flows	• Calculate basic payback period for a project. • Calculate the net present value of a project. • Distinguish between capital and revenue expenditure <i>Note that exam questions will limit project lives to four years so that the principles can be assessed rather than lengthy calculations which could be performed in a spreadsheet or other applications.</i>

Equality, Diversity and Inclusion Policy

ICB is committed to ensuring fair and equal access to its qualifications, examinations, support materials and all other services. ICB strives to maintain professional standards for the benefit of all its students, members, suppliers, stakeholders and ICB staff.

Please refer to the ICB website for a copy of our Equality, Diversity and Inclusion policy.

Customer Service Statement

ICB is committed to providing a high standard of customer service and ensuring all customers are dealt with promptly and in a professional and helpful manner. To achieve this, ICB commits to ensure that:

- All customers are treated with courtesy and respect
- All customers are treated individually, equally and in a professional manner
- All customer information will be treated confidentially and only used in a way which has been agreed in advance, unless ICB is informed of something that places them or others at risk or harm

Please refer to the ICB website for a copy of our Customer Service Statement policy.

Reasonable Adjustments and Special Considerations Policy and Procedure

ICB is keen to ensure it provides a fair and consistent assessment process for all students. ICB recognises that there are sometimes circumstances beyond the control of the student that may have an impact on their level of ability whilst undertaking assessment. ICB will consider all appropriate Reasonable Adjustments and Special Consideration requests.

Please refer to the ICB website for a copy of our Reasonable Adjustment and Special Considerations policy.

Enquiries and Appeals Policy

ICB is continually working to uphold a high level of service by ensuring quality assurance standards are maintained at all times. ICB aims to ensure that all assessment outcomes are fair, consistent and reliable. However, occasions may arise where a student may wish to question a decision.

Please refer to the ICB website for a copy of our Enquiries and Appeals policy.



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