



**IAB Level 4 Certificate in International Accounting Standards and IFRS  
603/3017/X**

**Qualification Specification**

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## 1 Introduction

The Level 4 Certificate in International Accounting Standards and IFRS qualification comprises one mandatory unit:

- Prepare and appraise financial statements – D/616/9102

(See Section 11 ‘Unit specifications’ for further details.)

The Total Qualification Time (TQT) and Guided Learning Hours (GLH) for this qualification are as follows:

TQT	GLH
330	110

TQT is an estimate of the amount of time that a learner might reasonably require to achieve the level of attainment necessary for the award of a qualification. TQT includes GLH, which describes the time spent by a learner being taught or instructed by a tutor or other appropriate provider of education or training. The remaining hours are time spent by the learner in preparation, study or any other form of participation in education or training that takes place as directed by, but not under the immediate guidance or supervision of, a tutor or other appropriate provider of education or training.

## 2 Statement of level

This is a Level 4 qualification, defined with reference to the Regulated Qualifications Framework (RQF), as follows:

Knowledge descriptor The learner:	Skills descriptor The learner can:
<ul style="list-style-type: none"> <li>• has practical, theoretical or technical knowledge and understanding of a subject or field of work to address problems that are well defined but complex and non-routine</li> <li>• can analyse, interpret and evaluate relevant information and ideas</li> <li>• is aware of the nature of approximate scope of the area of study or work</li> <li>• has an informed awareness of different perspectives or approaches within the area of study or work.</li> </ul>	<ul style="list-style-type: none"> <li>• identify, adapt and use appropriate cognitive and practical skills to inform actions and address problems that are complex and non-routine while normally fairly well-defined.</li> <li>• review the effectiveness and appropriateness of methods, actions and results.</li> </ul>

The assumption at this Level is that learners already have a sound knowledge and understanding of the principles and practices associated with the processing of business transactions, the keeping of financial records, and the preparation of financial statements for sole traders and partnerships.

### 3 Purpose

Learners who complete the qualification successfully will be able to demonstrate a sound knowledge of the regulatory and conceptual frameworks that are fundamental to the preparation of financial statements for limited companies.

Successful completion of the qualification will give learners a knowledge and understanding of some of the International Accounting Standards applied when drafting financial statements for a limited company, equip learners with the skills required to draft financial statements for a single limited company, and prepare consolidated financial statements for a group of companies.

On completing the qualification, learners will have progressed to the stage whereby they will be able to prepare and present financial statements, calculate a variety of accounting ratios used to measure profitability, liquidity, resource utilisation, risk, as well as ratios used by investors who buy shares in a company. They will also be able to interpret ratios by using them to appraise the financial performance of a limited company.

### 4 Target groups

The Level 4 Certificate in International Accounting Standards and IFRS has been designed to appeal to learners:

- who already hold the IAB Levels 2 and 3 Bookkeeping and Accounting qualification, or other bookkeeping/accounting equivalent accredited qualifications recognised by the IAB, and want to further their studies at an advanced level
- who already have some experience of bookkeeping and accounting as senior bookkeepers, accounting technicians or in allied roles, but wish to enhance their knowledge and skills so that they can perform some of the more advanced routine and non-routine tasks associated with accounting for limited companies
- who may wish to continue to a higher level of study in accounting and related subjects by ultimately progressing to chartered level.

## 5 Entry requirements

Ideally learners will have first completed the IAB Level 3 Certificate in Bookkeeping and Accounting qualification, or another equivalent regulated qualification, before moving on to study accounting at this advanced level.

Alternatively, the learner should have appropriate prior knowledge and skills gained from carrying out paid or unpaid accounting duties at a semi-senior, or senior level within a business or voluntary organisation. Where learners are studying through an IAB Accredited Centre, the Centre/Tutor will be required to confirm that the candidate has either an IAB Level 3 Certificate in Bookkeeping and Accounting qualification, an acceptable recognised equivalent qualification, or relevant work based prior knowledge and skills.

## 6 Progression

IAB does not currently have qualifications offering a progression opportunity for holders of the Level 4 Certificate in International Accounting Standards and IFRS.

## 7 Assessment, achievement and grading

### 7.1 Methods of assessment

The method of assessment is outlined in the table below.

Assessment title	Method of assessment
Prepare and appraise financial statements	Examination

The IAB assesses competence in the Level 4 Certificate in International Accounting Standards and IFRS qualification by means of an examination of two hours duration. The examination must be completed under controlled conditions.

The examination requires learners to carry out tasks accurately and in keeping with current accounting legislation, concepts and practices.

The examination consists of 50 questions, and this will contain a mixture of multiple-choice questions, gap-fill questions, insert value, drag and drop and drop-down picklists.

The total marks for each exam will be 100 marks.

## 7.2 Achievement and grading

To achieve the qualification learners must take and pass the examination. Outcomes are graded as follows:

A\* Pass with Distinction and Commendation 95% and above

A Pass with Distinction 85% – 94.99%

B Pass with Credit 70% – 84.99%

C Pass 60% – 69.99%

M MARGINAL FAIL 55% – 59.99%

F FAIL Below 55%

## 8 Certification

On achievement of all the mandatory units the learner will receive an IAB Level 4 Certificate in International Accounting Standards and IFRS certificate. The certificate will carry the full name of the learner as registered.

## 9 Reasonable adjustments and special considerations

Please refer to the Centre Area of the IAB website [www.iab.org.uk](http://www.iab.org.uk) for a copy of this procedure.

## 10 Enquiries and appeals

Please refer to the Centre Area of the IAB website [www.iab.org.uk](http://www.iab.org.uk) for a copy of this procedure.

## 11 Unit Specification

The unit specification indicates the content, in terms of learning outcomes and assessment criteria, for the single unit within the Level 4 Certificate in International Accounting Standards and IFRS qualification.

All the learning outcomes and assessment criteria must be covered by providers when delivering the qualification. Each live assessment covers a selection of the unit learning outcomes and assessment criteria and full coverage is achieved across the live assessment variations for each unit.

The content of the assessments is subject to ongoing review by the IAB and changes periodically.

Each of the unit specifications is provided below.

<b>Unit title</b>	<b>Prepare and appraise financial statements D/616/9102</b>		
<b>Level</b>	<b>4</b>		
<b>GLH</b>	<b>110</b>	<b>Total Qualification Time</b>	<b>330</b>
<b>Learning Outcomes</b>	<b>Assessment Criteria</b>		
<b>Demonstrate knowledge</b> 1 Understand the legal status of a limited company	<b>Learners are required to demonstrate a knowledge of:</b> 1.1 Limited liability and the legal status of a limited company: <ul style="list-style-type: none"> <li>• understand the meaning of the term ‘limited liability’</li> <li>• recognise the legal status of a limited company</li> <li>• recognise types of limited company (public and private)</li> <li>• recognise the advantages and disadvantages of limited companies compared to sole trader and partnerships type organisations</li> </ul> 1.2 Company formation procedures, understanding the purpose of the following: <ul style="list-style-type: none"> <li>• registration document</li> <li>• memorandum of association</li> <li>• articles of association</li> <li>• prospectus</li> </ul>		
<b>Demonstrate knowledge/skills</b> 2 Account for the capital structure of a limited company	<b>Learners are required to demonstrate a knowledge of:</b> 2.1 The capital structure of a limited company: <ul style="list-style-type: none"> <li>• differentiate between shares and loan capital as sources of finance</li> <li>• explain the key features of ordinary shares, preference shares and loan stock</li> <li>• explain the term ‘reserves’ and recognise the differences between revenue reserves and capital reserves</li> <li>• explain the terms ‘shareholder’s equity’ and ‘shareholder’s funds’</li> <li>• understand the difference between the payment of dividends and the payment of interest</li> </ul> 2.2 The terms used to describe share capital, explain the terms: <ul style="list-style-type: none"> <li>• authorised share capital</li> <li>• issued share capital</li> <li>• called up share capital</li> <li>• paid up share capital</li> <li>• par/nominal value</li> <li>• share premium</li> </ul> 2.3 The purpose of a rights issue and a bonus issue of shares, explain the terms: <ul style="list-style-type: none"> <li>• rights issue and explain the purpose of a rights issue</li> <li>• bonus issue and explain the purpose of a bonus issue</li> </ul>		

	<p><b>Learners are required to demonstrate that they can:</b></p> <p>2.4 Make calculations to account for the issue of shares, calculate:</p> <ul style="list-style-type: none"> <li>• issued share capital</li> <li>• called up share capital</li> <li>• uncalled share capital</li> <li>• calls in advance</li> <li>• calls in arrears</li> <li>• paid up share capital</li> </ul> <p>2.5 Record the issue of shares in the accounting system, account for:</p> <ul style="list-style-type: none"> <li>• shares issued at a premium</li> <li>• a rights issue of shares</li> <li>• a bonus issue of shares</li> </ul> <p>2.6 Calculate dividends to be paid to shareholders</p> <p>2.7 Account for a revaluation of non-current assets given carrying value and revalued amount (fair value)</p>
<p><b>Demonstrate knowledge/skills</b></p> <p>3 Prepare a Statement of Profit or Loss and a Statement of Financial Position for internal use</p>	<p><b>Learners are required to demonstrate a knowledge of:</b></p> <p>3.1 International accounting terminology</p> <p>3.2 The purpose of the Statement of Profit or Loss</p> <p><b>Learners are required to demonstrate that they can:</b></p> <p>3.3 Extract balances from a trial balance and prepare a detailed Statement of Profit or Loss for internal use by a limited company, apply period end adjustments:</p> <ul style="list-style-type: none"> <li>• closing inventories, prepayments, accruals, doubtful receivables adjustments, depreciation of non-current assets</li> </ul> <p>account for:</p> <ul style="list-style-type: none"> <li>• cost of sales</li> <li>• overheads - (account for a split of overheads where required)</li> <li>• income tax expense (corporation tax)</li> <li>• appropriation of profits (general and specific reserves and dividends paid)</li> </ul> <p><b>Learners are required to demonstrate a knowledge of:</b></p> <p>3.4 The purpose of the Statement of Financial Position</p> <p>3.5 The terms non-current assets (tangible and intangible), current assets, current liabilities, non-current liabilities</p> <p>3.6 The format in which the Statement of Financial Position is presented (for</p>

	<p>internal use)</p> <p><b>Learners are required to demonstrate they can:</b></p> <p>3.7 Extract balances from a trial balance and prepare a Statement of Financial Position (for internal use) Classify balances on ledger accounts and present the Statement of Financial Position to show:</p> <ul style="list-style-type: none"> <li>• non-current assets (cost accumulated depreciation and carrying value)</li> <li>• current assets (in reverse order of liquidity)</li> <li>• total assets</li> <li>• shareholders funds</li> <li>• non-current liabilities</li> <li>• current liabilities</li> <li>• total equity/ shareholder’s funds and liabilities</li> </ul>
<p><b>Demonstrate knowledge</b></p> <p>4 Understand the need for a regulatory framework</p>	<p><b>Learners are required to demonstrate a knowledge of:</b></p> <p>4.1 The need for a regulatory framework:</p> <ul style="list-style-type: none"> <li>• understand how the factors of stewardship and globalisation have an impact on the need for a regulatory framework</li> <li>• identify the main sources of legislation within the regulatory framework (Companies Act 2006, Accounting Standards, International Accounting Standing Boards Conceptual Framework for Financial Reporting)</li> <li>• understand the purpose and role of the International Sustainability Standards Board (ISSB) and Sustainability Disclosure including issues relating to environment, society, economics and governance</li> </ul> <p>4.2 The process of setting International Accounting Standards:</p> <ul style="list-style-type: none"> <li>• understand how International Accounting Standards are developed, identify the bodies involved in the standard setting process and be aware of their duties within the process of setting standards</li> <li>• identify accounting concepts to be complied with in the preparation and presentation of financial statements and understand how they are applied (business entity, true and fair, going concern and accruals, comparative information, materiality and aggregation, consistency, separate valuation)</li> </ul>

<p><b>Demonstrate knowledge</b></p> <p>5 Understand the purpose of the Conceptual Framework for Financial Reporting</p>	<p><b>Learners are required to demonstrate a knowledge of:</b></p> <p>5.1 The purpose of the conceptual framework for financial reporting</p> <p>5.2 The objectives of general purpose financial reporting</p> <p>5.3 The use of financial statements:</p> <ul style="list-style-type: none"> <li>• Identify the following as being the main users of financial statements and be aware of the scope of their interest:             <ul style="list-style-type: none"> <li>• directors and managers</li> <li>• employees and trade unions</li> <li>• investors</li> <li>• customers</li> <li>• suppliers</li> <li>• lenders</li> <li>• government agencies</li> <li>• the public</li> </ul> </li> </ul> <p>5.4 The underlying assumptions identified by the Framework Identify the following underlying assumption within the Framework and understand how it is applied:</p> <ul style="list-style-type: none"> <li>• going concern</li> </ul> <p>5.5 The fundamental and enhancing qualitative characteristics identified in the Framework as being the characteristics of useful financial information Identify and describe the following qualitative characteristics of financial information:</p> <ul style="list-style-type: none"> <li>• fundamental characteristics:             <ul style="list-style-type: none"> <li>• relevance</li> <li>• faithful representation</li> </ul> </li> <li>• enhancing characteristics:             <ul style="list-style-type: none"> <li>• comparability</li> <li>• verifiability</li> <li>• timeliness</li> <li>• understandability</li> </ul> </li> </ul> <p>5.6 The main elements of financial statements as identified by the conceptual framework Define the following five main elements of financial statements:</p> <ul style="list-style-type: none"> <li>• assets</li> <li>• liabilities</li> <li>• equity</li> </ul>
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	<ul style="list-style-type: none"> <li>• income</li> <li>• expenses</li> </ul> <p>5.7 The formal recognition criteria identified by the Framework which must be met to enable elements to be recognised in the financial statements and when the elements should be derecognised</p> <p>5.8 The bases for measuring the elements of financial statements as identified by the Framework</p> <p>5.9 Identify the following bases used to measure the monetary amounts at which the elements of financial statements are to be recognised and carried in the financial statements:</p> <ul style="list-style-type: none"> <li>• historical cost</li> <li>• current cost (including fair value, value in use, fulfilment value and current cost)</li> </ul>
<p><b>Demonstrate knowledge/skills</b></p> <p>6 Apply International Accounting Standards</p>	<p><b>Learners are required to demonstrate a knowledge of:</b></p> <p>6.1 The application of the following International Accounting Standards:</p> <ul style="list-style-type: none"> <li>• IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</li> <li>• IFRS 15 Revenue from Contracts with Customers</li> <li>• IAS 23 Borrowing Costs</li> <li>• IAS 12 Income Taxes</li> <li>• IAS 16 Property, Plant and Equipment</li> <li>• IAS 38 Intangible Assets</li> <li>• IFRS 3 Business Combinations</li> <li>• IAS 36 Impairment of Asset</li> <li>• IAS 10 Events After the Reporting Period</li> <li>• IFRS 16 Accounting for Leases</li> <li>• IAS 37 Provisions, Contingent Liabilities and Contingent Assets</li> </ul> <ul style="list-style-type: none"> <li>• Understand how the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors are applied in the preparation of financial statements:             <ul style="list-style-type: none"> <li>• explain the objectives of IAS 8</li> <li>• recognise the requirements of IAS 8 in terms of the selection and application of accounting policies</li> <li>• identify the circumstances in which it is acceptable for an entity to a change accounting policy</li> <li>• explain the policy disclosure requirements of IAS 8</li> </ul> </li> </ul>

- Understand the core principles of IFRS 15 Revenue from Contracts with Customers:
  - explain the core principle of IFRS 15
  - explain the requirements of each of the steps within the IFRS 15 five-step model framework which companies are required to apply for the purpose of recognising revenue from contracts with customers
  
- Understand how the requirements of IAS 23 Borrowing Costs are applied in the preparation of financial statements:
  - explain the objectives of IAS 23 and recognise types of borrowing costs to which the standard applies
  - recognise the general rule applied when accounting for borrowing costs
  - understand how IAS 23 allows borrowing costs to be treated when associated with the acquisition, construction or production of a qualifying asset
  
- Understand how the requirements of IAS 12 Income Taxes are applied in the preparation of financial statements:
  - explain the objectives of IAS12
  - recognise how corporation tax is accounted for in the preparation of financial, statements, including the over or under provision of tax in previous accounting periods
  - recognise that accounting profits and taxable profits may not be the same
  
- Understand how the requirements of IAS 16 Property, Plant and Equipment are applied in the preparation of financial statements:
  - explain the objectives of IAS 16
  - define the accounting terms 'property plant and equipment', 'cost', 'depreciable amount', 'depreciation', 'useful life', 'residual value', 'carrying amount', 'fair value'
  - recognise the alternative treatments for valuing property plant and equipment allowed by IAS 16
  - identify expenditure which can be included in the valuation of non- current assets at cost
  - identify the conditions under which non-current assets can be held at fair value
  - understand the rules for accounting for the depreciation of non-current assets
  - understand the rules for accounting for depreciation when

	<p>assets are revalued or the useful life of a non-current asset is adjusted</p> <ul style="list-style-type: none"> <li>• identify the disclosure requirements for property, plant and equipment as established by IAS 16</li> </ul> <ul style="list-style-type: none"> <li>• Understand how the requirements of IAS 38 Intangible Assets are applied in the preparation of financial statements:             <ul style="list-style-type: none"> <li>• explain the objectives of IAS 38</li> <li>• define the term 'intangible assets'</li> <li>• explain how IAS 38 requires the value of intangible assets to be measured</li> <li>• identify the elements which qualify as costs where the value of an internally generated intangible asset is measured at cost</li> <li>• define the term 'amortisation' and explain how amortisation is applied to intangible assets with a finite or indefinite useful life</li> <li>• define the terms 'research' and 'development'</li> <li>• recognise how IAS 38 requires research and development expenditure be treated in the financial statements</li> <li>• identify the criteria to be met for development expenditure is to be capitalised as an intangible asset</li> </ul> </li> <li>• Understand how the requirements of IFRS 3 Business Combinations are applied in the preparation of financial statements with regards to intangible assets (goodwill):             <ul style="list-style-type: none"> <li>• Define the term 'goodwill'</li> <li>• Identify when purchased goodwill can be accounted for and understand how IFRS 3 requires that purchased goodwill be treated in the financial statements</li> </ul> </li> <li>• Understand how the requirements of IAS 36 Impairment of Assets are applied in the preparation of financial statements:             <ul style="list-style-type: none"> <li>• explain the objectives of IAS 36 Impairment of Assets</li> <li>• understand the term 'impairment' and give reasons why assets may be impaired</li> <li>• understand how impairment losses are accounted for</li> </ul> </li> <li>• Understand how the requirements of IFRS 16 Accounting for Leases are applied in the preparation of financial statements:</li> </ul>
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	<ul style="list-style-type: none"> <li>• define the term 'lease'</li> <li>• determine whether a contract contains a 'lease' agreement</li> <li>• account for right-of-use assets and lease liabilities in the records of a lessee including the impact of lease incentives</li> <li>• account for depreciation of leased assets</li> <li>• explain the concept of low value and short life leases and how these are accounted for in the financial statements of the lessee</li> <li>• identify the allocation of the finance charge of a lease using the actuarial method</li> </ul> <ul style="list-style-type: none"> <li>• Understand the requirements of IAS 10 Events After the Reporting Period:             <ul style="list-style-type: none"> <li>• understand the objectives of IAS 10 Events After the Reporting Period</li> <li>• explain the terms 'adjusting event' and 'non-adjusting event' and give examples of adjusting and non-adjusting events</li> </ul> </li> <li>• Understand the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets:             <ul style="list-style-type: none"> <li>• Explain why an accounting standard on provisions is necessary</li> <li>• Define 'provisions', 'legal and constructive obligations', 'past events' and the 'transfer of economic benefits'</li> <li>• Identify when provisions may and may not be made, explain how they should be measured and how they should be accounted for</li> <li>• Define contingent assets and liabilities and identify their accounting treatment</li> </ul> </li> </ul> <p><b>Learners are required to demonstrate that they can:</b></p> <p>6.2 Calculate borrowing costs</p> <p>6.3 Make taxation calculations</p> <p>6.4 Account for depreciation using the principles of IAS 16 and IFRS 16 including making depreciation calculations and accounting for depreciation</p> <p>6.5 Value inventories (IAS 2) and use opening and closing inventory valuations within a cost of sales calculation</p> <p>6.6 Calculate right-of-use values and lease liabilities under IFRS 16 and</p>
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correctly calculate the finance charge

**Demonstrate knowledge/skills**

7 Prepare a Statement of Profit or Loss and a Statement of Financial Position in published format

**Learners are required to demonstrate a knowledge of:**

7.1 The responsibilities of company directors in respect of information made available to the users of financial statements

7.2 The objective of IAS 1 Presentation of Financial Statements:

- explain the objectives of IAS 1
- identify the following as being the components which make up a complete set of financial statements and understand the purpose of each of the financial statements:
  - statement of Profit or Loss and other Comprehensive Income
  - statement of Financial Position
  - statement of Changes in Equity
  - statement of Cash Flows
  - notes to the Financial Statements

**Learners are required to demonstrate that they can:**

7.3 Prepare financial statements in accordance with IAS 1 requirements:

- prepare each of the following financial statements from a trial balance and additional information in accordance with the requirements of IAS 1:
  - statement of Profit or Loss and other Comprehensive Income
  - statement of Financial Position

Support the financial statements with appropriate workings

Notes: Learners require a knowledge of the purpose of the Statement of Changes in Equity, but they will not be examined on its preparation. However, they must be able to prepare an analysis of the closing retained earnings figure in the following format:

	£'000
Retained profit at beginning of year b/f	X
<b>Add</b> operating profit in year	<u>X</u>
	X
<b>Less</b> transfers to reserves	X
<b>Less</b> interim dividends paid	<u>X</u>
Retained profit (Statement of Financial Position)	<u>X</u>

Learners will **not** be required to prepare statutory notes to the accounts

	<p>Learners will be provided with questions which require them to calculate specific values from the financial statements. Whilst this means they will not be preparing the full statements in the exam; they will still require a thorough understanding of the full statements and their layout to enable them to answer questions correctly. Learners are therefore still advised to study and practice the preparation of the full statements.</p>
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<p><b>Demonstrate knowledge/skills</b></p> <p>8 Prepare a Statement of Cash Flows</p>	<p><b>Learners are required to demonstrate a knowledge of:</b></p> <p>8.1 The objectives of IAS 7 Statement of Cash Flows and the purpose of the Statement of Cash Flows</p> <p>8.2 The meaning of the terms cash and cash equivalents, cash inflow and cash outflow</p> <p>8.3 The standard headings under which cash inflows and outflows are displayed within a Statement of Cash Flows</p> <p>8.4 The main cash flows which appear under the standard headings of the Statement of Cash Flows</p> <p>8.5 The advantages of providing cash flow information</p> <p><b>Learners are required to demonstrate that they can:</b></p> <p>8.6 Prepare a Statement of Cash Flows in accordance with IAS 7 requirements:</p> <ul style="list-style-type: none"> <li>• use current period and previous period information and collect information from within the financial statements to prepare a Statement of Cash Flows</li> <li>• calculate net cash flows from operating activities - make account for adjustments non-cash items, changes in working capital, interest and income tax paid</li> <li>• calculate net cash from investing activities – account for payments to acquire non-current assets (property, plant and equipment), proceeds from the sale of non-current assets (property, plant and equipment), payments to acquire investments, (increase)/decrease in investments, interest received</li> <li>• calculate net cash flows from financing activities – account for</li> <li>• proceeds from the issue of share capital, increase/(decrease) in long-term borrowings, dividends paid</li> <li>• calculate a net increase/(decrease) in cash and cash equivalents in the period</li> <li>• record the cash and cash equivalents at the beginning of the period</li> <li>• record the cash and cash equivalents at the end of the period - check that the end of period figure corresponds to the closing cash and cash equivalents appearing on the current</li> </ul> <p><b>Note:</b> Learners will be provided with questions which require them to calculate specific values from the Statement of Cash Flows. Whilst this means they will not be preparing the full statement in the exam; they will still require a thorough understanding of the full statements and its layout to enable them to answer questions correctly. Learners are therefore still advised to study and practice the preparation of the full statement.</p>
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<p><b>Demonstrate knowledge/skills</b></p> <p>9 Prepare consolidated financial statements</p>	<p><b>Learners are required to demonstrate a knowledge of:</b></p> <p>9.1 The legal and professional requirements relevant to the preparation of consolidated financial statements:</p> <ul style="list-style-type: none"> <li>• Understand the objectives and requirements of the following International Accounting Standards:</li> <li>• IFRS 3 Business Combinations</li> <li>• IFRS 10 Consolidated Financial Statements</li> </ul> <p>9.2 Terms associated with business combinations and the preparation of consolidated financial statements:</p> <ul style="list-style-type: none"> <li>• Explain the following terms:</li> <li>• business combination</li> <li>• control</li> <li>• parent (acquirer)</li> <li>• subsidiary (acquiree)</li> <li>• acquisition date</li> <li>• goodwill</li> <li>• non-controlling interest</li> </ul> <p><b>Learners are required to demonstrate they can:</b></p> <p>9.3 Prepare a consolidated Statement of Financial Position (for a parent company and one subsidiary company):</p> <ul style="list-style-type: none"> <li>• establish the group structure</li> <li>• calculate the net assets of a subsidiary</li> <li>• calculate goodwill on acquisition</li> <li>• calculate non-controlling interest</li> <li>• calculate group retained earnings</li> <li>• account for intra group sales and intra group debts including settled and outstanding at the year end</li> </ul> <p>9.4 Prepare a consolidated Statement of Profit or Loss:</p> <ul style="list-style-type: none"> <li>• apply the single entity principle to items of income and expense</li> <li>• make adjustments to account for intra-group sales, interest and dividends</li> <li>• account for profit for the period attributable to the equity shareholders of the parent company</li> <li>• account for the profit for the period attributable to those with a non-controlling interest</li> <li>• account for intra group sales and intra group debts including settled and outstanding at the year end</li> </ul> <p><b>Note:</b></p> <p>Learners will <b>NOT</b> be required to prepare a Consolidated Statement of Cash Flows or notes to the financial statements. Learners will be provided with questions which require them to calculate specific values from the Consolidated Financial Statements.</p>
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Whilst this means they will not be preparing the full statements in the exam; they will still require a thorough understanding of the full statements and their layout to enable them to answer questions correctly. Learners are therefore still advised to study and practice the preparation of the full statements.

**Demonstrate knowledge/skills**

10 Calculate and interpret accounting ratios and appraise financial performance

**Learners are required to demonstrate a knowledge of:**

10.1 The use of accounting ratios in the analysis of financial statements as the basis of trend analysis, interfirm comparison, control and decision making

10.2 The formulae used in the calculation of a range of ratios used to measure profitability, liquidity and utilisation of resources, risk and investor ratios

10.3 The normal form in which ratios are expressed

10.4 The limitations of ratio analysis

10.5 Changes in the financial statements which could result in a change in an accounting ratio

**Learners are required to demonstrate that they can:**

10.6 Calculate the following ratios, express them in their normal form:

- Profitability:
  - return on capital employed
  - net profit margin
  - gross profit margin
- Liquidity and resource utilisation:
  - current ratio
  - acid test (quick asset ratio)
  - trade receivables collection period
  - trade payables payment period
  - inventories turnover period
  - asset turnover (based on total assets)
- Risk:
  - gearing
  - interest cover
- Investor ratios:
  - earnings per share
  - price earnings ratio
  - dividend cover

10.7 Use ratios to appraise and report on the financial performance of a company

10.8 Use an accounting ratio to calculate a figure from the financial statements