



## **Learning Outcomes and Knowledge**

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# Learning Outcomes and Knowledge

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## **Extract from *The Common Content Qualification Requirements document***

### **The Services of Professional Accountants**

The requirements for each participating Institute's professional entry level qualification must focus on the skills and knowledge required to provide the *services* that clients and employers, as well as the public, demand of *professional accountants*.

### **Learning Outcomes**

An entry-level professional accountant must be capable of performing those aspects of the services of professional accountants that are specified in the *common learning outcomes* and *national learning outcomes*.

The achievement of the common and national learning outcomes will require the acquisition of:

- *professional knowledge*;
- knowledge of *professional values, ethics and attitudes, and of law and information technology*, that applies to all five service areas; and
- knowledge of the *business environment, economics and quantitative methods* that underpins the professional knowledge in the five service areas.

# 1. INTRODUCTION

Professional accountants envisaged by the Common Content project provide services to their clients and employers in the following five service areas:

- assurance and related services (ARS)
- performance measurement and reporting (PMR)
- strategic and business management (SBM)
- financial management (FM) and
- taxation and legal services (TLS).

The services provided by professional accountants are summarised at the beginning of each of the *Learning Outcomes and Knowledge* documents.

An entry-level professional accountant is not expected to provide all aspects of these services. Instead, an entry-level professional accountant should be able to perform those aspects of these services that are specified in the common and national learning outcomes. Therefore, for each of the five service areas, the *Learning Outcomes and Knowledge* documents specify:

- the *common learning outcomes* that an entry-level professional accountant is expected to achieve;
- the *national learning outcomes* that an entry-level professional accountant is expected to achieve in some countries for Taxation and Legal Services only;
- the *professional and other knowledge* required to achieve the common learning outcomes; and
- the *level of professional and other knowledge* required to achieve the common learning outcomes.

The *Learning Outcomes and Knowledge* should be read in conjunction with:

- the *Skills Required for the Performance of the Common Learning Outcomes* (see page 8 and 9);
- the *Knowledge Levels* (see page 10);
- the knowledge and understanding of professional values, ethics and attitudes, and of law and information technology (see pages 11 and 12); and
- the knowledge and understanding of the business environment, economics and quantitative methods that underpins the professional knowledge in the five service areas (see pages 13 to 15).

For Professional Values, Ethics and Attitudes, Law, Information Technology, and Business Environment, Economics and Quantitative Methods, common content requirements are underlined for clarity. In the Learning Outcome and Knowledge Tables for the five service areas, all learning outcomes and knowledge are required with the exception of the knowledge with a grey background, which represents guidance to aid an understanding of the meaning of the requirements.

## Skills Required for the Performance of the Common Learning Outcomes

The *Learning Outcomes and Knowledge* documents assign a skill for the performance of each common learning outcome

The skill is determined by the verb used in the learning outcome. Whenever possible, the verb also facilitates assessment because it describes performances which can be readily observed.

The learning outcomes are prefaced by the phrase “*Entry-level professional accountants should be able to:*” Certain of the verbs used may not be appropriate for an assessment of theoretical knowledge (e.g. ‘perform’ or ‘provide assurance’), but in any assessment of theoretical knowledge tests may be set to candidates in order to be able to judge as far as possible whether the candidate has the knowledge and skills to support those activities. The context of such an assessment would normally be a written examination, but could also be an oral examination.

Competencies					
Knowledge	Comprehension	Application	Analysis	Synthesis	Evaluation
Define State	Classify Describe Explain Provide examples Interpret	Account for Calculate Demonstrate Perform Record Select Use Apply Display Communicate Set Undertake	Analyse Identify Reconcile	Correct Design Draft Formulate Plan Prepare Present Manage Anticipate  Recommend  Report Submit Suggest	Advise Assess Compare Conclude Determine Discuss Draw conclusions Review  Justify  Provide advice Provide assurance Evaluate

### Meanings attached to the verbs used.

In the learning outcomes in this document, each verb is assigned the following meanings. This information is provided mainly to avoid possible misunderstanding by readers and to assist the process of translation of the learning outcomes into languages other than English. The meanings are designed to be relevant and are ***specific to these learning outcomes***. Some of these verbs are used in the Qualification Requirements and Skills Framework Documents – not in this Learning Outcomes and Knowledge Document.

## Introduction to Learning Outcomes and Knowledge

### Table of meanings

Anticipate	Foresee, or experience or realize beforehand
Account for	Give details of accounting entries to be made for
Advise	Counsel, inform or notify in a manner suited to the recipient
Analyse	Examine in detail in order to discover essential features
Apply	Put to a particular use
Assess	Judge the value, importance or qualities of
Calculate	Determine by computation or arrive at by mathematical means or processes
Classify	Allocate into categories
Communicate	Transmit thoughts or knowledge
Compare	Show the similarities, differences or both
Conclude	Form a judgment about, or determine or resolve the outcome of, an issue through a process involving reasoning
Correct	Rectify wrong information or state how it should be rectified
Define	Give the accepted meaning of
Demonstrate	Prove or show by adequate means
Describe	Communicate the key features of
Design	Devise the form or structure of something
Determine	Ascertain or conclude after analysis and consideration; judge
Display	Make evident or noticeable
Discuss	Examine in detail by argument showing different aspects of the arguments (e.g. pro and con)
Draft	Write original material for the scrutiny of others
Draw conclusions	(same as Conclude)
Evaluate	Appraise meaning or significance
Explain	Make clear or intelligible. State the meaning of / reasons for
Formulate	Devise and put into words
Identify	Recognise or select [something] after analysis and consideration
Interpret	Give meaning of or clarify
Justify	Give valid reasons or evidence for
Manage	Direct, control, administer, or guide
Perform	Do or execute, usually in the sense of a complex procedure
Plan	Devise the plan for an assurance engagement
Prepare	Make or get ready for use
Present	Impart information in an acceptable or pre-defined format
Provide advice	Give recommendations for action in a format suited to the recipient
Provide assurance	Obtain and communicate assurance
Provide examples	Give illustrations to support or illuminate a point or assertion
Recommend	Propose as the best course of action or choice
Reconcile	Make or prove consistent or compatible or show differences between to make them so
Record	Enter details of transactions in an entity's records (not accounting)
Report	Give the formal final conclusion for an assurance engagement
Review	Study critically with a view to correction or improvement
Set	Fix or establish
Select	Choose from a range of options or possibilities
State	Give or assent
Submit	Send a completed document to a particular party
Suggest	Put forward an idea or give reasons
Undertake	Commit to do or perform
Use	Apply in a practical way

## Knowledge Levels

The *Learning Outcomes and Knowledge* documents identify the level of knowledge required to achieve each learning outcome:

- the highest knowledge level for an entry-level professional accountant is level A;
- the lowest knowledge level for an entry-level professional accountant is level C;
- a lay person has a knowledge level that is lower than level C; and
- a specialist has a knowledge level that is higher than level A.

At all knowledge levels, the *entry-level professional accountant* is expected to deal with situations and scenarios that generally arise in practice. The entry-level professional accountant is not expected to deal with complex or unusual situations or scenarios requiring a specialist's level of skill or knowledge.

### Level A (professional)

A thorough knowledge with a solid understanding of the subject matter and experience in the application thereof in practice sufficient to:

- exercise reasonable professional judgement in the application of the subject matter in those circumstances generally encountered in practice; and
- recognise when the assistance of a specialist may be required.

This level of knowledge is lower than that of a specialist.

### Level B (technician)

A working knowledge with a broad understanding of the subject matter and experience in the application thereof sufficient to:

- apply the subject matter in straightforward circumstances; and
- identify issues requiring professional attention in more complex situations.

### Level C (generalist)

A general knowledge with a basic understanding of the subject matter and training in the application thereof sufficient to:

- identify significant issues;
- consider their potential implications or impact; and
- recognise that additional work or advice may be required to be performed by a person technically competent in this area of expertise.

This level of knowledge is significantly greater than that of a layperson.

Experience and skill in the application of a subject may be obtained through work experience or simulation. Experience of a subject may also be demonstrated by means of experience in a closely related context within a service area or a related service area where the same capabilities are required. Education of and skill in a subject may be based on the transfer of knowledge or skills within a service area or from a related service area where the same capabilities are required.

## Professional Values, Ethics and Attitudes

Professional accountants can be distinguished from many other providers of similar services by their professional attributes including their ability to:

- act in the public interest, with integrity and in accordance with ethical standards;
- keep up-to-date their knowledge and skills; and
- comply with the other requirements of the Institutes of which they are members.

Therefore the achievement of the common learning outcomes requires knowledge and understanding of the national ethical pronouncements and the *IESBA Code of Ethics for Professional Accountants* (IESBA Code of Ethics).

For this reason, knowledge and understanding of the following is a common content education requirement:

- IESBA Code of Ethics for Professional Accountants (IESBA Code of Ethics); and
- National ethical pronouncements.

Apart from the IESBA Code and some EU requirements, the knowledge of professional values, ethics and attitudes is national content. Therefore, for the purposes of mutual recognition, a country or Institute may require further education or assessment of national ethical pronouncements.

Each *Learning Outcomes and Knowledge* document includes learning outcomes related to compliance with ethical standards and the appropriate knowledge. For example:

- ARS sections A1.7;
- ARS sections B1.5 and B1.14 - audits of historical financial statements and other historical financial information;
- PMR section B1.10 - the preparation of, and advice on, statutory financial statements;
- SBM sections B1.1, 1.2 and F1.7 - strategy development and the referral of an insolvent business to a specialist or appropriate authorities;
- FM section F1.9 - personal financial planning; and
- TLS sections A2.1 and C1.1 - tax and legal services.

## Law

The achievement of the common learning outcomes requires knowledge and understanding of:

- laws that relate directly to the achievement of particular learning outcomes, for example, laws relating to taxation, corporate governance and the audit and preparation of financial statements – knowledge of these laws is included in the specific professional knowledge for the relevant common learning outcomes;
- laws that relate generally to the circumstances, transactions and events covered by the learning outcomes and the advice provided by professional accountants, for example the laws relating to the transactions and events included in business plans, budgets and financial statements and to equity and debt instruments;
- laws relating to the common forms of entities covered by the learning outcomes; and

## Introduction to Learning Outcomes and Knowledge

- the legal system and sources of law within a country.

Apart from some international laws, the knowledge of law is national content. Therefore, for the purposes of mutual recognition, a country or Institute may require further education or assessment of law.

In this respect, the learning outcomes (at level B) in relation to law include:

- (i) Explaining the laws and regulations that govern different forms of legal entity
- (ii) Explain the laws and regulations applicable to the environment in which professional accountants operate.

When the achievement of learning outcomes requires a knowledge and understanding of laws, the *Learning Outcomes and Knowledge* documents refer to the appropriate knowledge, for example TLS sections B1.6 and 1.7, B1.14 and 1.15, B2.5, B2.10 and 2.11, B3.5 and the whole of sections C1, 2 and 3.

## Information Technology

The achievement of the common learning outcomes requires a knowledge and understanding of information technology that meets or exceeds the requirements of International Education Practice Statement 2 (IEPS 2) *Information Technology for Professional Accountants* for Pre-Qualification IT Knowledge and Competency Requirements .

IEPS 2 specifies that such prequalification knowledge and competency should cover:

- General knowledge of IT
- IT control knowledge
- IT control competencies
- IT user competencies and
- One of, or a mixture of, the competencies of, the roles of manager, evaluator, or designer of information systems.

In relation to item (e), common content qualification requirements require knowledge and competence in the roles of designer and evaluator. IEPS 2 provides further requirements and guidance on compliance with the required knowledge and competency for items (a) to (e).

A substantial amount of this Information Technology knowledge is included in the professional knowledge in the *Learning Outcomes and Knowledge* documents, for example:

- ARS sections B2.1 and C1.4 to 1.15 which deal with the planning and performing audit, other assurance and related services engagements;
- PMR sections C1.1 to 1.8 which deal with accounting systems and functions;
- SBM sections D2.4 and 2.5 which deal with business process change; and
- SBM section E1.8 which deals with internal control.

## Introduction to Learning Outcomes and Knowledge

For the purposes of mutual recognition, every country and Institute will accept the knowledge of information technology of a member of another participating Institute without further education or assessment.

## Business Environment, Economics and Quantitative Methods

The achievement of the common learning outcomes requires a knowledge and understanding of the business environment, economics and quantitative methods that underpins the professional knowledge in each of the five service areas. The nature and extent of this knowledge and its assessment is determined by the national educational framework but must meet or exceed relevant EU or IAESB requirements and must be sufficient to meet the common learning outcomes. The application of this knowledge must be assessed as part of the assessment of the common learning outcomes.

For the purposes of mutual recognition, every country and Institute will accept the knowledge of the business environment, economics and quantitative methods of a member of another participating Institute without further education or assessment.

### Business Environment

A substantial amount of knowledge of the business environment is included in the professional knowledge for specific common learning outcomes relating to SBM and FM. For example:

- SBM sections A (governance), B (business strategy), C (business planning), E (control) and F (businesses in difficulty); and
- FM sections A and B (financial strategy), C (financial risk management) and D (financial decision-making).

Extensive use of this knowledge is required in order to achieve the common learning outcomes for ARS, PMR and TLS.

### Economics

A substantial amount of knowledge of economics is included in the professional knowledge for specific common learning outcomes, in particular those relating to SBM and FM:

- SBM sections B1.5 which deal with macroeconomics, governmental policy and industry developments;
- SBM section B1.6 which deals with markets and competitive strategy;
- SBM sections B1.11 to 1.14 which deal with competition;
- FM section A1.1 which deals with the economics of finance; and
- FM section A1.2 which deals with financial markets and institutions.

The achievement of many other common learning outcomes requires a knowledge and understanding of:

- the objectives of economics and economic principles;
- the application of economic principles in straightforward circumstances; and
- the use of economic models including their purpose, inputs, processes and outputs.

In this context, the general learning outcomes for economics at level C are:

- Describe the fundamental principles of microeconomics and macroeconomics
- Describe the effect of changes in macroeconomic indicators on business activity#
- Explain the different types of market structures, including perfect competition, monopolistic competition, monopoly and oligopoly.

### Quantitative Methods

The use of quantitative methods is inherent in the achievement of many of the common learning outcomes. For example, the common learning outcomes require the use of the appropriate quantitative methods for:

- data collection
- the analysis of data
- forecasting
- the evaluation of data
- valuations
- decision-making and
- the presentation and description of quantitative data and information.

An entry-level professional accountant must:

- be able to identify the need for, and use, quantitative methods in circumstances generally encountered in practice;
- understand the purpose, inputs, processes and outputs of those methods;
- be able to identify the need for specialist assistance and interpret and apply the results of the work of specialists; and
- have sufficient knowledge to ask specialists the appropriate questions in using and interpreting their work.

An entry-level professional accountant can achieve these aims only with knowledge of relevant probability and statistics, algebra and arithmetic.

The arithmetic and algebraic skills underlying the achievement of the common learning outcomes is normally obtained and assessed in a non-professional environment (for example, in schools or university). The minimum level of skill required in algebra and arithmetic to be able to achieve the learning outcomes is defined in the Appendix to this document.

The minimum quantitative skills involving probability and statistics are integral to the achievement of the common learning outcomes and have therefore been identified as specific-service knowledge supporting the common learning outcomes. Consequently, the assessment of these skills takes place as part of the assessment of the common learning outcomes. This does not preclude Institutes from requiring a separate assessment of these skills. The identification of specific skills in relation to a particular learning outcome may also apply to other learning outcomes in the other service learning outcome documents.

## Introduction to Learning Outcomes and Knowledge

Examples of the use of quantitative methods in the achievement of the common learning outcomes include:

- ARS section D, which requires the use of statistics to apply ISA 530 in the context of ARS section B2.1
- PMR sections A2.4 to 3.2 which require the use of arithmetic in the recording and accounting for transactions and preparation of trial balance and financial statements;
- PMR sections B2.4 and 2.5, which require the use arithmetic in the preparation of legal entity and consolidated financial statements in accordance with appropriate financial reporting framework;
- PMR sections B2.4 and section E which require the use of probability and statistics in the calculation of fair values, expected values, value in use, option valuations, lease accounting and other issues in IFRS financial statements;
- PMR sections C 2.4 to 2.15 which require the use of probability and statistics, algebra and arithmetic in costing, pricing, budgeting and performance reporting to management);
- SBM sections E1.20 which requires the use of probability and statistics, algebra and arithmetic in risk management;
- FM section B4 which requires the use of algebra and arithmetic in the calculation of cost of capital, gearing/leverage, reconstruction options, etc);
- FM section C which requires the use of algebra and arithmetic in calculations associated with operational funding and financial risk management; and
- FM section D which requires the use of probability and statistics, algebra and arithmetic in financial decision making, indicators, ratios, trends and relationships, financial analysis and performance measures; and
- TLS which requires the use of arithmetic in the calculation of taxation liabilities.

## 2. ASSURANCE AND RELATED SERVICES (ARS)

### Purpose

The purpose of this document is to specify for Assurance and Related Services:

- the services provided by professional accountants to their clients and employers;
- the common learning outcomes that an entry-level professional accountant is expected to achieve;
- the skill required for the performance of each of the common learning outcomes;
- the knowledge that is required to achieve the common learning outcomes; and
- the level of knowledge required to achieve the common learning outcomes.

### Services Provided by Professional Accountants

The services provided by professional accountants relating to Assurance and Related Services to their clients and employers are summarised below. An entry-level professional accountant is not expected to provide all these services but is expected to be able to perform those aspects of the services that are specified in the learning outcomes.

#### ***A General concepts and principles of assurance engagements***

A professional accountant envisaged by the Common Content project should be able to:

- examine, evaluate and report on financial and non-financial representations of organisations according to statutory and other requirements;
- perform their work on assurance engagements in a manner which meets the public interest, satisfies the ethical requirements of their professional body and other regulators and meets the legal requirements of the country in which they provide those services; and
- be aware of developments in the public interest, ethical requirements and legal requirements and be able to modify their professional conduct in order to comply with those developments.

#### ***B Audits of historical financial statements and other historical financial information***

A professional accountant envisaged by the Common Content project should be able to:

- examine, evaluate and report on financial and non-financial representations of profit-oriented and not-for-profit entities according to statutory and other requirements. These services include the audit of historical financial information including the audit of financial statements;
- plan the audit engagement, taking into account its objectives and the criteria which will govern the audit opinion;
- execute the audit engagement, implementing proper quality control measures and reporting to interested parties;

## Assurance and Related Services

- perform the audit work in a manner which meets the public interest, satisfies the ethical requirements of their professional body and other regulators and meets the legal requirements of the country in which they provide audit services; and
- be aware of developments in the public interest, ethical requirements and legal requirements and be able to modify their professional conduct in order to comply with those developments.

### **C Other assurance and related services**

The other assurance and related services provided by a professional accountant envisaged by the Common Content project include:

- preparation and compilation of financial statements
- reviews of financial statements
- special financial statement engagements
- examination of prospective financial information
- assurance engagements with respect to internal control
- forensic audits and other litigation services
- internal audit (including value for money audits)
- assurance engagements with respect to non-financial information
- agreed-upon procedures engagements
- financial due diligence engagements
- accounting services associated with prospectuses and
- expert services.

A professional accountant envisaged by the Common Content project should be able to:

- examine, evaluate and report on financial and non-financial representations of profit-oriented and not-for-profit entities according to the needs of the client, the scope of the assurance and related services engagement and overriding professional and legal considerations.
- examine, evaluate and report on the performance of activities, systems or processes within entities and on their level of compliance with policies, standards, legislation and other requirements appropriate to the assurance and related services engagement;
- plan the engagement, taking into account its objectives and the criteria which will govern the assurance opinion; and
- execute the engagement, implementing proper quality control measures and reporting to interested parties.

## **Entry-level Professional Accountants**

### **Learning Outcomes**

An entry-level professional accountant should be able to perform those aspects of the services of professional accountants that are specified in the common and national learning outcomes.

The achievement of the learning outcomes on ARS is predicated upon the achievement of the learning outcomes in the other four service areas. The knowledge in those areas is a prerequisite for performing the assurance and related services.

### Knowledge

The knowledge required to achieve the common learning outcomes for ARS consists of:

- *professional knowledge* appropriate to ARS;
- knowledge of *professional values, ethics and attitudes, and of law and information technology* that applies to ARS; and
- knowledge of the *business environment, economics and quantitative methods* that supports the professional knowledge in ARS.

The *professional knowledge* consists of:

- a *common content* which has been determined jointly by the participating Institutes; and
- a *national content* which will be determined by each participating Institute.

The *national content* is limited to:

- statutory and other requirements on the need for, scope of and reporting obligations on an audit, other assurance engagement or a related service;
- any national auditing laws, standards and procedures but only insofar as they are different from International Standards on Auditing; and
- other knowledge which is required in order to achieve the common learning outcomes in a national business environment.

At all knowledge levels, an *entry-level professional accountant* is expected to deal with situations and scenarios that generally arise in practice. An entry-level professional accountant is not expected to deal with complex or unusual situations or scenarios requiring a specialist's level of skill or knowledge.

The achievement of the common learning outcomes also requires:

- knowledge and understanding of laws that relate generally to the circumstances, transactions and events covered by the learning outcomes;
- knowledge and understanding of laws relating to the common forms of entities covered by the learning outcomes; and
- IT control, user and evaluator competencies.

## Learning Outcomes and Knowledge for Entry-level Professional Accountants

### A General concepts and principles of assurance engagements

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to:</i></p> <p>A1.1 describe and explain the concept of assurance</p> <p>A1.2 discuss the need for professional accountants to perform assurance work in the public interest</p> <p>A1.3 explain why users desire assurance reports and provide examples of the benefits gained from them</p> <p>A1.4 compare the functions and responsibilities of the different parties involved in an assurance engagement</p>	<p><b>The concept of assurance</b>                      The economic purposes of assurance engagements                      Public interest aspects of assurance engagements</p> <p><b>Assurance engagements</b>                      IAASB Pronouncements (see Section D)</p>	<p>B</p> <p>B</p> <p>A</p>
<p>A1.5 compare the purposes and characteristics of, and levels of assurance obtained from, different assurance engagements</p>	<p><b>Purpose and characteristics of assurance engagements</b>                      Audits of historical financial statements and other financial information                      Reviews of financial statements                      Special financial statement engagements                      Forensic audits and other litigation services                      Internal audit – including value for money (operational) audits                      Assurance engagements with respect to internal</p>	<p>C</p>

Assurance and Related Services – A General concepts and principles of assurance engagements

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
	controls Assurance engagements with respect to non-financial information Examination of prospective financial information	
A1.6 discuss the issues which can lead to gaps between the outcomes delivered by the assurance engagement and the expectations of users and of the assurance reports, and suggest how these “expectation gaps” can be overcome	<b>The ‘expectation gap’</b> Adequacy of assurance standards against expectations Performance against standards Reporting the results of assurance engagements	B
A1.7 state and advise upon the professional and ethical implications for a firm carrying out an assurance engagement	<b>Professional values, ethics and attitudes</b> Association of practitioners with subject matter or subject matter information Professional scepticism  <b>Ethical principles</b> IESBA Code of Ethics, Parts A and B – applicable to professional accountants in public practice National laws and ethical standards ( <i>national content</i> ) Quality control standards (See below)	A  A  A  A

Assurance and Related Services – A General concepts and principles of assurance engagements

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p>A1.8 determine when to raise matters arising from engagement work with senior colleagues for review and possible referral to external parties</p>	<p><b>Matters arising from assurance work</b>            Corporate governance [link to SBM] (<i>national content</i>)            Fraud and other illegal or questionable acts (<i>national content</i>)</p> <p>IESBA Code of Ethics, Parts A and B – applicable to professional accountants in public practice            National laws and ethical standards (<i>national content</i>)            IAASB quality control standards (see below)</p> <p>[Integration of knowledge from the rest of this section]</p>	<p>B</p> <p>C</p> <p>A</p> <p>A</p>
<p>A1.9 describe the purpose of laws, standards and other requirements surrounding assurance work</p> <p>A1.10 describe the standard-setting process used by [national] and international (IAASB) bodies and the authority of the national and international standards</p> <p>A1.11 describe, in non-technical language, significant current assurance issues being dealt with by the [national standard-setting body] and the IAASB</p> <p>A1.12 describe the main ways in which European or</p>	<p><b>The regulatory framework for assurance</b>            IAASB: institutional framework and standard setting process,            IAASB exposure drafts, discussion papers and work programmes,            National laws and standards (<i>national content</i>);            The national regulatory framework and the relationship between it and the international framework (<i>national content</i>);            National exposure drafts, discussion papers and work programmes (<i>national content</i>);            Practice notes and bulletins (<i>national content</i>).</p>	<p>C</p>

Assurance and Related Services – A General concepts and principles of assurance engagements

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
national legislation affects assurance (including the relationship with assurance standards)		
A1.13 describe and explain the key elements of assurance engagements and the assurance process, and the applicable standards that are relevant to such engagements	<p><b>The assurance process and considerations</b>                      Assurance Framework and ISAE 3000 (see Section D) See other assurance standards in sections D and E)                      National laws and standards (<i>national content</i>)</p>	A
A1.14 state the sources of liability (including professional negligence) arising from an assurance engagement and describe their impact upon the conduct of the engagement	<p><b>Sources of liability</b>                      Engagement risk considerations                      Sources of liability arising from engagement risks for different types of assurance engagements (<i>national content</i>)</p>	B
A1.15 describe and explain the key issues which underlie the agreement of the scope and terms of an assurance engagement (new or continuing)	<p><b>Agreement of terms</b>                      Engagement terms and their documentation                          Objectives                              Agreement of subject matter of the engagement                              Agreement of suitable criteria                      Conflicts of interest                      Responsibilities of the professional accountant accepting the assurance engagement                      Documentation of engagement terms                      Changes in professional appointment, including considerations affecting the acceptance of new clients and new engagements</p>	B

Assurance and Related Services – A General concepts and principles of assurance engagements

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
	<p>Assurance Framework and ISAE 3000 (see Section D)</p> <p>National law and standards (<i>national content</i>) Laws relating to contracts between professional accountants and engaging party (<i>national content</i>)</p>	<p>A</p> <p>A</p> <p>A</p>
<p>A1.16 discuss the principles and purpose of quality control over assurance engagements and how such quality control functions</p>	<p><b>Quality control</b> Quality control measures</p> <p>At engagement level (ISAE 3000 see Section D)</p> <p>At firm level ISQC 1 <i>Quality Control For Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements</i></p> <p>External to the firm Inter-firm inspections External quality assurance by other bodies National laws and standards on quality control and external quality assurance (<i>national content</i>)</p>	<p>A</p> <p>B</p> <p>C</p>

## B Audits of historical financial statements and other historical financial information

### 1. Framework, concepts and principles

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to:</i></p> <p>B1.1 describe and explain the concept of audits, including the objectives and stages involved in performing an audit of financial statements</p> <p>B1.2 discuss the need for auditors to perform audits in the public interest</p> <p>B1.3 explain why users desire audit reports and provide examples of the benefits gained from them</p> <p>B1.4 compare the functions and responsibilities of the different parties involved in an audit engagement</p>	<p><b>The audit concept</b>                      The social and economic purposes of auditing                      Audit as part of the economic infrastructure                      Distinction between statutory and voluntary audits                      Objectives and stages of audits</p> <p><b>The public interest</b>                      The principle of public oversight                      The public interest in audit reports                      The role of audit committees</p> <p>ISA 200 (see section D)                      National laws and standards (<i>national content</i>)</p>	<p>B B B A C B C A A</p>
<p>B1.5 state and advise upon the professional and ethical implications for a firm carrying out an audit engagement</p>	<p><b>Professional values, ethics and attitudes</b>                      Ethical principles                      IESBA Code of Ethics, Parts A and B – applicable to professional accountants in public practice                      National laws and ethical standards (<i>national content</i>)</p>	<p>A A</p>

Assurance and Related Services – B Audits of historical financial statements and other historical financial information

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
B1.6 discuss the need to plan and perform audits with an attitude of professional scepticism	<b>Professional scepticism</b> ISA 200 (see Section D)	A
B1.7 discuss the concept of reasonable assurance	<b>Reasonable assurance</b> ISA 200 (see Section D)	A
<p>B1.8 explain the purpose of laws, directives, regulations, standards and other requirements surrounding audit work</p> <p>B1.9 explain the standard-setting process used by national and international bodies and the authority of the national and international standards</p> <p>B1.10 describe the main ways in which national legislation affects the scope and nature of the audit and the appointment and removal of auditors</p>	<p><b>The regulatory framework for audit</b> IAASB institutional framework IAASB standard setting process ISAs (see section D) The status of translations of ISAs EU process for Directives, regulations etc EU endorsement process for ISAs National laws and standard setting process <i>(national content)</i> National regulatory framework including relationship with EU and international framework <i>(national content)</i> Relationship between the law and audit standards <i>(national content)</i></p>	C
B1.11 identify when an audit engagement is subject to auditing requirements from outside the national jurisdiction, in particular, when subject to U.S. auditing requirements	<p><b>Harmonisation of national frameworks</b> Foreign national requirements, including the Sarbanes-Oxley Act and PCAOB Auditing Standards Circumstances when financial statements may need to be audited in accordance with additional regulations, e.g. PCAOB Auditing Standards (Note: this does not require knowledge of PCAOB Auditing Standards, but only knowledge of when a</p>	<p>C</p> <p>A</p>

Assurance and Related Services – B Audits of historical financial statements and other historical financial information

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
	practitioner is subject to them)	
B1.12 explain the key legal, professional and ethical considerations that an individual auditor or audit firm must consider before accepting an audit engagement, including the documentation of engagement terms	<p><b>Accepting an audit engagement, and engagement terms</b></p> <p><b>Legal, professional and ethical considerations</b>                      Law relating to the appointment and removal of auditors (<i>national content</i>)                      Law relating to contracts between auditors and engaging party (<i>national content</i>).                      ISA 210 and ISA 220 (see section D)                      IESBA Code of Ethics, Parts A and B                      National ethical requirements in relation to acceptance and continuance of audit engagements (<i>national content</i>)</p>	A
B1.13 determine the sources of liability (including professional negligence) arising from an audit engagement and describe their impact upon the conduct of the engagement	<p><b>Sources of liability for audit engagements</b>                      [Application of knowledge in Section A to statutory and voluntary audits] (<i>national content</i>)</p>	B

Assurance and Related Services – B Audits of historical financial statements and other historical financial information

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
<p>B1.14 discuss the principles and purpose of quality control over audits and how such quality control functions</p>	<p><b>Quality control</b>                      The regulatory framework for quality control (<i>national content</i>)</p> <p>Quality control measures</p> <ul style="list-style-type: none"> <li>At engagement level                          ISA 220 ( see Section D)</li> <li>At firm level                          ISQC 1 <i>Quality Control For Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements</i></li> <li>External to the firm                          Inter-firm inspections                          External Quality Assurance by other bodies</li> </ul> <p>National laws and standards on quality control and external quality assurance (<i>national content</i>)</p>	<p>A</p> <p>B</p> <p>C</p>
<p>B1.15 explain the reasons for preparing and keeping documentation relating to an audit engagement</p>	<p><b>Audit documentation</b>                      ISA 230 (see section D)                      National laws and standards (<i>national content</i>)</p>	<p>A</p>



Assurance and Related Services – B Audits of historical financial statements and other historical financial information

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
B2.2 formulate the approach suitable for management of the audit	<b>Audit management</b> ISA 220 and ISA 300 (see section D) National law and standards ( <i>national content</i> )	B
B2.3 draft a suitable auditor’s report, including an appropriate audit opinion and a description of key audit matters as applicable, in relation to a specified entity on the basis of given information  B2.4 draft suitable extracts for a management letter in relation to a specified entity on the basis of given information, including in the extracts (where appropriate) statements of facts, their potential effects, and recommendations for action relevant to the needs and nature of the business	<b>Audit reporting</b> Auditor’s report The management letter ISAs 700, 705, 706 and 720 (see Section D) National law and standards ( <i>national content</i> )	A B
B2.5 determine and describe issues to be reported to those responsible for governance in accordance with ISAs, legislation, regulation and codes of corporate governance	<b>Communications with those charged with governance</b> Audit matters arising from the audit Significant deficiencies in design, implementation or operation of internal control Long-form and similar reports ( <i>national content</i> )  <b>Other reports</b> Reports to a prosecutor in cases of fraud ( <i>national content</i> ) ISAs (esp. ISA 260) (see Section D) National law ( <i>national content</i> )	B  C
B2.6 determine when to refer reporting matters for	[Application of knowledge from the rest of this	

Assurance and Related Services – B Audits of historical financial statements and other historical financial information

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
specialist help	syllabus]	

### **3. Planning, performing, concluding and reporting on the audit of the historical financial statements of a specialised profit oriented entity**

An entry-level professional accountant **is** expected to apply the skills and knowledge gained in audits of financial statements of non-specialised business entities to similar transactions, events and circumstances that arise in the audit of the financial statements of a specialised profit-oriented entity (for example, a bank or an insurance entity).

An entry-level professional accountant is **not** required to:

- apply the skills and knowledge to the specialised transactions, events and circumstances of a specialised profit-oriented entity;
- apply laws, standards and other requirements that apply only to specialised profit-oriented entities; or
- deal with specialised or complex transactions that arise only in the financial statements of specialised profit-oriented entities.

### **4. Planning, performing, concluding and reporting on the audit of the historical financial statements of a not-for-profit entity**

An entry-level professional accountant **is** expected to apply the skills and knowledge gained in audits of financial statements of non-specialised business entities to similar transactions, events and circumstances that arise in the financial statements of a not-for-profit entity (for example, a charity or non-for-profit government entity).

An entry-level professional accountant is **not** required to:

- apply the skills and knowledge to the specialised transactions, events and circumstances of a not-for-profit entity;
- apply laws and standards that apply only to not-for-profit entities; or
- deal with specialised or complex transactions that arise only in the financial statements of not-for-profit entities.



## Assurance and Related Services – C Other assurance and related services

An entry-level professional accountant **is** expected to apply the skills and knowledge gained in the preparation and audit of financial statements of non-specialised business entities in performing other assurance and related services. Therefore, an entry level professional accountant **is** expected to meet all the relevant learning outcomes in PMR and sections A and B of this document appropriate to the type of entity for the following services.

### Preparation and compilation of financial information

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
C1.4 plan, perform, conclude and report upon the preparation and compilation of financial information, meeting all the relevant learning outcomes from sections A and B of this document adapted to reflect the scope of the engagement	<p><b>Preparation and compilation of financial information</b> [Integration of Knowledge of PMR]</p> <p>ISRS 4410 (see Section D) National law and standards (<i>national content</i>)</p>	A

### Reviews of financial statements

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
C1.5 plan, perform, conclude on and report on a review of financial statements, meeting all the relevant learning outcomes from sections A and B of this document adapted to reflect a review rather than an audit of financial statements	<p><b>Reviews of financial statements</b> ISRE 2400 (see Section D) National law and standards (<i>national content</i>)</p>	A

**Special financial statement engagements**

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
C1.6 plan, perform, conclude on and report on special financial statement engagements, meeting all the relevant learning outcomes from sections A and B of this documents adapted to reflect the scope of the engagement	<b>Special financial statement engagements</b> ISAs 800, 805 and 810(see Section D) National law and standards ( <i>national content</i> )	A

**Assurance engagements with respect to internal controls**

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
C1.7 plan, perform, conclude and report on assurance engagements with respect to internal controls, meeting all the relevant learning outcomes from sections A and B of this document adapted to reflect the scope of the engagement	<b>Assurance engagements with respect to internal controls</b> [Application in context of knowledge from Sections A of this syllabus relating to Planning the engagement Performing the engagement Concluding and reporting on the engagement]  ISAE (see Section D) National law and standards ( <i>national content</i> )	A

**Examination of prospective financial information**

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
C1.8 plan, perform, conclude and report on examination of prospective financial information, meeting all the relevant learning outcomes from sections A and B of this document adapted to reflect the scope of the engagement	<b>Examination of prospective financial information</b> ISAE 3400 (see Section D) National law and standards ( <i>national content</i> )	A

For the following services, an entry-level professional accountant **is** expected to apply the skills and knowledge covered by the relevant learning outcomes in this and other documents while working under the supervision of a specialist. However, an entry-level professional accountant is **not** expected to:

- carry out these services without supervision;
- apply the skills and knowledge to the specialised aspects of these services; or
- apply laws, standards and other requirements that relate only to these services.

**Forensic audits and other litigation services**

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p>C1.9 working under the supervision of a specialist, perform those aspects of forensic audits and other litigation services that are covered by the relevant learning outcomes from appropriate sections of this and other documents on learning outcomes and knowledge</p>	<p><b>Forensic audits and other litigation services</b>                      [Application in context of knowledge from Sections A of this syllabus relating to                      Planning the engagement                      Performing the engagement                      Concluding and reporting on the engagement]</p> <p>ISAE (see Section D)                      National law and standards (<i>national content</i>)</p>	<p>C</p>

**Internal audits (including value for money audits)**

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p>C1.10 working under the supervision of a specialist, perform those aspects of internal audit (including value for money audits) that are covered by the relevant learning outcomes from appropriate sections of this and other documents on learning outcomes and knowledge</p>	<p><b>Internal audit (including value for money audits)</b>                      [Application in context of knowledge from Sections A of this syllabus relating to                      Planning the engagement                      Performing the engagement                      Concluding and reporting on the engagement]</p> <p>ISAE (see Section D)                      National law and standards (<i>national content</i>)</p>	<p>B</p>

**Agreed-upon procedures engagements**

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
C1.11 working under supervision, perform those aspects of agreed-upon procedures engagements that are covered by the relevant learning outcomes from appropriate sections of this and other documents on learning outcomes and knowledge	<b>Agreed-upon procedures engagements</b> ISRS 4400 (see Section D) National law and standards ( <i>national content</i> )	B

**Financial due diligence engagements**

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
C1.12 working under supervision, perform those aspects of financial due diligence engagements that are covered by the relevant learning outcomes from appropriate sections of this and other documents on learning outcomes and topics	<b>Financial due diligence engagements</b> [Application of knowledge from all other syllabuses]  [Application in context of knowledge from Sections A of this syllabus relating to Planning the engagement Performing the engagement Concluding and reporting on the engagement] National law and standards ( <i>national content</i> )	C

**Assurance engagements with respect to other non-financial information**

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
C1.13 working under supervision, perform those aspects of assurance engagements with respect to non-financial information, including green-house gas emissions statements and sustainability reports, that are covered by the relevant learning outcomes from appropriate sections of this and other documents on learning outcomes and topics	<p><b>Assurance engagements with respect to other non-financial information</b>                      [Application in context of knowledge from Sections A of this syllabus relating to                      Planning the engagement                      Performing the engagement                      Concluding and reporting on the engagement]</p> <p>ISAE 3000(see Section D)                      National law and standards (<i>national content</i>)</p>	C

**Accounting services associated with prospectuses**

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
C1.14 perform under supervision those aspects of the services related to accounting services associated with prospectuses that are covered by the relevant learning outcomes from appropriate sections of this and other documents on learning outcomes and topics	<p><b>Accounting services associated with prospectuses</b>                      [Application of knowledge from all other syllabuses]</p> <p>[Application in context of knowledge from Sections A of this syllabus relating to                      Planning the engagement                      Performing the engagement                      Concluding and reporting on the engagement]</p> <p>National law and standards (<i>national content</i>)</p>	C

Assurance and Related Services – C Other assurance and related services

**Expert services**

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
C1.15 perform under supervision those aspects of expert services that are covered by the relevant learning outcomes from appropriate sections of this and other documents on learning outcomes and topics	<p><b>Expert services</b>                      [Application of knowledge from all other syllabuses]                       [Application in context of knowledge from Sections A of this syllabus relating to                      Planning the engagement                      Performing the engagement                      Concluding and reporting on the engagement]                       National law and standards (<i>national content</i>)</p>	C

## D International Standards on Auditing and other IAASB Pronouncements

At all knowledge levels, the *entry-level professional accountant* is expected to deal with situations and scenarios that generally arise in practice. The entry-level professional accountant is not expected to deal with complex or unusual situations or scenarios requiring a specialist's level of skill or knowledge.

### Knowledge levels

An entry level professional accountant is expected to be able to apply all IAASB pronouncements at Knowledge level A\*, but for the following, for which entry level accountant is expected to be aware of their existence and when they apply (Knowledge Level C), but is **not** expected to apply these pronouncements:

- IAPN 1000 Special Considerations in Auditing Financial Instruments
- ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in Prospectuses
- IAASB Exposure Drafts
- IAASB Discussion Papers, Consultation Papers and Studies

An entry-level professional accountant is expected to understand and apply the following pronouncements at Knowledge Level B:

- *Preface to International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services*
- *ISRS 4400 Engagements to Perform Agreed-upon Procedures Regarding Financial Information*
- *ISAE 3410 Assurance Engagements on Green House Gas Statements*

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\* The application of ISA 530 presupposes the following knowledge in statistics at level B to enhance the ability of auditors to apply a risk-based approach:

- sampling techniques and the sources of sampling error;
- population and sample mean and standard deviation for infinite and finite populations;
- application of the normal distribution for normally and non-normally distributed populations;
- sample proportion statistics and their application in monetary-unit sampling, tests of controls and compliance testing;
- sample-size determination for estimates of mean and proportion;
- statistical hypothesis testing approaches;
- the risks of incorrect acceptance and rejection;
- the likelihood of rejecting the null hypothesis for assumed values of population parameters and the likelihood that the value of the statistic is not within the confidence interval;
- confidence interval estimation procedures; and
- statistical quality indicators.

### **3. PERFORMANCE MEASUREMENT AND REPORTING (PMR)**

#### **Purpose**

The purpose of this document is to specify for Performance Measurement and Reporting (PMR):

- the services provided by professional accountants to their clients and employers;
- the common learning outcomes that an entry-level professional accountant is expected to achieve
- the skill required for the performance of each common learning outcome;
- the professional and other knowledge that is required to achieve the common learning outcomes; and
- the level of knowledge required to achieve the common learning outcomes.

#### **Services Provided by Professional Accountants**

The services relating to Performance Measurement and Reporting provided to their clients and employers by the professional accountants envisaged by this project are summarised below. An entry-level professional accountant should be able to perform those aspects of these services as specified in the learning outcomes.

##### ***A Accounting and reporting***

A professional accountant envisaged by the Common Content project should be able to:

- explain the reasons for statutory financial reporting, identify users' and stakeholders' needs for financial information, and explain the contribution and inherent limitations of financial statements in meeting those needs;
- discuss the International Accounting Standards Board's conceptual framework for financial reporting and apply that framework;
- describe the regulatory framework for financial reporting in the countries in which they practise;
- demonstrate proficiency in the use of double entry accounting techniques and the maintenance of accounting records; and
- prepare and present for a profit-oriented and not-for-profit entity a balance sheet, income statement or profit and loss account and cash flow statement from complete and incomplete accounting data.

##### ***B Performance measurement for investors, creditors and other external users of published financial statements***

A professional accountant envisaged by the Common Content project should be able to:

- prepare and present financial statements from accounting data for profit-oriented and not-for-profit entities, whether organised in corporate or in other forms, in conformity with IFRSs, national requirements and other comprehensive bases of accounting, and explain the requirements underlying their preparation and presentation;

## Performance Measurement and Reporting

- define and distinguish between the components of equity and define and calculate amounts distributable to owners or members; and
- identify the circumstances in which profit-oriented and not-for-profit entities are required to present consolidated financial statements and prepare and present them in conformity with IFRSs, national requirements and other comprehensive bases of accounting.

### ***C Accounting and reporting services to management and other internal users of financial information***

A professional accountant envisaged by the Common Content project should be able to

- design and implement accounting systems for profit-oriented and not-for-profit entities, and establish suitable accounting policies;
- compile and present non-statutory financial information for an entity according to the reporting policies of the entity and in the format required;
- describe the nature and purpose of cost classification and costing methods and apply them to inventory valuation and decision making; and
- prepare and review budgets and produce financial and other reports as required by an entity's management.

### ***D The financial position and performance of a business***

A professional accountant envisaged by the Common Content project should be able to:

- analyse and interpret financial statements and other financial information, and explain the conclusions drawn in the context of, for example: investment analysis, take-overs, loans, customer appraisal, supplier appraisal, inter-entity comparison, assurance work, or requests from audit committees: and
- explain why and how entities use performance measurement for motivation and control.

## Entry-level Professional Accountants

### Learning Outcomes

An entry-level professional accountant should be able to perform those aspects of the services of professional accountants that are specified in the common and national learning outcomes.

## Knowledge

The knowledge required to achieve the common learning outcomes for PMR consists of:

- *professional knowledge* appropriate to PMR;
- knowledge of *professional values, ethics and attitudes, and of law and information technology* that applies to PMR; and
- knowledge of the *business environment, economics and quantitative methods* that underpins the professional knowledge in PMR.

## Performance Measurement and Reporting

The *professional knowledge* consists of:

- a *common content* which has been established jointly by the participating Institutes; and
- a *national content* which has been, or will be, determined by each participating Institute.

The *national content* is limited to:

- statutory and regulatory requirements on the preparation of accounting records and the preparation and publication of financial statements;
- the application of national accounting laws, regulations, standards etc. that apply to the preparation of those financial statements (national GAAP);
- other knowledge which is required in order to achieve the common learning outcomes in a national business environment.

At all knowledge levels, the *entry-level professional accountant* is expected to deal with situations and scenarios that generally arise in practice. The entry-level professional accountant is not expected to deal with complex or unusual situations or scenarios requiring a specialist's level of skill or knowledge.

The achievement of the common learning outcomes also requires:

- knowledge and understanding of laws that relate generally to the circumstances, transactions and events covered by the learning outcomes;
- knowledge and understanding of laws relating to the common forms of entities covered by the learning outcomes; and
- IT control, designer and user competencies.



Performance Measurement and Reporting – A Accounting and reporting

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p>A1.2 discuss in non-accounting terms and illustrate the extent to which financial and non-financial information</p> <ul style="list-style-type: none"> <li>meets the information needs for national social and economic contexts (e.g. national statistical information)</li> <li>provides for accountability of management to owners and other stakeholders</li> <li>reflects entity performance</li> <li>is useful to users in making economic decisions</li> <li>does not mislead users</li> </ul>	<p><b>The objectives of financial information</b></p> <p>Users of financial information and their information needs</p> <p>Internal reporting</p> <p>To those charged with governance [link to SBM]</p> <p>To management</p> <p>External reporting</p> <p>To owners and other stakeholders</p> <p>Sustainability Reporting</p> <p>Integrated Reporting</p> <p>To government [link to TLS]</p> <p>The limitations of financial statements in meeting users' needs</p> <p>IESBA Code of Ethics Parts A, B and C</p>	<p>B</p> <p>B</p> <p>A</p>
<p>A1.3 describe the main components of a set of financial statements</p> <p>A1.4 explain the purpose of the main components of a set of financial statements</p>	<p><b>The primary financial accounting statements</b></p> <p>The concept of accounting periods</p> <p>Balance sheet/statement of financial position</p> <p>Income statement/statement of comprehensive income</p> <p>Cash flow statement/statement of cash flows</p> <p>Statement of changes in equity</p> <p>Notes and other disclosures</p>	<p>A</p> <p>A</p> <p>A</p> <p>A</p> <p>A</p> <p>A</p>
<p>A1.5 explain the qualitative characteristics of financial information and the constraints on such</p>	<p><b>Qualitative characteristics of financial statements and other financial information</b></p>	

Performance Measurement and Reporting – A Accounting and reporting

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
information	IASB Conceptual Framework (see Section E) National conceptual frameworks for accounting ( <i>national content</i> )	A
A1.6 explain, in non-technical language, the different bases of accounting	<b>Bases of accounting</b> Cash accounting Asset and liability accounting (accrual basis) Tax basis ( <i>national content</i> ) Fund accounting Commitment accounting Break-up basis [link to Insolvency in TLS]	A A A C C C
A1.7 explain, in non-technical language, the accrual basis of accounting  A1.8 explain the differences between financial statements produced using the accrual basis and those produced using the bases of cash accounting and commitment accounting	<b>The elements of accrual basis financial statements</b> Assets, liabilities and equity Income, expenses and profit  <b>Recognition of the elements in the accrual basis of financial statements</b> Recognition of assets and liabilities, income and expenses	A A  A

Performance Measurement and Reporting – A Accounting and reporting

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p>A1.9 discuss, in non-technical language, the different bases of measurement and the different definitions of capital and capital maintenance used in accrual basis financial statements</p>	<p><b>Measurement of the elements in the accrual basis of financial statements</b>                      Historical cost                      Replacement cost                      Recoverable amount                      Fair value</p> <p><b>Capital and capital maintenance in the accrual basis of financial statements</b>                      Financial capital                      Physical capital                      Money measurement and purchasing power measurement</p>	<p>A</p> <p>C</p>
<p>A1.10 describe briefly the basic concepts and principles surrounding consolidation</p>	<p><b>Consolidation concepts</b></p> <p><b>Concept of a group</b>                      (entity concept, parent company concept, proprietary concept)                      Subsidiaries                      Associates and joint ventures                      Noncontrolling interests</p> <p><b>Concept of consolidated financial statements</b>                      Presentation as financial statements of single entity                      Intra-group transactions and balances                      Uniform accounting policies                      Changes in the composition of the group including acquisitions, mergers, disposals and common control transactions</p>	<p>A</p> <p>A</p>

**2. Maintaining financial records**

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
<p><i>Entry-level professional accountants should be able to</i>                      A2.1 explain why an entity maintains financial records</p>	<p><b>Financial records</b>                      The reasons for keeping financial records                      National laws and other requirements for the maintenance of financial records (<i>national content</i>) (see also Section B)                      Accounting systems [see section C]</p>	<p>A</p>
<p>A2.2 discuss the principles of double-entry accounting</p>	<p><b>Double entry concepts</b>                      Assets, liabilities, capital and the accounting equation                      The accounting equation and the balance sheet                      The accounting equation and the income statement</p>	<p>A</p>

Performance Measurement and Reporting – A Accounting and reporting

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p>A2.3 record and account for transactions and events resulting in income, expenses, assets, liabilities, cash flows and equity in accordance with appropriate basis of accounting and the laws, regulations and accounting standards applicable to the financial statements</p>	<p><b>Bookkeeping (ledgers, books of prime entry and journals)</b>                      Opening a new set of accounting records                      Recording cash and credit transactions and events under IFRS, national GAAP and other national requirements, other comprehensive bases of accounting (e.g. cash basis, tax basis [<i>national content</i>]) and management accounting and costing systems</p> <p>[Application of IFRS [see section E], national GAAP and other national requirements, other comprehensive bases of accounting and management accounting and costing systems]</p> <p>[Knowledge of accounting for the specialised aspects relating to the components of equity of the following entities is <b>not</b> required:                      unions                      foundations                      strata corporations                      institutions under public law                      co-operatives]</p>	<p>A</p>
<p>A2.4 record and account for changes in the ownership structure and ownership interests in an entity</p>	<p>Recording of allocations and distributions of profit                      Recording changes in partnership                      Recording conversion from one type of entity to another                      Recording share issues, repurchases and cancellations                      [Application of IFRS [see section E], national GAAP laws and other regulations, other comprehensive bases of accounting and management accounting and costing systems]</p>	<p>A</p>

Performance Measurement and Reporting – A Accounting and reporting

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
A2.5 prepare a trial balance from accounting records, and explain the uses of the trial balance	<b>Trial balance</b>	A
A2.6 identify and correct errors in accounting records and financial statements	<b>Errors and correction of errors</b> Reconciliations of ledger and other accounts Reconciliation of bank accounts Trial balance Error correction in the trial balance	A

### 3. Preparing financial statements

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>A3.1 prepare and present a balance sheet, income statement or profit and loss account and cash flow statement (or parts thereof) from the accounting records and trial balance in a format which satisfies the information requirements of the entity</p>	<p><b>Preparation of primary financial statements</b>                      Under the accrual basis of accounting                      Under the cash basis of accounting                      Under the tax basis of accounting (<i>national content</i>)</p> <p>[For the preparation of financial statements under IFRS and national GAAP, see section B                      For the preparation of financial statements under management accounting and costing principles, see section C]</p>	<p>A                      A                      B</p>
<p>A3.2 prepare and present a balance sheet, income statement or profit and loss account and cash flow statement (or parts thereof) from incomplete records, in a format which satisfies the information requirements of the entity</p>	<p><b>Incomplete records</b>                      [Preparation of financial statements in accordance with this section in the context of incomplete records]</p>	<p>A</p>

## B Performance measurement for investors, creditors and other external users of published financial statements

### 1. Regulatory framework for reporting

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>B1.1 discuss the purpose of accounting laws, standards and other requirements</p>	<p><b>The regulatory framework for reporting</b> The reasons for the existence of a regulatory framework</p>	<p>B</p>
<p>B1.2 explain the standard-setting process used by national and international (IASB) bodies and the authority of the national, international and foreign standards</p> <p>B1.3 describe the main ways in which national legislation affects financial reporting (including the relationship with accounting standards)</p> <p>B1.4 describe the main ways in which foreign requirements affect financial reporting</p>	<p><b>International regulatory framework</b> IASB institutional framework IASB standard setting process The status of translations of IFRS IFRS [see Section E]</p> <p><b>EU regulatory framework</b> EU process for endorsement of IFRS EU process for directives, regulations etc Content of national enactments of EU Directives</p> <p><b>National regulatory framework</b> Content of national laws and other legal requirements (<i>national content</i>) National standard setting process (<i>national content</i>) Content of national GAAP (<i>national content</i>) The national regulatory framework and its relationship with the international framework</p>	<p>C C C</p> <p>C C A</p> <p>A C A C</p>

Performance Measurement and Reporting – B Performance measurement of published financial statements

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
	<p><i>(national content)</i>                      Relationship between EU requirements and national and international requirements <i>(national content)</i>                      Content of national requirements specific to banks, insurance entities and other specialised profit-oriented entities</p> <p><b>Foreign requirements</b>                      Circumstances when financial statements might need to comply with additional accounting regulations, e.g. US GAAP, US SEC regulations                      (Note: this does not require knowledge of US GAAP or SEC accounting requirements, but only knowledge of when a practitioner is subject to them)</p>	<p>C</p> <p>C</p> <p>A</p>
<p>B1.5 explain, in non-technical language, significant current reporting issues being dealt with as part of national legislation and by the national standard-setting body and the IASB</p> <p>B1.6 explain the current work to achieve convergence between national and international reporting standards</p>	<p>IASB exposure drafts, discussion papers and work programmes [see Section E]                      Proposed changes to national law (national content)                      National standard setter’s exposure drafts, discussion papers and work programmes <i>(national content)</i></p>	<p>C</p> <p>C</p> <p>C</p>

Performance Measurement and Reporting – B Performance measurement of published financial statements

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
B1.7 explain the concepts of “fair presentation” and “true and fair view” and the circumstances in which the concepts may override the detailed provisions of legislation or of accounting standards	IASB <i>Framework</i> and IAS 1 [see Section E] National laws and regulatory frameworks ( <i>national content</i> ) National conceptual frameworks/ GAAP ( <i>national content</i> ) Relevant foreign requirements	A A A C
B1.8 discuss key ethical and professional issues for a professional accountant <ul style="list-style-type: none"> <li>• undertaking work in and giving advice on accounting and financial reporting</li> <li>• preparing and advising on statutory reports, explain their relevance and importance</li> </ul>	<b>Professional values, ethics and attitudes</b> IESBA Code of Ethics National code of ethics and other regulatory requirements ( <i>national content</i> )	A A
B1.9 advise on the above aspects of accounting and financial statement preparation	[Application of knowledge from the rest of this section]	

## 2. Reporting by non-specialised profit-oriented entities

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>B2.1 describe the circumstances in which a profit-oriented entity is required to prepare and present legal entity and consolidated financial statements</p>	<p><b>Preparation and presentation of financial statements</b> National laws and regulatory framework (<i>national content</i>)</p>	<p>A</p>
<p>B2.2 determine the laws, regulations, accounting standards and other requirements and recommendations applicable to the legal entity and consolidated financial statements of a profit-oriented entity and formulate appropriate accounting policies, or evaluate the appropriateness of these, in accordance with those requirements and recommendations for use in the legal entity and consolidated financial statements</p>	<p>Regulatory framework and national laws and GAAP (<i>national content</i>)</p> <p>IFRS [see section E]</p> <p>Relevant foreign requirements and GAAP (<i>national content</i>)</p>	<p>A</p> <p>Per Section E</p> <p>C</p>
<p>B2.3 identify, from financial and other data, any subsidiary, associate or joint venture of an entity, according to the appropriate financial reporting framework (e.g. IFRSs and national requirements)</p>	<p>IFRS [see section E] National law and GAAP (<i>national content</i>)</p>	<p>A</p> <p>A</p>

Performance Measurement and Reporting – B Performance measurement of published financial statements

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p>B2.4 prepare and present the separate financial statements, or extracts therefrom, of a non-specialised profit-oriented entity using its accounting policies, in accordance to the appropriate financial reporting framework (e.g. IFRSs and national requirements, including regulatory requirements); this includes:</p> <ul style="list-style-type: none"> <li>• recognising, measuring, presenting and disclosing transactions and events within the financial statements in accordance with the financial reporting framework and regulatory requirements</li> <li>• making accounting judgments and estimates, including fair value estimates</li> <li>• fairly presenting the financial statements relative to the nature of the business, the operating environment, and the entity's ability to continue as a going concern</li> </ul>	<p>National law and GAAP (<i>national content</i>)</p> <p>IFRS [see section E]</p> <p>[Knowledge of reporting of the specialised aspects relating to the components of equity of the following entities is not required:</p> <ul style="list-style-type: none"> <li>unions</li> <li>foundations</li> <li>strata corporations</li> <li>institutions under public law</li> <li>co-operatives] </li></ul>	<p>A</p> <p>Per Section E</p>

Performance Measurement and Reporting – B Performance measurement of published financial statements

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
<p>B2.5 calculate, from financial and other data, the amounts to be included in an entity’s consolidated financial statements in respect of its new, continuing and discontinuing interests in subsidiaries, associates and joint ventures, according to the appropriate financial reporting framework (e.g. IFRSs and national requirements)</p>	<p>Application of consolidation concepts under: IFRS [see section E]</p> <p>National law and GAAP (<i>national content</i>)</p>	<p>Per Section E</p> <p>A</p>

Performance Measurement and Reporting – B Performance measurement of published financial statements

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
<p>B2.6 prepare and present the consolidated financial statements, or extracts therefrom, of a non-specialised profit-oriented entity using its accounting policies and in accordance with the appropriate financial reporting framework (e.g. IFRSs and national requirements including regulatory requirements); this includes:</p> <ul style="list-style-type: none"> <li>• recognising, measuring, presenting and disclosing transactions and events within the financial statements in accordance with the financial reporting framework and regulatory requirements</li> <li>• making accounting judgments and estimates, including fair value estimates</li> <li>• fairly presenting the financial statements relative to the nature of the business, the operating environment, and the entity's ability to continue as a going concern</li> </ul>	<p>IFRS [see section E]</p> <p>National law and GAAP (<i>national content</i>)</p>	<p>Per Section E</p> <p>A</p>
<p>B2.7 define and calculate from information provided the distributable profits of an entity, and allocations of distributable profit</p>	<p>National laws and pronouncements (based, in part, on EU law) (<i>national content</i>)</p>	<p>A</p>

Performance Measurement and Reporting – B Performance measurement of published financial statements

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
B2.8 explain in non-technical language the application of IFRSs, national requirements and other accounting and disclosure requirements to information provided in the legal entity and consolidated financial statements	IFRS [see section E]  National law and GAAP ( <i>national content</i> )	Per Section E  A
B2.9 determine when other information in documents containing audited financial statements (for example reports on operations by management or those responsible for governance, financial summaries and highlights) could be relevant to the legal entity or consolidated financial statements, and assess whether those financial statements adequately reflect that information	National law and GAAP ( <i>national content</i> ) EU Fourth Directive  IFRS (see Section E – currently few requirements)	A A  Per Section E
B2.10 formulate the external reporting policies of an entity, from both a legal entity and consolidated perspective, which meet its information and reporting needs and obligations and the appropriate financial reporting framework (e.g. IFRSs, national and appropriate foreign requirements)	IFRS [see section E]  National law and GAAP ( <i>national content</i> )	Per Section E  A

### 3. Reporting by specialised profit-oriented entities

An entry-level professional accountant **is** expected to apply the skills and knowledge gained in reporting by non-specialised business entities to similar transactions, events and circumstances that arise in reporting by a specialised profit-oriented entity (for example, a bank or an insurance entity).

An entry-level professional accountant is **not** required to:

- apply the skills and knowledge to the specialised transactions, events and circumstances of a specialised profit-oriented entity;
- apply laws, standards and other requirements that apply only to specialised profit-oriented entities; or
- deal with specialised or complex transactions that arise only in the financial statements of specialised profit-oriented entities.

### 4. Reporting by not-for-profit entities

An entry-level professional accountant **is** expected to apply the skills and knowledge gained in reporting by non-specialised business entities to similar transactions, events and circumstances that arise in the reporting by not-for-profit entity (for example, a charity or not-for-profit government entity).

An entry-level professional accountant is **not** required to:

- apply the skills and knowledge to the specialised transactions, events and circumstances of a not-for-profit entity;
- apply laws and standards that apply only to not-for-profit entities; or
- deal with specialised or complex transactions that arise only in the financial statements of not-for-profit entities.

### 5. Reporting Green House Gas Emissions, Sustainability Reporting and Integrated Reports

An entry-level professional accountant **is** expected to apply the skills and knowledge gained in financial reporting by non-specialised business entities to account for emission rights and obligations under financial reporting standards (level A), to apply these skills and knowledge to prepare Green House Gas Emissions Statements, to Sustainability Reports and Integrated Reports under the direction of a specialist, and to otherwise have an awareness of Green House Gas Emissions Statements, Sustainability Reporting and integrated reporting at level C.

An entry-level professional accountant is **not** required to:

- apply the specialised skills and knowledge necessary to prepare a Green House Gas Statement, Sustainability Report or integrated report;
- apply laws and standards that apply only to Green House Gas Statements, Sustainability Reporting or Integrated Reporting

## C Accounting and reporting services to management and other internal users of financial information

### 1. Accounting systems and functions

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>C1.1 describe the main considerations in establishing and maintaining accounting and financial reporting functions and financial control processes</p>	<p><b>Meeting users' needs for information</b>                      The information needs of management and other internal users of financial information                      The accounting and financial reporting functions                      Financial controls                      Interaction of accounting policies with the preparation of financial information for internal or management use</p>	<p>A</p>
<p>C1.2 design accounting policies for an organisation which meet the organisation's information and reporting needs</p>	<p>[Application of knowledge from the rest of this syllabus]</p>	
<p>C1.3 discuss, in the context of accounting systems, the concepts of</p> <ul style="list-style-type: none"> <li>• information processing</li> <li>• information security</li> </ul>	<p>Information processing (completeness, accuracy, timeliness, assessability, verifiability, inalterability)                      Information security (integrity, availability, confidentiality, authenticity, authorisation, non-repudiation, retrievability)</p>	<p>B B</p>

Performance Measurement and Reporting – C Accounting & reporting services to mgmt and other internal users of financial information

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p>C1.4 assess financial and management accounting systems and procedures and advise on the design of such systems and procedures which make appropriate use of IT, include proper controls, and which meet an organisation's internal and external reporting requirements and statutory or regulatory requirements</p>	<p>[Application of knowledge from the rest of this syllabus]                      i.e. Users of accounting systems and their information needs                      Legal accounting requirements (national content)                      Accounting requirements of IFRS and national standards                      Principles of control                      Information processing                      Information security</p>	
<p>C1.5 design internal controls for an accounting system, selecting from all available controls for manual elements and from application and installation controls for computerised elements, so as to reduce to an acceptable level the business risks resulting from the lack of the completeness, accuracy and validity of the information</p> <p>C1.6 discuss how specified internal accounting controls operate and describe their limitations</p>	<p>[Application of knowledge from this syllabus and integration of the SBM syllabus]                      Principles of internal control [link to SBM]</p>	

Performance Measurement and Reporting – C Accounting & reporting services to mgmt and other internal users of financial information

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
C1.7 describe and explain the stages in the implementation of new accounting systems and procedures, explaining their audit significance and the accountant's role	<p><b>Accounting systems</b> Operation of the existing system</p> <p><b>Implementation of new accounting systems</b> [Integration of implementation of Strategic and Operational Change in SBM]</p>	
C1.8 advise stakeholders (including individuals who may be affected by changes to systems) on any of the above aspects of accounting and accounting systems, taking account of their objectives	<p>[Application of knowledge from all syllabuses] [Integration of Business Process Change in SBM]</p>	

## 2. Performance measurement for entity management

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>C2.1 explain why entity management requires information about performance measurement</p> <p>C2.2 describe the accountant’s role in preparing and presenting information for entity management</p> <p>C2.3 explain the use of cost information for different purposes</p>	<p><b>Management and cost accounting fundamentals</b></p> <p>The role of management accounting [link to FM] The accountant’s role in the organisation [link to FM]</p> <p>IESBA Code of Ethics, Part C – applicable to employed professional accountants</p> <p>Accounting information for decision making [integration with FM] Information for planning and control [integration with SBM] Planning and budgetary control systems Management control systems and performance issues</p>	<p>A</p>
<p>C2.4 describe the various cost classifications and explain their uses</p>	<p><b>Cost accounting</b></p> <p><b>Cost classification concepts</b></p> <p>Types of cost Fixed, variable, direct, indirect, overheads</p> <p>Nature of costs Source of costs Cost objects e.g. products, services, capital projects, revenue projects, cost centres</p>	<p>A</p>



Performance Measurement and Reporting – C Accounting & reporting services to mgmt and other internal users of financial information

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
C2.8 analyse financial and other data in order to provide information for pricing decisions	<p><b>Information for pricing decisions [link to decision making in FM]</b></p> <p><b>Pricing decisions</b>                      Major influences on pricing                      Contribution analysis                      Cost based pricing                          Full cost                          Variable cost                          Marginal cost                      Market based pricing                      Considerations other than costs in pricing decisions                      [Integration of Business Process Change in SBM]</p>	<p>A</p> <p>C</p>
C2.9 calculate transfer prices for specified sales to internal customers which take account of appropriate costs and relevant circumstances, and which take account of the business's objectives	<p><b>Transfer pricing in divisionalised companies</b>                      [integration with TLS] [integration with SBM]                      (optimal transfer pricing calculations using the tabular method or using equations in imperfect intermediate markets are excluded)                      Goal congruence, managerial effort, sub-unit autonomy                      Cost-based transfer prices                      Market-based transfer prices</p>	<p>B</p>

Performance Measurement and Reporting – C Accounting & reporting services to mgmt and other internal users of financial information

<b>Learning Outcomes</b>	<b>Specific Service Knowledge – Common Content</b>	<b>Knowledge Level</b>
C2.10 describe and apply forecasting techniques used by management in performance measurement and planning	<b>Forecasting techniques</b> Moving average Linear regression and correlation Trend analysis Times series models Prediction vs. forecasting	B
C2.11 describe the nature and purpose of budgets for any business  C2.12 prepare, from information supplied, accurate budgets for income statements and balance sheets, and/or their constituent parts (e.g. sales budgets, overhead budgets, cash budgets) for a given business  C2.13 advise on the use budgeting approaches and methods, taking into account their advantages and disadvantages for planning, control and motivation	<b>Planning and budgetary control [link to SBM]</b> <b>Behavioural aspects of accounting control systems</b> Controllable and uncontrollable costs  <b>Budgeting [integration with Planning in SBM]</b> Types of budget (by function) Different budgeting approaches <ul style="list-style-type: none"> <li>• bottom-up and top-down approaches to generating and managing budgets</li> <li>• responsibility-based and product-based budget structures</li> <li>• zero-based and incremental (based on previous years) budgeting</li> <li>• activity-based costing</li> </ul> <b>The budget process</b>	B   A A A A B A

Performance Measurement and Reporting – C Accounting & reporting services to mgmt and other internal users of financial information

<b>Learning Outcomes</b>	<b>Specific Service Knowledge – Common Content</b>	<b>Knowledge Level</b>
<p>C2.14 calculate differences between actual performances and standards or budgets in terms of price and volume effects, using information supplied, and suggest reasons for the differences</p> <p>C2.15 calculate profits and reconcile the figures for profit calculated using direct, absorption or marginal costing</p>	<p><b>Performance reporting to management</b></p> <p>Variances</p> <ul style="list-style-type: none"> <li>Cost variances</li> <li>Planning variances</li> <li>Operations variances</li> </ul> <p>Reporting for management</p> <p>Reconciliation of budgeted and actual profit: the operating statement</p>	<p>A</p> <p>B</p> <p>C</p> <p>B</p> <p>B</p>
<p>C2.16 prepare and present quantitative and qualitative data and information using numerical and graphical techniques and determine the most appropriate technique</p> <p>C2.17 prepare reports (planning, budgeting, cost management quality control, performance measurement and benchmarking) for use by the management of an entity, using data from the entity’s accounting system and other records, which measure the implementation of an entity’s business strategy and enable management to re-assess that strategy</p>	<p><b>Descriptive Statistics</b></p> <p>Frequency distributions</p> <p>Graphical representations</p> <p>Charts</p> <p>Mean, median, mode</p> <p>Quartiles, percentiles</p> <p>Skew</p> <p>Data variability (range, variance, standard deviation)</p> <p>[Application of knowledge from the rest of this syllabus and integration of the SBM syllabus]</p>	<p>A (for financial)</p> <p>B (for non-financial)</p>



Performance Measurement and Reporting – D The financial position and performance of a business

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
D1.2 select and calculate relevant indicators for specified purposes from ratios (including stock market ratios), trends and interrelationships	Limitations of ratios Collection of information for analysis Evaluation of information Preparation of numbers to be used in analysis Cash ratios versus accounting ratios Liquidity (current ratio, quick ratio, operating cash flow ratio, payables days, receivables days, operating cycle, working capital ratio, inventory turnover, average receivables collection period, receivables turnover, receivables ageing) Solvency (debt to equity, total debt to total assets, times interest earned, fixed charges coverage) Investors' ratios (price-earnings ratio, dividend yield, earnings per share, market to book ratio, EBIT, EBITDA, gross and net operating margins, asset turnover, return on capital) Analysis of the components of financial statements (e.g. assets, sources of income) Value added analysis Multivariate ratio analysis Scoring models Neural nets and other AI approaches to analysis Key performance indicators for sustainability and integrated reports.	A A A A A A A A A A A A C C C C B

Performance Measurement and Reporting – D The financial position and performance of a business

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
<p>D1.3 explain accounting treatments adopted in financial statements and other financial information and assess how they affect the view presented</p> <p>D1.3a explain reporting treatments adopted in sustainability and integrated reports and interpret how they affect the view presented</p>	<p>Effect of accounting policies on financial statements and other financial information (e.g. proforma statements) compared with IFRS and national GAAP treatment</p> <p>See Item B.5</p>	<p>A</p> <p>C</p>
<p>D1.4 determine inconsistencies in the information supplied or between the results of analysis and the information supplied</p>	<p>Business and accounting factors [Application of knowledge and understanding of the business being analysed] [Application of knowledge from this section]</p>	
<p>D1.5 identify any additional information required for an analysis</p> <p>D1.5a Explain how information technology contributes to data analysis and decision making</p> <p>D1.5b Use information technology to support decision making through business analytics</p>	<p>[Application of knowledge from this section] [Application of knowledge from IT]</p>	<p>B</p> <p>B</p> <p>B</p>

Performance Measurement and Reporting – D The financial position and performance of a business

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p>D1.6 draw conclusions from an analysis which are rational and relevant, which take account of the limitations of the information supplied and the analytical methods used, and economic conditions and the organisation's circumstances</p>	<p>Interpretation of financial statements                      Common size analysis                      Trends of indicators over time                      Effects of inflation and other price changes (general price-level accounting, current cost accounting, physical and nominal or real financial capital maintenance)                      Impact of tax transactions [link to Tax] (<i>national content</i>)                      Impact of activities in foreign territories                      Cash flow information: cash versus profit                      Interpretation of sustainability and integrated reports</p>	<p>A                      A                      A                      B                        A                      A                      C</p>
<p>D1.7 explain the advantages and disadvantages of the use of performance management systems</p>	<p><b>Performance management [integration with SBM]</b>                      Purposes and advantages of performance management                      Performance management in a divisional structure</p>	

Performance Measurement and Reporting – D The financial position and performance of a business

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p>D1.8 describe, apply and analyze the features of performance measures (financial, and non-financial including those for sustainability and integrated reporting) used within organisations which effectively encourage the organisation as a whole to meet its objectives</p>	<p><b>Measuring business performance including performance of business units</b>            Features and problems of performance measures            Use of accounting control techniques for performance evaluation            The role of the accountant            Participation in the budget and standard setting process            Bias in the budget process            Management use of budgets            Monetary and non-monetary measures            Profitability, activity, productivity, quality of service, balanced scorecard [integration with SBM]            Performance measurement of products or in a divisional structure (business segments) – residual income, return on investment, transfer pricing            Performance measurement for sustainability reporting and integrated reporting</p>	<p>B</p> <p>B</p> <p>B</p> <p>B</p>

## E International Financial Reporting Standards

At all knowledge levels, the *entry-level professional accountant* is expected to deal with situations and scenarios that generally arise in practice. The entry-level professional accountant is not expected to deal with complex or unusual situations or scenarios requiring a specialist's level of skill or knowledge.

### Knowledge levels

An entry level professional accountant is expected to be able to apply all IASB Standards, Interpretations and other pronouncements at Knowledge level A, other than the following, for which an entry level accountant is expected to be aware of their existence and when they apply (Knowledge Level C), but is **not** expected to apply those pronouncements:

For full IFRS:

- IAS 26 Accounting and Reporting by Retirement Benefit Plans
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IAS 41 Agriculture
- IFRS 4 Insurance Contracts
- IFRS 6 Exploration for and Evaluation of Mineral Resources
- IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- IASB Exposure Drafts
- IASB Discussion Papers

For IFRS for SME's:

- Section 31 *Hyperinflation*
- Section 34 Specialized Activities with the exception of Service Concession Arrangements

An entry-level professional accountant is expected to understand and apply the following pronouncements at Knowledge Level B:

- *Preface to International Financial Reporting Standards*
- *Preface to IFRS for SME's*

## 4. STRATEGIC AND BUSINESS MANAGEMENT (SBM)

### Purpose

The purpose of this document is to specify for Strategic and Business Management (SBM):

- the services provided by professional accountants to their clients and employers;
- the common learning outcomes that reflect those aspects of the services of professional accountants that an entry-level professional accountant is expected to achieve;
- the professional and other knowledge that is required to achieve the common learning outcomes; and
- the level of knowledge required to achieve the common learning outcomes.

### Services Provided by Professional Accountants

The services relating to Strategic and Business Management provided to their clients and employers by the professional accountants envisaged by this project are summarised below. An entry-level professional accountant should be able to perform those aspects of these services as specified in the learning outcomes.

#### **A Governance**

A professional accountant envisaged by the Common Content project should be able to:

- advise on current best practice in the area of governance of entities.

#### **B Development of an entity's business strategy**

A professional accountant envisaged by the Common Content project should be able to:

- advise on basic issues in relation to an entity's mission or vision;
- analyse, and identify the consequences of, an entity's current business position, objectives and direction, using appropriate techniques;
- demonstrate an understanding of the key issues which should be addressed in the formulation of a business strategy; and
- evaluate the likely consequences of strategic choices and recommend strategies to meet the objectives of the entity.

#### **C Business planning**

A professional accountant envisaged by the Common Content project should be able to:

- explain how business plans are developed and draft a business plan.

#### **D Implementation of strategic and operational change**

A professional accountant envisaged by the Common Content project should be able to:

- advise on the overall management of change projects;
- design or re-design a simple business process and apply the necessary financial and non-financial controls during the implementation period; and

## Strategic and Business Management

- identify the information needs (including those for financial and management accounts) of a business, outline a system to meet those needs, specify internal controls, and advise on the system's introduction.

### ***E Advise on risk management and control of an entity***

A professional accountant envisaged by the Common Content project should be able to:

- review and specify effective business risk management and controls and systems of control (including those for financial accounts and management accounting information).

### ***F Assist businesses in difficulty***

A professional accountant envisaged by the Common Content project should be able to:

- detect when a business is in difficulty, advise on strategies to avoid the onset of insolvency and advise on the implications of insolvency to the owners of the business;
- outline the main forms of corporate insolvency; and
- recognise when to refer a client to a specialist or to the appropriate authorities.

## Entry-level Professional Accountants

### Learning Outcomes

An entry-level professional accountant should be able to perform those aspects of the services of professional accountants that are specified in the common and national learning outcomes.

## Knowledge

The knowledge required to achieve the common learning outcomes for SBM consists of:

- *professional knowledge* appropriate to SBM;
- knowledge of *professional values, ethics and attitudes, and of law and information technology* that applies to SBM; and
- knowledge of the *business environment, economics and quantitative methods* that underpins the professional knowledge in SBM.

The *professional knowledge* consists of:

- a *common content* which has been determined jointly by the participating Institutes; and
- a *national content* which will be determined by each participating Institute.

The *common content* includes predominantly all the knowledge required to achieve the common learning outcomes.

The *national content* is limited to:

- national governance and related requirements; and

## Strategic and Business Management

- other knowledge which is required to achieve the common learning outcomes in the national business environment.

At all knowledge levels, an *entry-level professional accountant* is expected to deal with situations and scenarios that generally arise in practice. An entry-level professional accountant is not expected to deal with complex or unusual situations or scenarios requiring a specialist's level of skill or knowledge.

The achievement of the common learning outcomes also requires:

- knowledge and understanding of laws that relate generally to the circumstances, transactions and events covered by the learning outcomes;
- knowledge and understanding of laws relating to the common forms of entities covered by the learning outcomes; and
- IT control, designer, evaluator and user competencies.

## Learning Outcomes and Knowledge for Entry-level Professional Accountants

### A Governance

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>A1.1 explain the reasons why governance is needed and the role that governance plays in the management of an entity</p> <p>A1.2 identify the key stakeholders and their governance needs for a particular entity</p> <p>A1.3 explain the principles of good governance, including the rights and responsibilities of owners, investors, those charged with governance and those charged with management; explain the role of stakeholders in governance, disclosure, and transparency requirements</p> <p>A1.4 describe the roles and responsibilities of the members of the executive board, any supervisory board and the audit committee and others charged with governance, internal audit and external audit with respect to financial statements and monitoring of internal controls within an entity</p> <p>A1.5 describe the roles and responsibilities of those responsible within the entity for internal audit and</p>	<p><b>Governance</b>            Definition of governance            The importance of governance            Governance as part of the system of risk management and control            Key stakeholders and their governance needs            Agency/stewardship theory            Key participants in governance including owners, members of the executive board, supervisory board and audit committee, other stakeholders            ‘Whistle blowing’</p> <p><b>OECD Principles of good governance</b>            The rights of owners            The equitable treatment of owners            The role of stakeholders in governance            Disclosure and transparency            The role and responsibilities of the executive board, the supervisory board and audit committee</p>	<p>B B B B C B C C</p>

Strategic and Business Management - A Governance

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
the external audit relationship for financial statements and monitoring of internal controls within an entity		
<p>A1.6 analyse governance and management structures of entities and determine weaknesses</p> <p>A1.7 describe and explain the steps needed for a given organisation to enable it to meet the appropriate regulations, codes of conduct and disclosure requirements</p> <p>A1.8 determine the implications of changes in governance in terms of assurance, risk and reporting</p>	<p>National regulatory framework for governance (<i>national content</i>)                      [Application of governance knowledge from this section]                      [Disclosure requirements – integration with PMR]</p>	<p>A</p>

## B Development of an entity’s business strategy

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>B1.1 explain the general objectives of strategic management and describe the strategic management process for an entity</p> <p>B1.2 advise on the basic aspects of strategy formulation as part of the strategic management process for entities</p>	<p><b>What is strategic management</b>                      The strategic management process                      The objectives of strategy and strategic management                      Ethical considerations in strategy development                      Corporate social responsibility                      Approaches to formulating business strategy</p> <p>[Application of knowledge from the rest of this section]</p>	<p>B B B B</p>
<p>B1.3 assess an entity’s purpose, in terms of its stated mission, objectives (e.g. profit, shareholder value, sustainability) and critical success factors, determining omissions and inconsistencies and weaknesses in its strategic management systems</p> <p>B1.4 identify an entity’s strategic partners</p>	<p><b>Mission and objectives</b>                      Mission statement formulation                      Stakeholder considerations                      Link between mission and objectives                      Setting and prioritising the entity’s objectives                      Critical success factors</p>	<p>B</p>
<p>B1.5 describe and analyse for a given situation, identifying significant problem areas, the external factors which may impact upon an</p>	<p><b>Analysis of the current position</b>  <b>Critical success factors and external factors</b>                      Effect of national and global factors on business</p>	<p>B</p>

Strategic and Business Management – B Development of an entity’s business strategy

<b>Learning Outcomes</b>	<b>Specific Service Knowledge – Common Content</b>	<b>Knowledge Level</b>
<p>entity’s performance, including aspects of the global environment that affect international trade and finance:</p>	<p>strategy (national income, interest rates, growth and inflation, monetary policy, industrial policy and regulation)</p> <p>Economic (including global macro-economic forces, external markets for finance, labour, the role of multinationals, emerging markets etc.)</p> <p>Taxation</p> <p>Political/legal/international and government policies</p> <p>Cultural/social and stakeholder impact</p> <p>Technological (e-commerce) and industry developments</p> <p>Sustainable development</p> <p>Tools for Analysis may include:</p> <p>Economic indices</p> <p>Real vs. nominal measures in time series data</p> <p>Other models for environmental appraisal (e.g. Porter’s Five Forces)</p> <p>Internal critical success factors</p>	<p>C</p> <p>B</p>

Strategic and Business Management – B Development of an entity’s business strategy

<b>Learning Outcomes</b>	<b>Specific Service Knowledge – Common Content</b>	<b>Knowledge Level</b>
<p>B1.6 analyse an entity’s current markets and competitive strategy, from information supplied, in sufficient detail for decisions to be made, drawing conclusions consistent with the data and results, and determining relevant problem areas in terms of their likely impact on the entity’s strategy</p>	<p><b>Strategic market analysis</b>            Tools for Analysis may include:            Statistical problems and their solution            Basic statistical terminology and approaches            Data Sources            Measurement scales            Marketing environment            Strategic segmentation            Meeting customer needs            Steps in market analysis            Marketing mix            Product life cycle            Alternative marketing strategies (joint ventures, franchising and other models)            Alternative means of distribution</p>	<p>B</p>

Strategic and Business Management – B Development of an entity’s business strategy

<b>Learning Outcomes</b>	<b>Specific Service Knowledge – Common Content</b>	<b>Knowledge Level</b>
<p>B1.7 for a given situation, determine the effect of the internal factors which currently or in future may impact on a business’s ability to achieve its chosen strategy</p> <p>B1.8 analyse for a given situation, the resources required to produce a product or service and determine their availability and associated costs, identifying significant limiting factors</p>	<p><b>Assessment of current capabilities</b>                      [Application of knowledge from the rest of this section]                      Use of models to appraise the organisation’s capabilities (typical models might include Value chain, product life-cycle, plus models used above)                      SWOT analysis (strengths, weaknesses, opportunities, threats)                      Gap analysis                      Benchmarking                      Resource availability and limiting factors [integration with decision making in FM]</p> <ul style="list-style-type: none"> <li>• financial resources</li> <li>• current product/service portfolio</li> <li>• organisational and operations capabilities (including existing business processes, human resource capabilities and information systems capabilities)</li> </ul>	<p>B</p>
<p>B1.9 using a risk management framework, determine the risks and opportunities attached to an entity’s present position, considering all relevant factors (including attitudes to risk) and stating all assumptions made</p>	<p><b>Risk assessment</b>                      [Application in context of Risk Management Principles in Section E below]</p>	
<p>B1.10 advise the entity’s management on the issues arising from the current business strategy of a given entity</p>	<p>[Application of knowledge from the rest of this section]                      Gap analysis</p>	



Strategic and Business Management – B Development of an entity’s business strategy

<b>Learning Outcomes</b>	<b>Specific Service Knowledge – Common Content</b>	<b>Knowledge Level</b>
<p>B1.15 describe the nature and functions of organisational management and behaviour, human resources management and operations management</p> <p>B1.16 describe, in a given scenario, the relationship between a business’s overall strategy and its functional strategies</p>	<p><b>Functional strategies and risks</b></p> <ul style="list-style-type: none"> <li>Organisational management and behaviour</li> <li>Finance [integration with FM]</li> <li>Operations management</li> <li>Information management</li> <li>Marketing (see 1.6)</li> <li>Human resources management</li> <li>R&amp;D and intellectual capital</li> </ul>	<p>B</p> <p>A</p> <p>C</p> <p>A</p> <p>C</p> <p>C</p> <p>C</p>
<p>B1.17 determine methods of further developing a specific business which take account of positional analysis and risk and would be most likely to achieve the entity’s strategic objectives, and justify the methods selected</p> <p>B1.18 describe in a given scenario the advantages and disadvantages of alternative entity structures by matching structures with strategy</p>	<p><b>Organisational options</b></p> <p>Horizontal and vertical differentiation and integration</p> <p>Centralisation vs. decentralisation</p> <p>Responsibility centres (see also Control Areas below)</p> <ul style="list-style-type: none"> <li>Functional structure</li> <li>Divisional structure</li> <li>Matrix structure</li> <li>Network structure</li> <li>Virtual structure</li> <li>Start-up</li> <li>Organic growth</li> <li>Group re-organisation</li> <li>Holding company structure</li> <li>Functional re-organisation</li> <li>Outsourcing</li> <li>Joint venture and alliance</li> <li>Acquisition/merger</li> <li>Demerger</li> </ul>	<p>B</p>

Strategic and Business Management – B Development of an entity’s business strategy

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
	International trade / expansion Franchising Divestment Management buy-out / buy-in Winding up [Application of knowledge from the rest of this section] [Application of decision-making techniques in FM]	
B1.19 determine the strategic business risks attached to proposed courses of action in a given situation, considering all relevant factors (including attitudes to risk) and stating all assumptions made	<b>Risk assessment</b> [Application in context of Risk Management Principles in Section E below]	
B1.20 determine, for a given scenario, a strategy or combination of strategies for an organisation, including an appropriate structure, which will achieve the business’s objectives and takes account of known constraints, including stakeholder risk preferences and ethical stance  B1.21 determine the detailed implications for stakeholders (including the implications for shareholder value) of choice between strategies	<b>Choice of business strategy</b> [Application of knowledge from the rest of this section] Ethics and choice of strategy  <b>Stakeholder impact</b> Objectives of stakeholders Implications for stakeholders Rewards to investors Shareholder value analysis Economic value added	B

## C Business planning

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>C1.1 describe the nature and purpose of plans, business plans and operations plans</p> <p>C1.2 explain how a business’s strategic plan is converted into fully-integrated business plans</p>	<p><b>Strategic plans</b>                      The purposes of strategic plans                      Implementation of strategy                      Models for implementation (e.g. balanced scorecard)                      Performance management                      Key financial and non-financial performance measures                      Advantages and disadvantages                      Performance management in a divisional structure</p> <p><b>Business plans</b>                      The purposes of planning and budgeting                      Business plans as implementation of strategy                      Business plans for budgetary control                      Contents of business plans</p> <p><b>Functional plans</b>                      Marketing planning (See items in 1.6)                      Operations planning (impact of plans on operations)                      Financial planning                      Organisational and management planning                      Human resources planning</p>	<p>B</p> <p>B</p> <p>B</p>

Strategic and Business Management – C Business planning

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
	Identification of critical success factors Risk analysis <b>Financial planning and budgets</b> [integration with Planning and Budgetary Control in PMR] <b>Responsibilities for planning</b> Responsibilities for planning at each level in the entity	
C1.3 draft a simple business plan, or extracts therefrom, which will achieve given or implied objectives	[Application of knowledge from the rest of this section]	
C1.4 assess and advise upon an entity’s business plan	[Application of knowledge from the rest of this section]	

## D Implementation of strategic and operational change

### 1. Change management and project management

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>D1.1 explain the levels of change in an organisation and the approaches used at each level</p> <p>D1.1a explain how theories of organizational behaviour may be used to enhance the performance of the individual, teams, and the organization</p>	<p><b>Change management</b></p> <p><b>Change as implementation of strategic decisions</b></p> <p>Levels of change and approaches used at each level</p> <p>Organisational mission (organisational culture and values)</p> <p>Strategic change</p> <p>Structural change</p> <p>Business process change [see below]</p> <p>Organisational theory and behaviour</p>	<p>B</p>
<p>D1.2 describe the key stages in a change management project</p> <p>D1.3 identify in a given situation the key issues which should be addressed by the management of an entity during the planning and implementation of a change project, including project management</p>	<p><b>Change management process</b></p> <p>Models and processes of planned change</p> <p>Establishment of need for change</p> <p>Project definition and scope</p> <p>Formulation of ideas</p> <p>Concept paper and business case</p> <p>Establishing basis of support</p> <p>Project design, planning and risk management</p> <p>Project resourcing</p> <p>Establishing monitoring and reporting</p>	<p>B</p>

Strategic and Business Management – D Implementation of strategic and operational changes

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
	<p>arrangements Identification of information needs</p> <p>Internal and external consultation, marketing and communications Implementation of change Post-implementation review</p> <p><b>Project management techniques</b> Project planning Project scheduling Project controlling Project management techniques (PERT &amp; CPM)</p>	C

## 2. Business process change

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>D2.1 describe and explain the factors which give rise to the need for re-design of a business process</p> <p>D2.2 describe in a given scenario the risks and opportunities arising from a change in business processes</p>	<p><b>The need for change in a business process</b> Sources of and forces (key drivers) for change in a business process Stakeholders and their requirements Monitoring service level agreements and performance Detecting the need for change in a business process [integration with PMR]</p> <p><b>The impact of change on risk and opportunities</b> Barriers and enablers Business risks inherent in business process change Short- and long-term risks associated with change strategies</p>	<p>C</p> <p>C</p>
<p>D2.3 describe a business process in a given scenario in terms of activities, drivers and performance measures, and the allocation of costs to products and services</p>	<p><b>Business process design</b> Description – activities, drivers, performance measures Business processes and organisational infrastructure</p>	<p>C</p>

Strategic and Business Management – D Implementation of strategic and operational changes

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
D2.4 describe in a given situation the key issues which should be addressed by the management of an entity during the design or re-design and implementation of a business process change, including external and internal factors	Applications of internet and e-commerce Enterprise systems	B C
D2.5 determine and describe in a given situation the necessary changes in organisation, infrastructure and IT resulting from the introduction of a new or re-designed business process	Impact of IT on the entity's business models, processes and solutions	B
D2.6 describe the appropriate financial and non-financial controls and performance measures associated with new or re-designed business processes	[Application of knowledge from the rest of this syllabus]	

### 3. Information systems development and implementation

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>D3.1 analyse the changing information needs of a given business to enable the effective management of its resources</p> <p>D3.2 explain how an information system can be used to create competitive advantage</p>	<p><b>Information for management</b> Design of information reports (purpose, quality, quantity, frequency and form of presentation)</p> <p>[Application of knowledge from the rest of this section]</p>	<p>B</p>
<p>D3.3 determine key changes needed in an information system in order to meet changes in the needs and resources of a business</p>	<p>[Application of knowledge from all syllabuses]</p>	
<p>D3.4 design key internal controls for an information system, selecting from available controls so as to reduce to an acceptable level to the business the risks to the completeness, accuracy and validity of the information</p>	<p>[Application of knowledge from all syllabuses] Controls for manual elements of information systems Controls for computerised elements of information systems     Application controls     Installation controls Operation and limitations of controls [link to Section E below]</p>	<p>A A A</p>

Strategic and Business Management – D Implementation of strategic and operational changes

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
D3.5 describe the stages involved in systems maintenance and changes to computer programs	<p><b>Project stages</b></p> <ul style="list-style-type: none"> <li>Initiation</li> <li>Planning</li> <li>Risk management</li> <li>Execution</li> <li>Controlling</li> <li>Completion</li> </ul>	C
D3.6 describe the stages in the development and implementation of new business information systems, explaining the role of the accountant at each stage	<p><b>System acquisition/development life cycle phases and tasks</b></p> <ul style="list-style-type: none"> <li>Approaches</li> <li>Acquisition/development phases</li> <li>Standards, methods and controls</li> </ul> <p><b>The accountant's priorities</b></p> <p><b>Investigation and feasibility study</b></p> <p><b>Requirements analysis and initial design</b></p> <ul style="list-style-type: none"> <li>User requirements elicitation</li> <li>System analysis/design tools and techniques</li> <li>Process design, data organisation, software requirements</li> <li>Control requirements</li> </ul> <p><b>System design, selection, acquisition/development</b></p> <ul style="list-style-type: none"> <li>Infrastructure and software services</li> <li>Developed software</li> <li>Bespoke software options</li> <li>System design</li> <li>Documentation</li> </ul>	C

Strategic and Business Management – D Implementation of strategic and operational changes

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
	<p><b>System implementation</b>                      System implementation plan                      Installation/deployment of system                      Acceptance testing                      System conversion/changeover                      Post-implementation review                      Maintenance standards                      Change controls</p> <p>[Application of knowledge from the rest of this section]</p>	

## E Advise on risk management and control of an entity

### 1. Advise on risk management of an entity

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>E1.1 describe the purpose of enterprise risk management</p> <p>E1.2 explain the meaning of enterprise risk management and its underlying fundamental concepts or aspects</p> <p>E1.3 describe the categories of objectives of enterprise risk management</p> <p>E1.4 explain the components of enterprise risk management, and their relationship to the objectives, management process and control</p> <p>E1.5 describe the meaning of, and the limitations on, the effectiveness of enterprise risk management</p> <p>E1.6 explain the roles of various parties within a governance and organisational structure in relation to enterprise risk management</p> <p>E1.7 describe crisis management as part of risk management</p>	<p><b>Enterprise Risk Management Framework</b>                      Definition                      Objectives                      Enterprise Risk Management Components                      Limitations of Enterprise Risk Management                      Roles and Responsibilities</p>	<p>B</p>
<p>E1.8 advise on strengths and weaknesses of an entity’s internal environment and risk management policies in relation to risk</p>	<p><b>Enterprise Risk Management Process</b>                      Internal Environment and risk management policy                      Objective Setting</p>	<p>B</p>

Strategic and Business Management – E Advise on risk management and control of an entity

<b>Learning Outcomes</b>	<b>Specific Service Knowledge – Common Content</b>	<b>Knowledge Level</b>
<p>management and its impact on stakeholders</p> <p>E1.9 advise on objectives setting in an entity</p> <p>E1.10 identify events leading to potentially significant business risks at different levels and of different types within a given entity</p> <p>E1.11 assess business risks identified for their potential impact upon the entity</p> <p>E1.12 advise on effective responses to assessed risks</p> <p>E1.13 advise on effective control activities to implement chosen responses to risk</p> <p>E1.14 advise on effective gathering and communication of information to appropriate parties within the entity</p> <p>E1.15 advise on the effective monitoring of components of enterprise risk management</p>	<p>Event Identification</p> <p>Tools and techniques, information collection, documentation of risk issues, event categories</p> <p>Risk Assessment</p> <p>Representations of risk, tools and techniques, prioritisation of risks in relation to objectives</p> <p>Probability of financial loss</p> <p>Monetary and non-monetary consequences</p> <p>Risk Response</p> <p>Risk response options (assumption, avoidance, mitigation, control, and transfer)</p> <p>Control Activities (see following section on control)</p> <p>Information and Communication</p> <p>Monitoring</p>	
E1.16 describe the major categories of risks to be	<b>Areas of Risk Management</b>	<b>B</b>

Strategic and Business Management – E Advise on risk management and control of an entity

<b>Learning Outcomes</b>	<b>Specific Service Knowledge – Common Content</b>	<b>Knowledge Level</b>
<p>managed and explain the basic principles for their management</p>	<p>Governance [see above ‘Governance as part of the system of risk management and control’]                      Business strategy risk management                      Financial strategy risk management [integration with FM ‘Risk assessment’]                      Operating financial risk management (see ‘System controls’ below) [integration with FM ‘Financial risks and risk exposure’, ‘Responses to risk’, ‘Working capital and treasury management’] [link to Assurance]                      Compliance risk management (see section below)                      Exposure of assets and liabilities to risk                      Management of sustainability issues                      Crisis management</p>	





Strategic and Business Management – E Advise on risk management and control of an entity

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
	Control over business processes Control over compliance Legal requirements for control over particular areas ( <i>national content</i> )	
<p>E2.4 explain how the results of controls are used in the strategic management process</p> <p>E2.5 demonstrate how an organisation uses its structure and internal controls to achieve its management objectives</p> <p>E2.6 demonstrate how specified internal controls operate and describe their limitations</p>	<p><b>Internal control systems</b></p> <p><b>Reporting systems</b> Financial reporting [integration with PMR ‘Performance measurement for investors, creditors and other external users of published information’] Management reporting [integration with PMR ‘Accounting and reporting services to management and other internal users of financial information’]</p> <p><b>Control over functional areas</b> Governance [see above ‘Governance as part of the system of control’] Business strategy Financial strategy [integration with FM ‘financial strategy’] Planning and budgeting [integration with PMR ‘Planning and budgetary control’] Business planning [see above ‘Business planning’] Investment and financing decision making [integration with FM ‘Financial decision making’] Change management [see above ‘Implementation of strategic and operational change’] Operating financial control (see ‘System controls’ below) [integration with FM ‘Financial risks and risk exposure’, ‘Responses to risk’, ‘Working capital</p>	B

Strategic and Business Management – E Advise on risk management and control of an entity

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
	<p>and treasury management’] [link to Assurance]                      Ratio analysis [integration with PMR ‘The financial position and performance of a business’]                      Physical asset verification                      Authority limits and processes</p> <p><b>External control systems</b>                      Expert services (e.g. asset valuation, business valuation)                      External audit of financial statements [integration with Assurance ‘Audits of historical financial statements and other financial information’]                      Other assurance engagements [integration with Assurance ‘Other assurance and related services’]                      Limitations of external control systems                      Effective external control systems for different organisational structures</p>	B
<p>E2.7 describe the components of internal control in both manual and IT environments, including</p> <ul style="list-style-type: none"> <li>• overall control environment</li> <li>• activity controls</li> </ul> <p>E2.8 define and classify different types of internal control, with particular emphasis upon those which impact upon the quality of financial information</p>	<p><b>Control Systems</b>                      Control design                          Preventive, corrective and detective strategies                      Control procedures                      Control over data integrity, privacy and security                      Processing continuity                      Disaster recovery plans and controls                      IS processing/operations                      Accounting system and internal controls                          Transaction controls</p>	B

Strategic and Business Management – E Advise on risk management and control of an entity

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
	<p>Controls over assets and liabilities Limitations of internal control</p> <p>[Application of knowledge from the rest of this section]</p>	
<p>E2.9 select suitable control criteria for assessment of control</p> <p>E2.10 in a given scenario, assess the control environment</p> <p>E2.11 in a given scenario, assess system acquisition and development process and controls</p> <p>E2.12 in a given scenario, assess information system processing operations and controls</p> <p>E2.13 in a given scenario, assess monitoring processes and activities</p> <p>E2.14 Analyse the adequacy of general information technology controls and relevant application controls</p>	<p>Testing of controls, including the use of computer-assisted audit techniques (CAATs) [link to Assurance]</p> <p>[Application of knowledge from the rest of this section]</p>	B
<p>E2.14 explain the role of controls in an entity in enabling reasonably effective compliance management</p>	<p><b>Compliance management process</b> Sources of Criteria with which to comply Laws and regulations (<i>national content</i>)</p>	C

Strategic and Business Management – E Advise on risk management and control of an entity

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
E2.15 in a given scenario, advise on improvements to controls within the compliance function	<p>Industry and professional codes of conduct and standards (<i>national content</i>)</p> <p>Organisation codes of conduct and ethical standards</p> <p>Organisational policies and standards</p> <p>Mandatory procedures and manuals</p> <p>Contractual requirements</p> <p>Constructive requirements</p> <p>[Application of knowledge from the rest of this section]</p>	
<p>E2.16 explain the role of controls in ensuring reasonably effective performance management</p> <p>E2.17 advise on improvements to performance management controls</p>	[Application of knowledge from the rest of this section]	
E2.18 explain how performance measures and compliance measures are integrated into the general systems of control in organisations	[Application of knowledge from the rest of this section]	

## F Assist businesses in difficulty

### 1. Businesses in difficulty

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>F1.1 identify a business that is underperforming compared with its strategic objectives, lacking liquid funds or potentially insolvent</p> <p>F1.2 analyse an entity’s financial position, competitive position and commercial viability</p> <p>F1.3 determine the risks faced by a business and assess the extent to which the risks are being dealt with by the managers of the business</p> <p>F1.4 assess the possibility of insolvency in a business, using appropriate tools where necessary</p>	<p><b>Business recovery and restructuring</b></p> <p>Tools used to measure performance of a business</p> <p>Analysis of financial position [link to FM]</p> <p>Analysis of business performance [link to PMR]</p> <p>Analysis of risks faced by a business and adequacy of management action [link to other parts of this syllabus]</p> <p>Identification of the onset of business failure [integration with FM and PMR]</p>	

Strategic and Business Management – F Assist businesses in difficulty

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
F1.5 formulate the strategic possibilities for a business which is underperforming, lacking liquid funds or potentially insolvent	<p><b>Strategies for avoiding and dealing with business failure</b></p> <p>Stabilisation/consolidation Retrenchment/divestiture Recovery Winding up</p> <p>Implications of identified strategies for control (governance, internal control, compliance and performance management) [Application and knowledge from the rest of this section].</p>	B
F1.6 describe the basic stages in the implementation of a strategy for business recovery	<p><b>Management of business recovery</b></p> <p>Development of a recovery plan Structure and contents of the plan document</p> <p>Determination of overall strategy and implementation policies Reaching agreement with creditor groups Implementation of the plan</p>	C
F1.7 determine the appropriate time to refer a business in difficulty to a specialist or to the appropriate authorities	<p><i>National legal and regulatory framework</i> Professional ethics [Application of knowledge from the rest of this section]</p>	A A

## 2. Insolvency

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>F2.1 explain in general terms to the owners, management and other stakeholders the meaning of insolvency, and implications for the owners, management and other stakeholders of an entity facing insolvency, including governance, trading and legal considerations</p> <p>F2.2 explain to a non-accountant the structure of the insolvency profession and describe the various forms of business insolvency</p> <p>F2.3 describe the regulation of insolvency, including the roles of the insolvency specialist and the appropriate authorities</p>	<p><b>Professional considerations (<i>national content</i>)</b></p> <p>Relations with the managers and owners of the business</p> <p>Implications of insolvency for the managers/owners</p> <p>The limits of professional competence [link to ethics]</p> <p>Reporting to legal authorities</p> <p>The insolvency profession (<i>national content</i>)</p> <p>Forms of business insolvency (<i>national content</i>)</p> <p>The regulation of insolvency (<i>national content</i>)</p> <p>The role of regulation, qualifications and insolvency specialists (<i>national content</i>)</p>	<p>C</p>

## 5. FINANCIAL MANAGEMENT (FM)

### Purpose

The purpose of this document is to specify for Financial Management (FM):

- the services provided by professional accountants to their clients and employers;
- the common learning outcomes that an entry-level professional accountant is expected to achieve;
- the skill level for the performance of each of the common learning outcomes
- the professional and other knowledge that is required to achieve the common learning outcomes; and
- the level of knowledge required to achieve the common learning outcomes.

### Services Provided by Professional Accountants

The services relating to Financial Management provided to their clients and employers by the professional accountants envisaged by this project are summarised below. An entry-level professional accountant should be able to perform those aspects of these services as specified in the learning outcomes.

#### ***A Considerations in financial strategy***

A professional accountant envisaged by the Common Content project should be able to:

- demonstrate an understanding of the key issues which should be addressed in the formulation of a financial strategy.

#### ***B Development of an entity's financial strategy***

A professional accountant envisaged by the Common Content project should be able to:

- analyse, and identify the financial consequences of, the current position and direction of a business, using appropriate techniques; and
- evaluate the likely consequences of funding choices and recommend financial strategies to complement the business's strategy.

#### ***C Operational funding and financial risk management***

A professional accountant envisaged by the Common Content project should be able to:

- identify and evaluate the operational funding requirements and risks facing a business and advise on the principal ways of managing those requirements and risks.

#### ***D Financial decision making***

A professional accountant envisaged by the Common Content project should be able to:

- select and justify suitable courses of action for a business, including investments and methods of financing; and
- provide advice for interested parties.

### ***E Business valuation***

A professional accountant envisaged by the Common Content project should be able to:

- calculate a value for the whole or a part of a business or the equity of a business; and
- understand the determining factors for the valuation of a business.

### ***F Personal financial management***

A professional accountant envisaged by the Common Content project should be able to:

- analyse, and identify the financial consequences of, an individual's current financial position, using appropriate techniques; and
- recommend financial strategies to meet the objectives of the individual.

## **Entry-level Professional Accountants**

### **Learning Outcomes**

An entry-level professional accountant should be able to perform those aspects of the services of professional accountants that are specified in the common and national learning outcomes.

## **Knowledge**

The knowledge required to achieve the common learning outcomes for FM consists of:

- *professional knowledge* appropriate to FM;
- knowledge of *professional values ethics and attitudes, and of law and information technology* that applies to FM; and
- knowledge of the *business environment, economics and quantitative methods* that supports the professional knowledge in FM.

The *professional knowledge* consists of:

- a *common content* which has been determined jointly by the participating Institutes; and
- a *national content* which will be determined by each participating Institute.

The *common content* includes the substantial majority of knowledge required to achieve the common learning outcomes.

The *national content* is limited mainly to:

- the national sources of finance and the regulatory requirements relating to different means of financing; and
- the knowledge which is required to achieve the common learning outcomes in a national business environment.

## Financial Management

At all knowledge levels, an *entry-level professional accountant* is expected to deal with situations and scenarios that generally arise in practice. An entry-level professional accountant is not expected to deal with complex or unusual situations or scenarios requiring a specialist's level of skill or knowledge.

The achievement of the common learning outcomes also requires:

- knowledge and understanding of laws that relate generally to the circumstances, transactions and events covered by the learning outcomes;
- knowledge and understanding of laws relating to the common forms of entities covered by the learning outcomes; and
- IT user competencies.

## Learning Outcomes and Knowledge for Entry-level Professional Accountants

### A Considerations in financial strategy

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>A1.1 explain the general objectives of financial management and describe the financial strategy process for an entity</p>	<p><b>What is financial management</b>            Objectives of financial management            Limitations of financial management            Ethical considerations in financial management (IESBA Code of Ethics Parts A and C)            Economics of finance</p> <p><b>Overview of the financial strategy process</b>            The financial strategy environment            Objectives of financial strategy            Analysis of the current financial position and strategy            Financial strategy choices and methods            Implementation of financial strategy            Monitoring of financial strategy [integration with SBM and Performance Measurement in PMR]</p>	<p>B B A C B</p>
<p>A1.2 assess the impact of financial markets and other external factors on a business’s financial strategy</p>	<p><b>Financial markets</b>            The financial management environment (<i>national content</i>)            Financial markets and institutions (<i>national content</i>)</p> <p><b>External factors</b>            Effect of other external factors on financial strategy [integration of analysis of external factors in SBM]</p>	<p>B</p>

## B Development of an entity’s financial strategy

### 1. Analysis of the current financial position and strategy

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>B1.1 assess the financial structure and position of a business and determine any significant problem areas</p>	<p><b>Ratio and trend analysis and reporting [link to PMR]</b>                      Evaluation of the financial position using ratios and trends, highlighting the impact of accounting treatment [integration with PMR]</p>	
<p>B1.2 identify for a given situation the external business and financial factors which may impact upon an entity’s financial position</p>	<p><b>External factors affecting financial position</b>                      [integration with SBM – analysis of external factors, sustainability etc]</p>	
<p>B1.3 determine the financial risk attached to the present position and strategies in a given situation, considering all relevant factors (including attitudes to risk) and making explicit all assumptions made</p>	<p><b>Business and financial risk – identification</b>                      [Application in context of Risk Management Principles in SBM]                      [See also Operational Risk Management topics in Section C]</p> <p><b>Sources of risk</b>                      Continuous vs. event risk                      [integration of financial risks in section C]</p>	<p>B</p>

## Financial Management – B Development of an entity’s financial strategy

<b>Learning Outcomes</b>	<b>Specific Service Knowledge – Common Content</b>	<b>Knowledge Level</b>
<p>B1.4 advise on the issues arising from the current financial strategy of a given entity, taking into account its current business strategy</p>	<p><b>Assessment of the current financial strategy</b>                      Relationship of financial strategy to business strategy [integration with SBM]                      Alternative business strategies [integration of Product and market strategies, Functional strategies, Organisational options and Entity strategies in Section B of SBM]                      Evaluation of the current financial strategy [integration of Section B of SBM]                      Models for the evaluation of strategy [integration of SBM]</p> <p>[Application of knowledge from the rest of the syllabus]</p>	

## 2. Financing options

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>B2.1 describe, explain and analyze the characteristics, terms and conditions and role of alternative short, medium and long term sources of finance available to different entities</p>	<p><b>The financing of entities</b></p> <p><b>Debt vs. equity</b> Characteristics, advantages, disadvantages</p> <p><b>Sources of short-term finance</b> Internally-generated funds (earnings, depreciation, etc.) Dividend policy (see below) Trade credit Factoring, invoice discounting etc Short-term bank finance (overdrafts, loans – security, covenants, returns) Money markets (treasury bills, bonds, financial instruments) Asset-backed borrowing</p> <p><b>Sources of medium- and long-term finance</b> Equity (vs. preference shares vs. loan stocks/debentures) Other forms of capital including preferred shares etc. Sources of equity finance and other forms of capital including individual investors, owner/managers, private financial institutions, venture capitalists Mezzanine capital, etc</p> <p>Medium and long-term bank finance (loans – security, covenants, returns)</p>	<p>B</p> <p>B</p> <p>B</p>

Financial Management – B Development of an entity’s financial strategy

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
	Other medium and long-term loans Convertible preferred share and loans Leases and off-balance-sheet financing Securitisation and other asset-backed borrowing Public sector grants and loans ( <i>national content</i> )	
B2.2 explain the processes by which entities raise equity capital and other long-term finance	<b>The raising of long-term finance</b> Legal requirements ( <i>national content</i> ) Listing requirements ( <i>national content</i> ) Stock exchange rules ( <i>national content</i> ) Long-form and short-form reports ( <i>national content</i> ) Preparing to go to market( <i>national content</i> )	B
B2.3 explain the roles played by different stakeholders, advisors and financial institutions in the financial strategy selected by an entity  B2.4 explain the possible conflicts of objectives between different stakeholders in an entity	<b>Stakeholders, advisors and financial institutions</b> Roles of merchant banks, financial intermediaries, stock exchanges Objectives and roles of stakeholders (owners, managers, employees, investors, lenders and advisors)	B

Financial Management – B Development of an entity’s financial strategy

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
<p>B2.5 compare the features of different means of making returns to owners and lenders, and explain their effects on the entity and its stakeholders</p>	<p><b>Returns to lenders</b>                      Interest on loans                      Interest vs. capital growth</p> <p><b>Returns to investors</b>                      Means of returning cash to owners                          Dividends                          Equity repurchases                          Stock dividends and stock splits                          Divestitures                          Criteria for choosing among the alternatives</p> <p>Dividends on equity                          Dividend policy                          Considerations in selecting dividend policy                              Dividends vs. capital growth                              Investor taxation (<i>national content</i>)                              Financing policy                              Type of entity                              Corporate control                              Cash position of the entity                              Information signalling</p> <p>Rights issues, bonus issues, share options and other distributions of equity (<i>national content</i>)                      Effect of dividend policy and financial communications on share valuation and the raising of further finance                      Taxation considerations for the entity and its stakeholders [integration with TLS]</p>	<p>A</p> <p>A A A B B B</p> <p>A</p> <p>A</p>

**3. Risk assessment**

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>B3.1 determine the financial risk attached to proposed courses of action in a given situation, considering all relevant factors (including attitudes to risk) and making explicit all assumptions made</p>	<p><b>Identification of strategic financial risks</b>                      [Application in context of Risk Management Principles in SBM]                      Strategic financial risks (e.g. risks to desired capital structure)</p> <p>[See also Operational Risk Management topics in Section C]</p>	<p>B</p>
<p>B3.2 describe the principal methods of managing financial risk in both international and domestic operations</p> <p>B3.3 in a given scenario, explain how risks may be managed through financial strategies, and describe the possible implications of such strategies on shareholder value</p>	<p><b>General strategies to manage risk</b>                      [Application in context of Risk Management Principles in SBM]                      [See ‘Business and Financial Risks – Identification’ above]                      Attitudes to risk</p> <p><b>Risk management through financial strategies</b>                      Mitigation (e.g. policies, controls, diversification, obtaining advice, asset securitisation, cost-plus contracts, use of debt, hedging)                      Transference (e.g. insurance, leasing, factoring, consignment stock transactions, financial derivatives)                      Avoidance and assumption of risk</p> <p>Shareholder value analysis</p>	<p>B</p> <p>B</p> <p>B</p>

4. Financial strategy choice

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
<p><i>Entry-level professional accountants</i> should be able to</p> <p>B4.1 determine and calculate a business’s future requirements for capital, taking into account current and planned activities</p>	<p><b>Financing</b>                      Identification of capital needs                      [Integration with SBM – strategic and business planning]</p>	<p>B</p>
<p>B4.2 assess the suitability of different financing options for a given entity</p>	<p><b>Entity structure and financing choices</b>                      Advantages and disadvantages of financing methods                      Publicly traded entities                      Large, non-publicly traded entities                      Small and medium sized entities                      Issues in finding sources of finance                      Incorporated versus unincorporated entities                      Attitudes of providers of finance                      Taxation considerations for the entity and its stakeholders [integration with TLS]</p>	<p>B                      B                      B                      A                      A                      A</p>
<p>B4.3 calculate and explain the costs of different financing methods (before and after tax) and the weighted average cost of capital</p> <p>B4.4 calculate, in a straightforward scenario, explain, and evaluate the cost of capital of an entity, including the appropriateness of the components used to calculate that cost</p>	<p><b>Cost of capital</b>                      The overall approach                      Financing with internally generated funds                      Cost of common shares                      Cost of preferred shares                      Cost of debt                      Cost of hybrid securities                      Weighted average cost of capital                      Relationship to market yield</p>	<p>B</p>

Financial Management – B Development of an entity's financial strategy

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
	Uses Limitations Weighting approaches Cost of capital before and after taxes Risk-expected return models CAPM and financial gearing/leverage Ungeared/unlevered beta Cost of equity and debt using CAPM Judgement-based risk adjustments Risk-adjusted cost of capital Effect of transaction costs (e.g. new share issues)	
B4.5 explain in non-technical terms the effect of capital gearing/leverage on investors' perception of risk and reward	<b>Capital structure and gearing/leverage</b> The concept of capital structure Gearing/leverage Common ratios [link to ratio analysis in PMR] Operating/financial/total gearing/leverage The advantages and disadvantages of debt Modigliani and Miller (M&M) Capital structure and high gearing/leverage Practical considerations in the capital structure decision	A A A A A C B B

## Financial Management – B Development of an entity’s financial strategy

<b>Learning Outcomes</b>	<b>Specific Service Knowledge – Common Content</b>	<b>Knowledge Level</b>
<p>B4.6 compare alternative financial structures for a given entity, assessing the likely effects of different financial strategies on stakeholders</p>	<p><b>Stakeholder considerations</b>                      Timing of cash flows                      Dilution of control                      Dilution of earnings                      Distribution policy (<i>national content</i>)                      Raising of future finance                      Interpretation of financial statements                      Taxation, including implications for tax planning and the interaction of tax with financial strategy [integration with TLS]                      Overall cost</p>	<p style="text-align: center;">A</p>
<p>B4.7 formulate options for reconstruction and explain the advantages and limitations of each with regard to exposure to risk, taxation and disclosure</p>	<p><b>Reconstruction options</b>                      Specific financial strategies and reconstruction methods                      Share repurchase                      Group reconstruction                      Spin-offs                      Use of distributable profits                      [Application of knowledge of funding methods from the rest of this section]</p>	<p style="text-align: center;">B</p>
<p>B4.8 recommend and justify in terms of a business’s current and potential financial position, a financial structure and strategy which has the appropriate degree of risk and is appropriate to its objectives, and briefly describe the steps which would need to be taken to implement the structure and strategy</p>	<p><b>Recommendations and implementation</b>                      Ethical considerations in financial strategy choice                       [Application of knowledge from the rest of this section]                      [Integration with SBM – strategic and business planning]</p>	<p style="text-align: center;">A</p>

Financial Management – B Development of an entity’s financial strategy

<b>Learning Outcomes</b>	<b>Specific Service Knowledge – Common Content</b>	<b>Knowledge Level</b>
B4.9 explain to individuals who may be affected the implications for their personal financial position of changes in a business’s financial structure and strategy	<b>Implications for individual stakeholders</b> Effect on tax position [integration with TLS] [integration with ‘Personal Financial Management’ – Section F]	

## C Operational funding and financial risk management

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>C1.1 determine, describe and assess the key financial risks facing a business</p>	<p><b>Financial risks and risk exposure</b>                      [Application of knowledge from this syllabus]                      Key financial risks that affect businesses                      Interest rate risk                      Currency risk                      Market risk                      Liquidity risk                      Credit risk                      Measurement of risk exposure [Application in context of Risk Management Principles in SBM:                      Risk identification                      Risk analysis]</p>	<p>B</p>
<p>C1.2 describe and explain how financial instruments (e.g. derivatives, hedging instruments) can be utilised to manage financial risks and describe the characteristics of those instruments</p> <p>C1.3 perform simple calculations relating to financial derivatives and other financial products and discuss the results</p>	<p><b>Responses to risk</b>                      Risk management objectives                      Derivatives                      Valuation models and their limitations                      General concepts of options and futures and how they may be valued (calculations using the Black-Scholes model will not be required)                      Financial reporting for derivatives [integration with PMR]</p>	<p>B</p>

Financial Management – C Operational funding and financial risk management

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
C1.4 explain different methods of managing interest rate exposure appropriate to a given situation, and calculate (using simple calculations) the cost of the hedge	<b>Managing interest rate risks</b> Hedging through derivatives (forward contracts, money market hedges, options, swaps, forward rate agreements)	B
C1.5 explain different methods of managing currency risks appropriate to a given situation, and calculate (using simple calculations) the cost of the hedge	<b>Managing currency risks</b> Purchasing power parity Hedging through natural hedges (currency of billing, matching, netting, money market hedges, currency hold accounts) Hedging through derivatives (futures, options, forward contracts, swaps) Hedging through non-derivative financial instruments (investments, loans)	B
C1.6 explain methods of managing other key financial risks, and calculate (using simple calculations) the cost of particular methods	<b>Managing other risks</b> Managing market risk Managing liquidity risk Managing credit risk Use of rating agencies Credit insurance	B B B
C1.7 explain methods of financing exports	<b>Exporting</b> Trade financing instruments for example letters of credit and bills of exchange Sources of export finance including government and private sector ( <i>national content</i> )	B

Financial Management – C Operational funding and financial risk management

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p>C1.8 describe, apply and analyse the constituent elements of working capital and treasury and describe the methods by which each element can be managed by an entity to optimise its working capital and cash flow</p>	<p><b>Working capital and treasury management</b>                      Working capital concepts and uses                      Payables management                      Receivables management                      Credit management                      Inventory management                      Currency management [integration with risk management in Section C]                      Financing working capital</p>	<p>A                      A                      A                      A                      B                      A</p>
<p>C1.9 prepare a cash budget for an entity which includes the quantity and timing of cash surpluses and deficits</p> <p>C1.10 explain how an entity manages surpluses and deficits predicted in cash budgets, using techniques including, ratio analysis, trend analysis and cash flow analysis</p> <p>C1.11 calculate the cash cycle for a business and explain its significance</p>	<p>Liquidity and profitability                      Assessing the entity's liquidity position                      Cash budgets and forecasts                      The cash cycle                      Cash management                      Costs and risks of short-term finance                      Short-term investments</p>	<p>A                      A</p>

Financial Management – C Operational funding and financial risk management

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
<p>C1.12 describe the relationship between an entity and its bankers and other providers of financial products in the context of treasury and cash management</p> <p>C1.13 describe the implications of terms included in loan agreements (e.g. representations and warranties; covenants; guarantees)</p>	<p><b>Relationships and contractual obligations</b>                      The relationship of a business with its bankers and other providers of financial products                      [Integration of sources of finance – section B]                      [Integration of financial reporting obligations – PMR]</p>	<p>B</p>
<p>C1.14 demonstrate to investors, management and other stakeholders the implications for their personal financial position of the cash, treasury and working capital management policies of the entity</p>	<p><b>Advice and stakeholder impact</b>                      [Application of knowledge from the rest of this section]                      Effect on individuals                      Effect on tax position [integration with TLS] (<i>national content</i>) [integration with Personal Financial Management – Section F]</p>	<p>B</p>

## D Financial decision making

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>D1.1 select, explain and apply investment appraisal techniques which are appropriate to the objectives and circumstances of a given business (including income, asset-based and market valuation approaches) for investment planning, business planning and long-term financial management</p>	<p><b>Decision making</b></p> <p>Objectives of business in SBM</p> <p>Objectives of financial decisions</p> <p style="padding-left: 20px;">Shareholder value; equity vs. the firm</p> <p>Types of financial decision</p> <p style="padding-left: 20px;">Investment decisions</p> <p style="padding-left: 20px;">Specialist decisions (see below)</p> <p>Conflicts of interests: owners vs. management [integration with agency theory in SBM]</p> <p><b>Selection of techniques</b></p> <p><b>Decision-making techniques</b></p> <p>Decision perspectives (Time horizon – short vs. long term)</p> <p>Decision approaches</p> <p style="padding-left: 20px;">Accounting income based</p> <p style="padding-left: 20px;">Cash flow based</p> <p style="padding-left: 20px;">Discounted cash flow</p> <p>Present value concepts</p> <p>Risk and return concepts</p> <p style="padding-left: 20px;">Discount rates/opportunity costs</p> <p>Project exclusivity</p> <p>Decision-making techniques</p> <p style="padding-left: 20px;">Net present value (NPV)</p> <p style="padding-left: 20px;">Internal rate of return (IRR)</p> <p style="padding-left: 20px;">Payback period (PBP)</p> <p style="padding-left: 20px;">Accounting rate of return (ARR)</p>	<p>B</p> <p>A</p> <p>A</p> <p>A</p> <p>A</p> <p>A</p>

Financial Management – D Financial decision making

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
	<p>Practical considerations                      Impact of taxation                      Impact of inflation                      Specialist decisions                      Replacement decisions                      Make or buy decisions                      Lease vs. buy decisions                      Financing decisions</p> <p><b>Portfolio technique and the Capital Asset Pricing Model (CAPM)</b>                      Attitudes to risk                      Concept of utility                      Risk adjusted discount rates and cash flows                      Diversification and the portfolio effect                      Diversifiable and undiversifiable risk, and the CAPM</p>	B
D1.2 explain the investment decision making process	<p><b>The investment decision making process</b>                      Project generation                      Identification of objectives                      Search for investment opportunities                      Identification of possible scenarios/outcomes                      Measurement of pay-offs [link to management accounting in PMR]                      Gathering information                      Costs and benefits                      Project approval process and evaluation</p>	<p>B</p> <p>A</p> <p>B</p>

Financial Management – D Financial decision making

<b>Learning Outcomes</b>	<b>Specific Service Knowledge – Common Content</b>	<b>Knowledge Level</b>
	Project implementation [integration with SBM] Control of investment programmes [integration with SBM]	C A
<p>D1.3 select an appropriate discount or interest rate for use in selected investment appraisal techniques from information supplied, giving reasons for the choice</p> <p>D1.4 select or calculate appropriate values to be used in given appraisal techniques from information supplied, taking account of inflation and taxation</p>	<p><b>Choice of appropriate values for use in techniques</b> Choice of appropriate discount rate Relevant cash flows Terminal values Currencies Consistency of tax treatment</p>	A A
D1.5 describe how environmental factors (institutional, cultural, tax and finance-raising) could affect financing for investment in a foreign country	<p><b>International investment decisions</b> Investment appraisal for international decisions Factors in decision-making Economic/taxation Exchange rate Political/legal Cultural/social Technological/sustainable The ethical dimension in investment abroad [Integration with SBM]</p>	C

Financial Management – D Financial decision making

<b>Learning Outcomes</b>	<b>Specific Service Knowledge – Common Content</b>	<b>Knowledge Level</b>
<p>D1.6 use appraisal techniques and demonstrate how the interpretation of results from the techniques can be influenced by an assessment of risk</p> <p>D1.7 explain how the results of the appraisal of projects or groups of projects are affected by the accuracy of the data on which they are based and factors which could not be included in the computational analysis</p>	<p><b>Investment risk management</b> [Application in context of Risk Management Principles in SBM]</p> <p><b>General techniques</b> Sources of Risk Determination of possible outcomes (product rule, permutations and combinations) and their probability Compounding events and conditional probabilities Independent and dependent probabilities Union (additive rule) and intersection (multiplicative rule)</p> <p>Discrete and continuous random variables and their distribution Mean and variance of random variables and their expected value</p> <p>Statistical estimation procedures for population means and proportions Statistical quality indicators</p> <p>Project appraisal and sensitivity analysis Project appraisal and simulation Decision-making under certainty, risk, uncertainty and competition</p>	<p>B</p>

Financial Management – D Financial decision making

<b>Learning Outcomes</b>	<b>Specific Service Knowledge – Common Content</b>	<b>Knowledge Level</b>
D1.8 from a given scenario, calculate the best investment plan when capital is restricted	<b>Investment analysis and capital rationing</b> Definition of capital rationing Causes of capital rationing Managing capital rationing Mutually exclusive projects Project interaction (synergy)	B
D1.9 recommend and justify a course of action which is based upon the results of investment appraisal and consideration of relevant non-financial factors  D1.10 from a given scenario, draw conclusions which are based on the results of analysis and which take account of the limitations of the techniques being used	<b>Investment project selection</b> [Application of knowledge from the rest of this section]  <b>Non-financial factors and investment recommendation</b> [Integration of knowledge from SBM syllabus]	
D1.11 determine and calculate the financing options, costs and benefits of activities in a given situation, referring to levels of uncertainty and making reasonable assumptions which are consistent with the situation	<b>The financing decision making process</b>  <b>Identification of financing options</b> Financing sources, their characteristics, advantages and disadvantages [See 'The Financing of Enterprises' in Section B] Dividend policy [link to Section B]	A

Financial Management – D Financial decision making

<b>Learning Outcomes</b>	<b>Specific Service Knowledge – Common Content</b>	<b>Knowledge Level</b>
D1.12 compare the financing costs and benefits (including those that are not separately quantifiable) of various courses of action, using appropriate appraisal techniques	<b>Choice of financing</b> Matching financing to investment [Application of knowledge from the rest of this syllabus]	B
D1.13 recommend relevant methods of funding for a given situation, stating their sources and justifying the selection  D1.14 explain the implications of any of the above aspects of financial decisions for designated parties (including individuals who may be affected by the decisions), taking account of their objectives	<b>Financing recommendation and stakeholder impact</b> [Application of knowledge from the rest of this syllabus] Effect on individuals Effect on tax position [integration with TLS] [integration with Personal Financial Management – Section F]	B

## E Business valuation

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>E1.1 assess, from a financial perspective, a business's current position</p>	<p><b>Business and equity valuation</b></p> <p><b>Appraisal of the current financial position [integration with PMR]</b>                      Evaluation of financial position using ratios and trends, highlighting the impact of accounting treatment [PMR]</p>	<p>A</p>
<p>E1.2 explain why valuations of entities or equity are needed, and describe the valuation process</p>	<p><b>Valuation</b>                      The reasons for and purpose of valuation and their effect on the valuation process</p> <p><b>Overview of the valuation process</b>                      Determination of objectives                      Choice of valuation method                      Collection of information                          Working with other professionals                      Analysis of information                      Drawing a conclusion                      Reporting                      Due diligence [integration with Assurance]</p> <p><b>Valuation considerations</b>                      Market prices                      Comparable entities                      Valuing a business segment                      Start-up and growth entities</p>	<p>A</p> <p>A</p> <p>B</p>

## Financial Management – E Business valuation

Learning Outcomes	Specific Service Knowledge – Common Content	Knowledge Level
	Small entities Loss-making enterprises Contingent assets and liabilities Off-balance-sheet items Intangibles Pension obligations Illiquidity (restricted securities, liquidity discount) Key persons Other non-financial factors	
E1.3 calculate a value for the whole or defined part of a business for a given or implied purpose, using appropriately earnings, dividend, cash flow and/or asset valuation models  E1.4 calculate a value for equity for a given or implied purpose using appropriately earnings, dividend, cash flow and/or asset valuation models and allowing for risk, taking into account the distinction between minority and controlling interests and basing the valuation on reasonable assumptions  E1.5 explain the assumptions behind and limitations of the models used to calculate values of businesses and equity	<b>Methods of valuation</b> Different approaches to valuation Applicability and limitations Impact of national standards relating to valuation ( <i>national content</i> ) Aggregative: going concern value Dividend valuation model Earnings valuation model Normalisation of earnings Discounted cash flow Perpetuity cash flow models, with and without growth Aggregative: forced sale of the business/entity Disaggregative Book values Net selling price Liquidation value Value in use Replacement value	A

## Financial Management – E Business valuation

<b>Learning Outcomes</b>	<b>Specific Service Knowledge – Common Content</b>	<b>Knowledge Level</b>
<p>E1.6 demonstrate to individuals who may be affected the implications for their personal financial position as investors, management and other stakeholders of the above aspects of business valuation, taking account of their objectives</p>	<p><b>Advice and stakeholder impact</b>                      [Application of knowledge from the rest of this section]                      Effect on individuals                      Effect on tax position [integration with TLS] [link to Personal Financial Management – Section F]</p>	<p>B</p>

## F Personal financial management

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>F1.1 explain the general objectives of personal financial management</p> <p>F1.2 describe the personal financial management process and explain the principles of personal financial management</p>	<p><b>Personal finance</b>                      The financial environment for individuals (<i>national content</i>)                      The objectives and principles of personal financial management                      The importance of personal financial management for accountants</p> <p><b>The personal financial planning process</b></p> <p><b>Components of a personal financial plan</b>                      Data collection                      Assessment of the present financial position                      Personal considerations (qualitative, quantitative)                      Formulation of financial goals and objectives                      Analysis of data and identification of problems                      Development of a financial plan (analysis of alternatives, risk analysis)                      Plan implementation                      Monitoring</p> <p><b>The personal financial planning profession</b>                      The professional accountant's relationship with other financial planning advisers                      Resources available to professional accountants undertaking personal financial planning services                      The application of professional ethics to financial planning and advice</p>	<p>C</p> <p>C</p> <p>A</p> <p>C</p> <p>C</p>

## Financial Management – F Personal financial management

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
<p>F1.3 describe the most common forms of personal investment and the benefits associated with them</p> <p>F1.4 describe the common forms of asset insurance and life insurance policies not held as investments</p> <p>F1.5 describe the common methods of obtaining personal finance in the form of loans and mortgages</p> <p>F1.6 determine the financial risk attached to an individual's present position and proposed courses of action in a given situation, considering all relevant factors (including attitudes to risk) and making explicit all assumptions made</p> <p>F1.7 identify methods of managing financial risks for an individual which are suitable for the circumstances and meet the individual's objectives</p>	<p><b>Personal financial management</b></p> <p>Investments</p> <ul style="list-style-type: none"> <li>Cash deposits</li> <li>Fixed interest securities and related package products</li> <li>Equity investments and related package products</li> <li>Life assurance policies</li> <li>Pension arrangements (<i>national content</i>)</li> <li>Land and buildings</li> </ul> <p>Risk management [Application in context of Risk Management Principles in SBM]</p> <p>Analytical financial management tools and techniques</p> <ul style="list-style-type: none"> <li>Personal financial statements</li> <li>Budgeting</li> <li>Cash flow projections</li> <li>Investment portfolio analysis</li> </ul> <p>[Application of other techniques covered above]</p> <p>Sources of financing</p>	<p>C</p>
<p>F1.8 determine when to refer personal financial management matters for specialist help</p>	<p>[Application of knowledge from the rest of this section]</p>	

Financial Management – F Personal financial management

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
F1.9 describe the regime by which standards of professional advice are set and negligence is dealt with	<b>Professional standards</b> IESBA Code of Ethics <i>National professional standards</i> <i>National legal requirements</i>	A

## 6. TAXATION AND LEGAL SERVICES (TLS)

### Purpose

The purpose of this document is to specify for Taxation and Legal Services (TLS):

- the services provided by professional accountants to their clients and employers;
- the common learning outcomes that an entry-level professional accountant is expected to achieve;
- the skill level for the performance of each of the common learning outcomes;
- the main national learning outcomes that an entry level professional accountant is expected to achieve in only some jurisdictions;
- the professional and other knowledge that is required to achieve the common learning outcomes; and
- the level of knowledge required to achieve the common learning outcomes.

### Approach

The extent to which professional accountants provide taxation and legal services is determined by national laws or regulations. In some jurisdictions, such services may be provided exclusively by professional accountants or by professional accountants and members of other professions. In other jurisdictions, professional accountants are not permitted to provide some taxation or legal services. As a result of these different approaches:

- the skill and knowledge levels for the common learning outcomes for TLS may vary from jurisdiction to jurisdiction; and
- there are national learning outcomes for TLS for those services provided by professional accountants in only some jurisdictions.

Therefore, this document distinguishes between:

- common learning outcomes with common skill levels for services provided in all jurisdictions;
- common learning outcomes with national skill levels for services provided in all jurisdictions; and
- national learning outcomes with national skill levels for services provided in only some jurisdictions.

## Services Provided by Professional Accountants

The services relating to Taxation and Legal Services provided to their clients and employers by the professional accountants envisaged by this project are summarised below. An entry-level professional accountant should be able to perform those aspects of these services as specified in the learning outcomes.

### ***A Taxation – government objectives and general principles***

#### **In all jurisdictions**

A professional accountant envisaged by the Common Content project should be able to:

- explain the general objectives of taxation and the influences upon national systems of taxation; and
- recognise when ethical, legal and professional issues arise in performing tax work, and determine how to act appropriately.

### ***B Taxpayer responses to taxation***

#### **In all jurisdictions**

A professional accountant envisaged by the Common Content project should be able to:

- provide information to individuals or entities on the amount of taxation that they may owe to or be owed by the relevant taxation authorities;
- advise and assist individuals or entities in the adherence to regulations surrounding taxation; and
- provide information on the effects of national taxes, including circumstances where foreign taxes affect national taxes.

#### **In certain jurisdictions**

A professional accountant envisaged by the Common Content project in those jurisdictions should be able to:

- advise an individual or entity on the taxation implications of various courses of action and provide tax planning advice;
- represent clients before tax authorities and before tax tribunals or courts; and
- prepare, submit and provide assurance services on tax returns.

### ***C Provide legal services to individuals and entities***

#### **In certain jurisdictions**

A professional accountant envisaged by the Common Content project in those jurisdictions should be able to:

- quantify and bring objectivity to cases involving legal dispute, in particular in matters relating to taxation;
- act on behalf of their clients and courts act as technical experts;
- draft corporate statutes, contracts and other legal documents;
- provide legal and administrative advice and support to meetings of shareholders;
- carry out and manage insolvency procedures;
- act as arbitrator or conciliator in dispute resolution procedures; and
- recognise when ethical, legal and professional issues arise in performing legal services.

## Entry-level Professional Accountants

### Learning Outcomes

An entry-level professional accountant should be able to perform those aspects of the services of professional accountants that are specified in the common and national learning outcomes.

### Knowledge

The professional and other knowledge required to achieve the common and national learning outcomes for TLS consists of:

- *professional knowledge* appropriate to TLS;
- knowledge of *professional values, ethics and attitudes, and of law and information technology* that applies to TLS; and
- knowledge of the *business environment, economics and quantitative methods* that supports the professional knowledge in TLS.

The *professional knowledge* consists of:

- a *common content* which has been determined jointly by the participating Institutes; and
- a *national content* which will be determined by each participating Institute.

Virtually all the *professional knowledge* for TLS is national content.

At all knowledge levels, the *entry-level professional accountant* is expected to deal with situations and scenarios that generally arise in practice. The entry-level professional accountant is not expected to deal with complex or unusual situations or scenarios requiring a specialist's level of skill or knowledge.

The achievement of the common and national learning outcomes also requires:

- knowledge and understanding of the laws that relate to the circumstances, transactions and events covered by taxation and legal services;
- knowledge and understanding of laws relating to the common forms of entities covered by the learning outcomes; and
- IT user competencies.

## Learning Outcomes and Knowledge for Entry-level Professional Accountants

### A Taxation – government objectives and general principles

#### 1. Common learning outcomes with common skill levels for services provided in all jurisdictions

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>A1.1 explain government’s taxation objectives in the context of economic, social and environmental issues</p>	<p><b>Government objectives</b></p> <p>Macro economic management of the economy</p> <p>The need for revenue</p> <p>Taxation and efficiency</p> <p>Taxation and incentives</p> <p>Taxation and fairness</p> <p>Taxation and stabilisation</p> <p>Keeping tax policy up to date</p>	<p>C</p>
<p>A1.2 describe the range of taxation opportunities open to government and their relative advantages in meeting the government’s taxation objectives</p>	<p>Sources of revenue (<i>national content</i>)</p> <p>National, regional and local taxation</p> <p>Who is taxed; what is taxed; how much is taxed</p> <p>Types of taxes, their principles, effects, advantages and disadvantages</p> <p>Taxes on income and expenditure</p> <p>Taxes on assets and liabilities</p> <p>Taxes on transactions</p>	<p>A</p> <p>A</p> <p>B</p>

Taxation and Legal Services – A Taxation – government objectives and general principles

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
A1.3 explain the external influences on national taxation objectives and policies and on the decisions taken by national courts on national taxation	<b>External influences on national taxation</b> [Application of the general principles in this area will involve knowledge of national taxation – national content]	C
A1.4 explain the current response of government and the courts towards tax schemes designed to circumvent the law; explain the differences between tax planning, tax avoidance and tax evasion.	<b>Tax evasion and tax avoidance</b> Attitudes of the authorities Tax schemes designed to circumvent the law  [Application of the general principles above will involve knowledge of national taxation – national content]	C
A1.5 explain how states unilaterally provide some relief from the effects of double taxation  A1.6 explain why states negotiate and make double taxation agreements  A1.7 explain how tax treaties affect the contracting states' abilities to apply taxation  A1.8 Describe the taxation issues associated with non-complex international transactions	<b>Unilateral relief and double taxation agreements</b> Unilateral relief of double taxation ( <i>national content</i> ) Reasons for the making of agreements OECD model treaty Practical effects of double taxation agreements The effect of double tax agreements and the liability to national tax	B  C  C  C

**2. Common learning outcomes with national skill levels for services provided in all jurisdictions**

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
A2.1 describe the sources of national tax law and practice and their relative importance	<b>Sources of national tax law and practice</b> <i>(national content)</i>	C
A2.2 describe the likely impact on a taxpayer (business entity or individual) of the taxation objectives, policies and strategies proposed or adopted by governments or other authorities	<b>The impact of taxation upon business entities and individuals</b> <i>(national content)</i> Financial Costs Investment decisions	C

### 3. Ethical considerations

***Common learning outcomes with common skill levels for services provided in all jurisdictions***

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
<p><i>Entry-level professional accountants should be able to</i></p> <p>A3.1 describe key ethical and professional issues for a professional accountant undertaking tax work, explain their relevance and importance, and discuss the relative merits and the consequences of different standpoints taken in debate</p> <p>A3.2 advise upon professional considerations applying to possible situations and scenarios involving taxation</p>	<p><b>Ethical and professional issues</b>                      IESBA code of ethics                      Ethical and professional practices in relation to taxation (<i>national content</i>)                      Current professional issues</p>	<p>A                      A                      C</p>
<p>A3.3 determine when to refer taxation matters for specialist help</p>	<p>[Application of knowledge from the rest of this syllabus]</p>	

## B Taxpayer responses to taxation

### 1. The taxation of business entities

*Common learning outcomes with common skill levels for services provided in all jurisdictions*

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>B1.1 describe and explain the main strategic responses that business entities consider to deal with the effects of taxation</p> <p>B1.2 assess the taxation implications and consequences for a business entity of trading in different legal forms</p> <p>B1.3 describe the effect of foreign taxes on the national taxes of a business entity</p> <p>B1.4 identify investments and expenditure which legally reduce tax liability and determine when they might be appropriate</p> <p>B1.5 identify for actual or proposed transactions those treatments that are illegal for tax purposes and explain the reasons for the illegality</p>	<p><b>Taxation and competitive advantage [links to SBM, FM]</b></p> <p><b>Optimal organisational form and location</b> [Application of the general principles above will involve knowledge of national taxation – national content]</p> <p><b>National tax systems (national content)</b></p>	<p>B</p> <p>C</p>

Taxation and Legal Services – B Taxpayer responses to taxation

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
B1.6 explain how tax considerations can affect any investment decisions of a business entity	<b>Taxation and decision making [link to Investment Decision Making and Financing in FM]</b>	A
B1.7 explain how tax considerations can affect financial reporting by an entity	<b>The effects of taxation on financial reporting [link to PMR]</b> [Application of the general principles above will involve knowledge of national taxation – national content]	A
B1.8 determine, for an entity, the national taxes applicable to different forms of income, expenditure, assets, liabilities or transactions, and state who is liable for the resulting taxation	<b>The national taxation system</b> National taxation ( <i>national content</i> ) Regional and local taxation ( <i>national content</i> ) Tax practice ( <i>national content</i> )	A B B
B1.9 calculate the amounts subject to national, regional and local taxation, the resulting amount of tax payable or recoverable by an entity and the effects of any foreign taxes on those amounts (the calculation of foreign tax liabilities is not required)	<b>Tax liabilities</b> [Application of knowledge from the rest of this syllabus]	

**2. Common learning outcomes with national skill levels for services provided in all jurisdictions**

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
<p>B2.1 determine how tax losses can be used by a business entity</p> <p>B2.2 describe the effect of a change in the ownership of a business entity on its tax losses</p>	<p><b>Treatment of losses</b>                      [Application of the general principles above will involve knowledge of national taxation – national content]</p>	<p>C</p>
<p>B2.3 explain how alternative methods of achieving business objectives can lead to different tax outcomes</p> <p>B2.4 calculate the tax implications for a business entity of different courses of action, taking into account the relevant taxes and other relevant implications</p> <p>B2.5 formulate practical courses of action for an entity which would achieve the stated objectives (or those which can reasonably be inferred) while at the same time meeting its statutory obligations</p> <p>B2.6 provide practical and relevant tax planning advice, supporting it with reasonable arguments, stating any assumptions made and limitations on the advice given</p>	<p><b>Tax planning</b>                      [Application of knowledge from the rest of this syllabus]</p>	<p>C</p>

### 3. The taxation of individuals

***Common learning outcomes with common skill levels for services provided in all jurisdictions***

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>B3.1 describe and explain the main responses that an individual may consider to deal with the effects of taxation</p> <p>B3.2 assess the tax implications of an individual's investment decisions and determine the appropriateness of these investments (including pensions) to the individual in the light of his or her objectives</p> <p>B3.3 identify investments and expenditure which legally reduce an individual's tax liability and determine when they might be appropriate</p> <p>B3.4 identify for actual or proposed transactions those treatments that are illegal for tax purposes and explain the reasons for their illegality</p>	<p><b>The situation of the individual [link to Personal Financial Planning in FM]</b></p> <p><b>National tax system (<i>national content</i>)</b></p>	
<p>B3.5 determine, for any individual or entity, the national taxes applicable to different forms of income, expenditure, assets, liabilities or transactions, and state who is liable for the resulting taxation</p>	<p><b>The national taxation system</b></p> <p>National taxation (<i>national content</i>)</p> <p>Regional and local taxation (<i>national content</i>)</p> <p>Tax practice (<i>national content</i>)</p>	<p>A</p> <p>B</p> <p>B</p>

Taxation and Legal Services – B Taxpayer responses to taxation

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
<p>B3.6 calculate the amounts subject to national taxation, the resulting amount of tax payable or recoverable by an individual or entity and the effects of any foreign taxes on those amounts (the calculation of foreign tax liabilities is not required)</p>	<p><b>Tax liabilities</b> [Application of knowledge from the rest of this syllabus]</p>	

**4. Common learning outcomes with national skill levels for services provided in all jurisdictions**

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
B4.1 determine how tax losses can be used by an individual	<b>Treatment of losses</b> ( <i>national content</i> )	C
B4.2 explain how alternative methods of achieving personal objectives can lead to different tax outcomes  B4.3 calculate the tax implications for an individual of different courses of action (borrowing, investment, expenditure etc.), taking into account the relevant taxes and other implications  B4.4 formulate practical courses of action for an individual which would achieve their stated objectives (or those which can reasonably be inferred) and would meet statutory obligations  B4.5 provide practical and relevant tax planning advice, supporting it with reasonable arguments, stating any assumptions made and limitations on the advice given	<b>Tax planning</b> [Application of knowledge from the rest of this syllabus]	

## 5. Administration

### *Common learning outcomes with common skill levels for services provided in all jurisdictions*

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
<p><i>Entry-level professional accountants should be able to</i></p> <p>B5.1 determine when an individual or entity comes within the scope of relevant national taxes and what action, if any, it should take, including any time limits for that action</p>	<p><b>The scope of taxes</b> (national content)</p>	<p>A</p>
<p>B5.2 determine due dates for</p> <ul style="list-style-type: none"> <li>• the making of returns and provision of other information to the relevant authorities</li> <li>• payments of tax</li> </ul> <p>B5.3 describe the implications of late submission of returns and other information or late payments of tax and calculate any resulting interest or penalties</p>	<p><b>Time limits for submission of information and payments</b> (national content)</p>	<p>A</p>
<p>B5.4 advise on the records that individuals and business entities must retain for taxation purposes, and state the periods for which those records must be retained</p>	<p><b>Record keeping by taxpayers</b> (national content)</p>	<p>B</p>

Taxation and Legal Services – B Taxpayer responses to taxation

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
B5.5 determine the periods within which the relevant authorities can enquire into a taxpayer's returns or other information and tax liabilities and describe the taxpayer's right of appeal	<p><b>Time limits for investigations</b> (<i>national content</i>)</p> <p><b>Appeals and disputes</b> National process (<i>national content</i>) Operation of the European Court of Justice in relation to tax matters</p>	C  C
B5.6 use the results of tax assessments, investigations and audits	<p><b>Tax assessments, investigations, etc.</b> (<i>national content</i>)</p>	B



## C Provide legal services to individuals and entities (national content)

### 1. Ethical considerations

#### *National learning outcomes for services provided in only some jurisdictions*

Learning Outcomes	Specific Service Knowledge - Common Content	Knowledge Level
<p><i>Entry-level professional accountants should be able to</i></p> <p>C1.1 describe key ethical and professional issues for a professional accountant undertaking legal services, explain their relevance and importance, and discuss the relative merits and the consequences of different standpoints taken in debate</p> <p>C1.2 advise upon professional considerations applying to possible situations and scenarios involving legal services</p>	<p><b>Ethical and professional issues</b>                      IESBA Code of Ethics                      Ethical and professional practices in relation to legal services (<i>national content</i>)                      Current professional issues</p>	<p>A                      A                      C</p>
<p>C1.3 determine when to refer legal matters for specialist help</p>	<p>[Application of knowledge from the rest of this syllabus]</p>	

## 2. Taxation Disputes

### *National learning outcomes for services provided in only some jurisdictions*

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
<i>Entry-level professional accountants</i> should be able to C2.1 prepare submissions for consideration in a taxation dispute process	<i>National content</i>	<i>Nationally determined</i>
C2.2 prepare a case for a client for use in a legal taxation dispute	<i>National content</i>	<i>Nationally determined</i>
C2.3 present a case and represent a client in court in a taxation dispute	<i>National content</i>	<i>Nationally determined</i>

### 3. Insolvency

#### *National learning outcomes for services provided in only some jurisdictions*

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
<p><i>Entry-level professional accountants should be able to</i></p> <p>C3.1 describe the procedures for dealing with the insolvency of a business entity or an individual, including</p> <ul style="list-style-type: none"> <li>• appointment of an insolvency specialist or other expert</li> <li>• preparation of a statement of assets and liabilities and related financial information</li> <li>• preparation of other official documents and reports</li> <li>• realisation of assets</li> <li>• negotiation with creditors</li> <li>• distribution of assets</li> <li>• co-operation with notary, judge or other authorised persons in managing the judicial procedures</li> <li>• winding up, completion and reporting</li> </ul>	<p>Application of knowledge relating to businesses in difficulty (see SBM)</p> <p><b>Insolvency Procedures</b></p> <p>Laws and other requirements for the insolvency of a business entity or individual (<i>national content</i>)</p>	<p><i>Nationally determined</i></p>

Taxation and Legal Services – C Provide legal services to individuals and entities

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
<p>C3.2 perform insolvency procedures for a business entity or individual, including</p> <ul style="list-style-type: none"> <li>• taking hold of and securing assets</li> <li>• preparation of a statement of assets and liabilities and other financial information</li> <li>• management of insolvency procedures</li> <li>• preparation of other official documents and reports</li> <li>• distribution of assets to creditors and owners</li> </ul>	<p><i>National content</i></p>	<p><i>Nationally determined</i></p>

#### 4. Litigation services

##### *National learning outcomes for services provided in only some jurisdictions*

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
<p><i>Entry-level professional accountants should be able to</i></p> <p>C4.1 draft contracts or clauses in contracts, statutes, shareholder agreements and other legal documents which effectively express the wishes and objectives of their clients and protect their interests</p>	<i>National content</i>	<i>Nationally determined</i>
<p>C4.2 advise clients on the appropriate legal form to adopt in accordance with the economic interest of the client</p>	<i>National content</i>	<i>Nationally determined</i>
<p>C4.3 draft communications and minutes for meetings of shareholders and assure compliance with legal requirements</p>	<i>National content</i>	<i>Nationally determined</i>
<p>C4.4 prepare submissions for consideration in a financial or business dispute process</p>	<i>National content</i>	<i>Nationally determined</i>

Taxation and Legal Services – C Provide legal services to individuals and entities

<b>Learning Outcomes</b>	<b>Specific Service Knowledge - Common Content</b>	<b>Knowledge Level</b>
C4.5 prepare and present a case and represent a client in court in arbitration and conciliation procedures relating to a financial or business dispute	<i>National content</i>	<i>Nationally determined</i>

## 7. APPENDIX: MINIMUM REQUIREMENTS FOR ARITHMETIC AND ALGEBRA

Accountants require a high level of numerical competence. The following describes the minimum level of such competence required for arithmetic and algebra only.

### 1. Number and algebra

1.01 Routine use of addition, subtraction, multiplication and division using integers, decimals and fractions, including order of operations.

*Example:*  $2(3 + 4 \times 7) = 62$

1.02 Simple positive exponents

*Examples:*  $2^3 = 8$ ;  $(-3)^3 = -27$ ;  $(-2)^4 = 16$

1.03 Simplification of expressions involving roots (surds or radicals).

*Examples:*  $\sqrt{27} + \sqrt{75} = 8\sqrt{3}$ ;  $\sqrt{3} \times \sqrt{5} = \sqrt{15}$

1.04 Prime numbers and factors, including greatest common factors and least common multiples.

1.05 Simple applications of ratio, percentage and proportion, linked to similarity.

1.06 Definition and elementary treatment of absolute value (modulus),  $|\alpha|$ .

1.07 Rounding, decimal approximations and significant figures.

1.08 Expression of numbers in standard form (scientific notations), i.e.,  $a \times 10^k$ ,  $1 \leq a < 10$ ,  $k \in \mathbb{Z}$ .

1.09 Concept and notation of sets, elements, universal (reference) set, empty (null) set, complement, subset, equality of sets, disjoint sets. Operations on sets: union and intersection. Commutative, associative and distributive properties. Venn diagrams.

1.10 Number systems: natural numbers, **N**; integers, **Z**; rationals, **Q**; and irrationals; real numbers, **R**.

1.11 Intervals on the real number line using set notation and using inequalities. Expressing the solution set of a linear inequality on the number line and in set notation.

1.12 The concept of a relation between the elements of one set and those of another set. Mappings of the elements of one set onto or into another, or the same, set. Illustration by means of tables, diagrams and graphs.

1.13 Basic manipulation of simple algebraic expressions involving factorization and expansion.

*Examples:*  $ab + ac = a(b + c)$ ;  $(a \pm b)^2 = a^2 + b^2 \pm 2ab$ ;

$$a^2 - b^2 = (a - b)(a + b); 3x^2 + 5x + 2 = (3x + 2)(x + 1);$$

$$xa - 2a + xb - 2b = (x - 2)(a + b)$$

- 1.14 *Rearrangement, evaluation and combination of simple formulae. Examples from other subject areas, particularly the sciences, should be included.*
- 1.15 The linear function  $x \mapsto ax + b$  and its graph, gradient and  $y$ -intercept.
- 1.16 Addition and subtraction of algebraic fractions with denominators of the form  $ax + b$ .
- Example:*  $\frac{2x}{3x-1} + \frac{3x+1}{2x+4}$
- 1.17 The properties of order relations:  $<$ ,  $\leq$ ,  $>$ ,  $\geq$ .
- Examples:*  $(a > b, c > 0) \Rightarrow ac > bc$ ;  $(a > b, c < 0) \Rightarrow ac < bc$
- 1.18 Solution of equations and inequalities in one variable including cases with rational coefficients.
- Example:*  $\frac{3}{7} - \frac{2x}{5} = \frac{1}{2}(1-x) \Rightarrow x = \frac{5}{7}$
- 1.19 Solution of  $ax^2 + bx + c = 0, a \neq 0$ . The quadratic formula.

## 2. Geometry

- 2.01 Elementary geometry of the plane including the concepts of dimension for point, line, plane and space. Parallel and perpendicular lines. Geometry of simple plane figures.
- 2.02 Angle measurement in degrees.
- 2.03 The cartesian plane: ordered pairs  $(x, y)$ , origin, axes. Mid-point of a line segment and distance between two points in the cartesian plane.
- 2.04 Simple geometric transformations; rotation, enlargement. Congruence and similarity, including the concept of scale-factor of an enlargement.

## 3. Statistics

- 3.01 Descriptive statistics; collection of raw data, display of data in pictorial and diagrammatic forms (e.g. pie charts, pictograms, stem-and-leaf diagrams, bar graphs and line graphs).
- 3.02 Calculation of simple statistics from discrete data, including mean, median and mode.  
See additional requirements for probability and statistics on page 41.

## 4. General

Candidates should have the skills to carry out particular mathematical tasks with confidence. A candidate will be competent in performing the following basic operations.

- Manipulating indices (exponents) and surds (radicals).

- Solving linear equations and inequalities in one variable, and simultaneous equations in two variables.
- Solving quadratic equations.
- Plotting accurate graphs from a table of values.
- Recognizing, and analysing, the equations of straight lines in the  $x-y$  plane. For example, finding points of intersection with axes.
- Recognizing quadratic and cubic curves.
- Dealing with errors in numerical calculation due to rounding.
- Applying a sensible degree of accuracy in numerical work.