

ICB Level 4 Certificate in Financial Statements for Micro and Small Businesses

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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 Financial Statements for Micro and Small Businesses

The Level 4 Certificate in Financial Statements is a stand-alone qualification. It is also an option module (certificate) for the ICB Level 4 Diploma in Advanced Bookkeeping and Accounting.

The qualification covers the preparation of the Financial Statements for an incorporated body (including a relevant Limited Liability Partnership) under both FRS105 (The Financial Reporting Standard applicable to the Micro Entities Regime) and FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland) Section 1A which do not require an audit

(and) to the point at which they can be signed off by the relevant authorised person in accordance with the Companies Act 2006.

Note: this unit does not cover the preparation and submission of the Financial Statements 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. Note: there are several reporting areas in FRS102 that are not compulsory for those entities reporting under Section 1A but are recommended (and for which an entity may choose voluntarily to prepare) so this module requires an understanding of such areas as Consolidated Accounts, Statement of Changes in Equity and Statement of Cash flows.

Qualification Aims

On completion of this qualification candidates will be able to carry out the role of an employed or self-employed bookkeeper, preparing the final Financial Statements for limited companies in accordance with FRS105 and FRS102 Section 1A.

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 module can be completed in isolation.

Qualification Structure

The Level 4 Certificate in Financial Statements is made up of five topics:

- Underpinning Knowledge
- Limited Company Financial Statements
- An Introduction to Consolidation (Group Accounts)
- The Statement of Cash Flows
- Interpretation of Financial Statements

The learning outcomes for each topic are:

Topic 1 - Underpinning Knowledge

- 1.1 Explain the purpose of financial statements, the legal framework that govern these and the role of accounting standards
- 1.2 Explain the statutory returns that need to be made for an incorporated entity
- 1.3 Explain the objectives of financial statements and their use and users
- 1.4 Explain the objectives of Internal Management Accounting

Topic 2 – Limited Company Financial Statements

- 2.1 Prepare Financial Statements for a Limited Company and/or a Limited Liability Partnership to ensure they comply with the relevant Accounting Standards and Company Legislation
- 2.2 Explain the elements of company finance

Topic 3 – An Introduction to Consolidation (Group Accounts)

- 3.1 Explain the general principles of consolidation and prepare a set of Group Accounts to include both a Subsidiary and an Associate under FRS102 Section 9. Note: this is a voluntary disclosure under FRS 102 Section 1 (A)

Topic 4 – The Statement of Cash Flows

- 4.1 Explain the purpose of the Statement of Cash Flows and prepare the Statement based on FRS102 Section 7.

Topic 5 – Interpretation of Financial Statements

- 5.1 Analyse and interpret Limited Company Financial Statements using Performance Indicators and Ratio Analysis

Assessment

The testing of knowledge and skills for the qualification will comprise one three-hour online exam, taken in the candidate's home or place of work.

The exam involves questions covering the knowledge and application of the subject and the completion of simulated financial returns.

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

This is a stand-alone qualification and, as such, does not lead directly to ICB membership.

However, ICB full Members (MICB) of at least two years good standing will be invited to become a Fellow (FICB) upon completion of the Diploma in Advanced Bookkeeping and Accounting.

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 Financial Statements for Micro and Small Businesses – detailed syllabus

The following detailed syllabus provides the Learning Outcomes and Assessment Criteria for each topic which makes up the Level 4 Certificate in Financial Statements qualification.

Topic 1 – Underpinning Knowledge	
Learning Outcome	Assessment Criteria
1.1 Explain the purpose of financial statements, the legal framework that govern these and the role of accounting standards.	On successful completion the candidate will be able to: • Define the purpose of financial statements • Explain the need to comply with the Companies Act • Outline the role of the Financial Reporting Council (FRC)
1.2 Explain the statutory returns that need to be made for an incorporated entity	On successful completion the candidate will be able to explain: • The company Confirmatory Report • Annual accounts to Companies House • Corporation tax return to HMRC
1.3 Explain the objectives of financial statements and their use and users.	On successful completion the candidate will be able to: • Outline the elements of the conceptual framework for financial reporting • Identify the elements of financial statements • Explain and apply the accounting concepts • Identify the user groups and state clearly the way in which they use financial statements
1.4 Explain the objectives of internal management accounting.	On successful completion the candidate will be able to: • Distinguish the difference between financial accounting and management accounting

Topic 2 – Limited Company Financial Statements

Learning Outcome	Assessment Criteria
2.1 Prepare financial statements for a limited company and/or a Limited Liability Partnership to ensure they comply with the relevant Accounting Standards and Company Legislation	On successful completion the candidate will be able to: • Post relevant entries to the accounts for the provision and payment of corporation tax • Complete details for the fixed assets register. • Identify and apply the accounting concepts that are contained in FRS105 Sections 2 and 3 and FRS102 Section 1A • Prepare a statement of financial position with the relevant minimum accompanying notes under any of the formats in FRS 105 (Section 4) and FRS102 Section 1A (Appendix A) • Prepare a Statement of Incomes per the format in FRS 105 (Section 5) and FRS102 Section 1A (Appendix B) • Prepare a set of notes to the accounts as per the format in FRS 105 (Section 6) and FRS102 Section 1A (Appendix C) • Explain the nature of voluntary disclosures
2.2 Explain the elements of company finance	On successful completion the candidate will be able to: • Define the terms: ○ Share capital ○ Reserves ○ Equity • Distinguish between ordinary shares and preference shares ○ Explain the process of a share issue ○ Explain what is meant by issuing shares at a premium ○ Define the term loan notes

Topic 3 – An Introduction to Consolidated (Group Accounts)

Learning Outcome	Assessment Criteria
3.1 Explain the general principles of consolidation and prepare a set of group accounts to include both a Subsidiary and an associate under FRS102 Section 9 Note: This is a voluntary disclosure under FRS 102 Section 1 (A)	On successful completion the candidate will be able to: • Explain what is meant by the single entity concept • Establish the group structure ○ 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 non-controlling interest. ○ Determine the retained earnings of the group ○ Prepare a consolidated statement of financial position • Define the term 'control' • Explain the treatment of pre and post-acquisition reserves and acquisition of a subsidiary part way through the year • Explain the treatment of inter-company trading • Prepare a consolidated income statement • Explain what is meant by the terms 'associate' and 'significant influence' • Explain the principle of equity accounting • Identify an associate in a group structure

Topic 4 – The Statement of Cash Flows

Learning Outcome	Assessment Criteria
4.1 Explain the purpose of the statement of cash flows and prepare the Statement based on FRS102 Section 7	On successful completion the candidate will be able to: • Explain the need and purpose of the statement of cash flows • Outline the elements of the statement of cash flows as detailed in FRS102 Section 7 • Prepare a statement of cash flows showing clearly cash flow from: ○ Operating activities, ○ Investing activities ○ Financing activities ○ The subsequent increase/decrease in cash or cash equivalent. • Interpret and prepare a set of notes on a company's cash position as outlined in the statement of cash flows

Topic 5 – Interpretation of Financial Statements

Learning Outcome	Assessment Criteria
5.1 Analyse and interpret limited company financial statements using performance indicators and ratio analysis.	On successful completion the candidate will be able to: • Calculate profitability ratios: ○ Return on Capital Employed (profits before interest and tax divided by capital employed (total assets less current liabilities)) ○ Gross profit % of sales ○ Net profit % of sales • Calculate ratios for liquidity and asset utilisation: ○ Current ratio ○ Acid test ○ Debt collection period ○ Creditor payment period ○ Stock turnover ○ Asset turnover • Calculate the following financial structure ratios: ○ Gearing ○ Interest cover • Analyse and interpret a set of performance indicators for a limited company over a series of years and comment on the financial performance • Compare a set of figures with other organisations and industry figures

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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