

Institute of Financial Accountants

Financial Accountant Diploma Syllabi

Qualification structure - five modules to complete:

- D1. Financial Accounting
- D2. Business Finance
- D3. Management of Systems and Performance
- D4. Principles of Taxation
- D5. Ethics in the Workplace – *not included in this syllabus pack*

Purpose & target market

This is a highly vocational qualification that provides core knowledge and skills for financial accountants in the SME sector at the beginning of their careers. It focuses on developing essential skills, awareness of the regulatory environment and ethical responsibilities. Successful completion of the FA Diploma means individuals can become an IFA professional, use the Dip FA designation and describe themselves as a Financial Accounting Executive.

Level and access

Entrants to the Financial Accountant Diploma should ideally possess:

- level 3 or equivalent qualification in a finance, accounting or book-keeping discipline, or a maths, statistics or numerate qualification at level 2 minimum, and
- English language skills that allow them to express themselves in exam conditions (unless taking IFA exams in a local language).

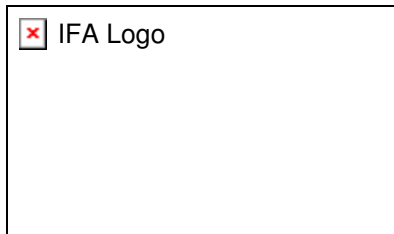
If entrants do not possess any of these qualifications they are required to sit and pass the 'Diploma challenge module' first, which is D1 Financial Accounting.

The FA Diploma syllabus specifications are based upon UK 'Regulatory arrangements for the Qualification and Credit Framework' (QCA/Ofqual, August 2008) guidance. Students pursuing the FA Diploma are tested at Level 4.

Learning commitment

All modules require the following approximate minimum learning commitment:

- At least 72 hours of dedicated learning time



- An additional minimum of 48 hours other set or directed work, such as homework, practise questions, group work, etc
 - At least 20 hours revision which may be supported by a study provider but otherwise personal time
- Suggested total learning time per module: 140 hours.

Financial Accountant Diploma Syllabus

D1. Financial Accounting

Module aim

The aim of this module is to develop the financial accounting knowledge of an employee working in the finance team of small or medium size entities (SMEs) by firstly revising double entry bookkeeping and the most usual period end adjustments before using those and new knowledge to prepare a statement of comprehensive income and a statement of financial position. The problems that can be concealed within the trial balance will be considered together with the importance of control and reconciliation.

The nature and purpose of financial accounting will be explained together with an understanding of what constitutes the financial reporting and regulatory framework. Different capital structures will be considered. Interpretation of financial statements will then be examined using ratio analysis. The way in which a modern accounting software package deals with these transactions will be briefly considered.

Modules learning outcomes

- **Revision of double entry book keeping and introduction to the preparation of financial statements**
15%
 - Double entry book keeping will be revised followed by an introduction to the preparation of a statement of comprehensive income and statement of financial position that take into account period end adjustments.
This summarises the necessary level of preliminary knowledge of double entry book keeping and application to the stage of preparation of financial statements required for students to be able to embark upon the module successfully and can be examined in this module.
- **Understand the shortcomings of using a trial balance together with how to correct the errors and also methods of reconciliation and control of accounting information**
10%
 - Possible trial balance errors



- Reconciliation and control of receivables and payables
- Bank reconciliations
- **Understand financial accounting** **10%**
 - Understand the nature and purpose of financial accounting
 - Understand what constitutes financial reporting and the regulatory framework
- **Greater explanation of period end adjustments** **10%**
 - Non-current assets
 - Inventories
 - Accruals and prepayments
 - Bad debts
- **Understand the principle types of capital structure** **10%**
 - Consideration of capital structures for organisations such as sole trader, partnerships, limited companies including groups of companies
 - To appreciate that not for profit (NFP) organisations have different capital structures
- **Understand the differences between the financial statements for partnerships, limited companies and different types of businesses – capital and profit appropriations** **23%**
 - Sole traders, drawings and own consumption
 - Brief consideration of financial statements for partnerships – profit appropriations, prior salaries and interest on capital
 - Introduction to the preparation of financial statements for limited companies – directors remuneration and dividends
 - Introduction to the preparation of financial statements for different types of trading organisations – retail and manufacturing organisations
- **Other ways of preparing financial statements** **12%**
 - Understand an extended trial balance - preparation of financial statements from incomplete accounting records using an extended trial balance
 - Use of accounting software - consideration of production of accounting records using an accounting software package
- **Introduction to analysis and interpretation of financial statements using ratio analysis** **10%**
 - Interpretation of information produced for management through the use of ratio analysis



Module requirements

Learning outcome	Detailed breakdown of learning outcomes
1. Revision of double entry book keeping and introduction to the preparation of financial statements	<p>1.1 Review basic concepts in accounting</p> <p>1.2 Use of accounting as an information system</p> <p>1.3 Understand the accounting equation</p> <p>1.4 Explain the statement of comprehensive income statement and statement of financial position</p> <p>1.5 Review the recording of cash and bank transactions</p> <p>1.6 Review the recording of other transactions through double entry book keeping</p> <p>1.7 Prepare a trial balance</p> <p>1.8 Understand and apply period end adjustments such as inventories, depreciation, accruals and prepayments, bad debts and provision for doubtful receivables (revision of preparation of statement of comprehensive and statement of financial position)</p> <p>1.9 Prepare financial statements.</p>
2. Understand the shortcomings of using a trial balance: together with methods of reconciliations and control of accounting information	<p>2.1 Identify possible errors occurring when a trial balance is produced; evaluate the effect and identify correction of these errors on the statement of comprehensive income and statement of financial position. Use journals for correcting errors</p> <p>2.2 Use of reconciliation of receivables and payables control</p>

	<p>accounts with ledger balances – correction of errors in their preparation</p> <p>2.3 Use of bank reconciliations.</p>
3. Understand financial accounting principles, terms and applications	<p>3.1 Identify the objectives of financial reporting</p> <p>3.2 Identify stakeholders and their interest in financial information</p> <p>3.3 Understand that accounting has different applications for different stakeholders (financial accounting, management accounting, internal reporting, internal reporting, regulatory and compliance bodies)</p> <p>3.4 Understand the regulatory framework: what it is; why it is exists; who must comply; benefits of a regulatory framework.</p> <p>3.5 Understand and use generally accepted accounting principles and concepts including need for accurate and timely information</p> <p>3.6 Use appropriate accounting terminology (e.g. assets, liabilities, revenue, expenditure, capital) and demonstrate ability to apply those terms to different transactions</p> <p>3.7 Understand the selection of accounting policies.</p>
4. Identify period end adjustments and address complications	<p>4.1 Identify the treatment of non-current assets, recognising the difference between capital and revenue, understanding the concept, calculating and recording of depreciation, accounting for additions and disposals.</p> <p>4.2 Use of non-current asset register</p>

	<p>4.3 Use of inventory including valuation – cost and net realisable value</p> <p>4.4 Evaluate a variety of accruals and prepayments such as maintenance agreements</p> <p>4.5 Understand the need to identify and account for irrecoverable debts and the provision for doubtful debts</p> <p>4.6 Understand how to 'close off' accounts and carry forward balances.</p>
5. Understand and identify principle types of capital structure	<p>5.1 Identify and describe the funding methods for people working on their own (sole trader)</p> <ul style="list-style-type: none"> • Withdrawals • Concept of profit • Own consumption <p>5.2 Identify and describe the alternatives for persons working with others (partnerships)</p> <ul style="list-style-type: none"> • Differences from sole trader • Partnership agreements • Liability of partners in different types of partnerships • Capital introduced, drawings • Current and capital accounts • Interest on capital and drawings • Goodwill • Admission and retirement of a partner <p>5.3 Explain the main possibilities for limited companies</p> <ul style="list-style-type: none"> • Concept of separate identity – separation of ownership and management (stewardship) • Concept of limited liability • Concepts of 'reward' salaries/dividends

	<ul style="list-style-type: none"> • Reasons for creation of limited companies • Small and medium sized thresholds • Legal framework – local and International • Companies Law and governing framework <p>5.4 Explain the concept of combinations of companies</p> <ul style="list-style-type: none"> • Subsidiaries • Associates • Joint ventures – jointly controlled operations, jointly controlled assets and jointly controlled entities <p>5.5 Analyse the advantages and disadvantages of the different type of business organisations.</p>
<p>6. Prepare the financial statements for partnerships, limited companies and different types of businesses – capital and profit appropriations and identify and describe the differences between them</p>	<p>6.1 Review and be able to report upon the financial statements of partnerships including recording of capital introduced, entries on current and capital accounts, interest on capital, drawings</p> <p>6.2 Understand and apply the concept and treatment of goodwill in partnerships</p> <p>6.3 Understand accounting for the admission and retirement of a partner</p> <p>6.4 Understand and review the financial statements of limited companies - consideration of share capital and dividends, loans and interest, directors remuneration (company terminology, appropriation of profits)</p> <p>6.5 Prepare a statement of comprehensive income and statement of financial position for the</p>

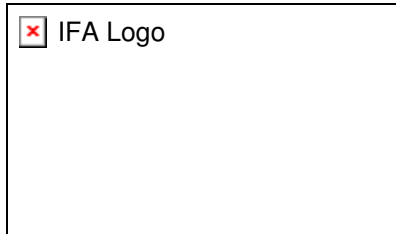
	above capital structures.
7. Identify and review other ways of preparing financial statements	<p>7.1 Identify what is meant by an extended trial balance</p> <p>7.2 Complete an extended trial balance for the production of a statement of comprehensive income and statement of financial position from incomplete records</p> <p>7.3 Use of computer software by SMEs – the process is unchanged but looks different</p> <p>7.4 Understand a chart of accounts</p> <p>7.5 Identify and describe the areas of difference to manual accounts</p> <p>7.6 Identify and describe the importance of security issues including passwords and backup procedures.</p>
8. Analyse and interpret financial statements using ratio analysis	<p>8.1 Identify and calculate liquidity ratios</p> <p>8.2 Identify and calculate profitability ratios</p> <p>8.3 Identify and calculate activity ratios</p> <p>8.4 Identify and calculate investment ratios</p> <p>8.4 Evaluate the value and context of these ratios including their limitations.</p>

Study weightings

Against each learning outcome a percentage weighting is shown as a guide.

Instructions to candidates

Time allowed 3 hours 10 minutes which includes 10 minutes reading time.



Use of a silent non-programmable calculator, which is NOT part of a mobile phone or any other device capable of communication, is allowed.

This is a closed book examination.

The pass mark is 50%

The examination paper will consist of

PART A: five compulsory questions, each worth six marks	30
PART B: two compulsory questions, each worth 20 marks	40
Part C: one compulsory question, worth 30 marks	<u>30</u>
Total	<u>100</u>

Financial Accountant Diploma Syllabus

D2. Business Finance

Module aim

The aim of this Module - is to develop the knowledge and skills expected of a financial accountant working for small and medium size (SMEs) organisations, to be able to identify and evaluate alternative sources of finance, manage the working capital function and prepare budgets for functional departments.

Module learning outcomes and sub-set outcomes

- **Financing options**

- Assess the alternative short-term and long-term sources of finance available to an organisation

20%

- **Working capital, treasury financing and cash management**

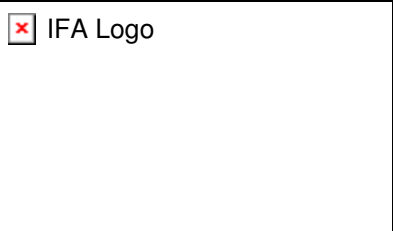
- Discuss and apply working capital management techniques to enable management to operate efficiently the working capital function of an organisation

30%

- **Budgets**

50%

- Prepare budgets for management for functional departments in an appropriate format.
- Compare and monitor budgets forecasts with actual and report to management by exception



- **Booklist**
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- **Recommended:** BPP Study Guide IFA Financial Accounting
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- **Others:**
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- International Financial Reporting: A Practical Guide; Alan Melville; FT Prentice Hall
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- Financial Accounting: An Introduction; Augustine Benedict and Barry Elliott; FT Prentice Hall
-
- **Useful websites**
-
- International Accounting Standards Board
<http://www.iasb.org/IFRS+for+SMEs/IFRS+for+SMEs.htm>
-
- Deloitte
<http://www.iasplus.com/standard/ifrsforsmes.htm>
-
- PWC
http://www.pwc.com.ar/en_GX/gx/ifrs-reporting/pdf/IFRSSME09.pdf

Module requirements

Learning outcome	Detailed breakdown of learning outcomes
1. Financing options	<p>1.1 Identify and apply the main forms of short-term and long-term financing for small and medium size business entities to a given scenario</p> <p>1.2 Advise management on the most efficient financing instrument available in a scenario.</p>
2. Working capital, treasury financing and cash management	<p>2.1 The management of working capital and its importance to business</p> <p>2.2 Identify and use internal and external sources of information to evaluate the current credit status of customers</p> <p>2.3 Identify the factors affecting the granting of credit to customers</p> <p>2.4 Design a credit control function in an organisation to include the recording and controlling of customer accounts</p> <p>2.5 Discuss the importance of having a good inventory system and the techniques and methods use to manage the process</p> <p>2.6 Describe the treasury function and discuss its importance in management control</p> <p>2.7 Identify and design the cash operating cycle for a manufacturing or retailing business entity from a case study, using relevant ratios. Prepare a report for management on the efficiency of its component parts.</p>

3. Budgets	<p>3.1 Explain the purposes of budgets in an organisation and how important is communication between functional managers</p> <p>3.2 Prepare the budgets of the organisation – Sales, Production, Material, Labour, Trade Receivables and Trade Payables. Also explain the limiting factors and key budget factors in the budget process</p> <p>3.3 Prepare master budgets – Cash, Income and expenditure and balance sheet.</p> <p>3.4 Describe the factors influencing forecast data – product life cycle.</p>
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Study weightings

Against each learning outcome a percentage weighting is shown as a guide.

Instructions to candidates

Time allowed 3 hours 10 minutes of which 10 minutes is reading time.
Use of a silent non-programmable calculator which is NOT part of a mobile phone or any other device capable of communication is allowed.

This is a closed book examination

The pass mark is 50%

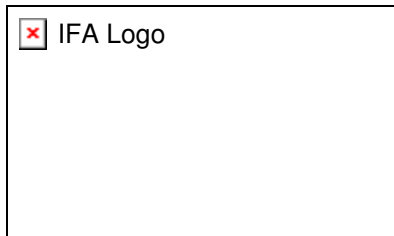
The examination paper will consist of three compulsory questions, each worth 20, 30 and 50 marks respectively.

Booklist

Recommended: BPP Study Guide IFA Business Finance

Others:

Brammer, J., Penning, A. (2007), Managing Performance & Resources, Osborne Books,



ISBN 978 1872962 917

Drury, C. (2000), Management & Cost Accounting, Thomson, 5th Edition
ISBN 1-86152-536-2

Fardon, F., Penning, A. (2007), Cash Management & Credit Control, Osborne Books,
ISBN978 1872962 97

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D3. Management of Systems and Performance

Module aim

The aim of this module – Management & Finance Systems - is to develop the knowledge and skills expected of a financial accountant working for small and medium size (SMEs) organisations, to be able to provide relevant information for management decision-making. The aim also is to enable students to understand the banking system and its effects on organisations, provide relevant information for decision-making on capital projects, costing and evaluate organisations' performances.

Module learning outcomes

- **Financial (banking)system**
 - Assess the function of the financial system in an economic environment and understand the importance of liquidity for the effective functioning of an organisation
10%
- **Investment appraisal**
 - Apply and evaluate investment appraisal techniques to capital projects for managers making investment decisions and explain the impact of those decisions on stakeholders and the organisations strategy.
30%
- **Business performance and targets**



- Analyse and evaluate measures of performance of an organisation in a way which allows managers to assess whether future improvements can be made **30%**

- **Costing, value and pricing**

- Use costing systems in a timely manner to provide information for managers for cost and competitive pricing decisions **30%**

Module requirements

Learning outcome	Detailed breakdown of learning outcomes
1. Financial (banking) system	<p>1.1 Discuss the role of the banking system and how small and medium size businesses can access financial instruments and invest funds</p> <p>1.2 Discuss and contrast the different methods used for payment, receipt and transfer of funds.</p>
2. Investment appraisal	<p>2.1 Identify that which is different between capital expenditure and revenue expenditure</p> <p>2.2 Identify and apply relevant appraisal techniques to cash flows in using a scenario.</p>
3. Business performance and targets	<p>3.1 Analyse and interpret from a given set of data the financial management performance indicators (FPIs) for profitability, liquidity, efficiency and capacity for business sector organisations</p> <p>3.2 Identify and discuss the qualitative measurements used for organisations. These are to include the balanced scorecard and other qualitative measurements.</p>
4. Costing, value and pricing	<p>4.1 Management accounting systems</p> <p>4.1.1 Apply the three general approaches to provide costing information for management: absorption costing, marginal costing and activity based costing</p> <p>4.2 Management information</p>

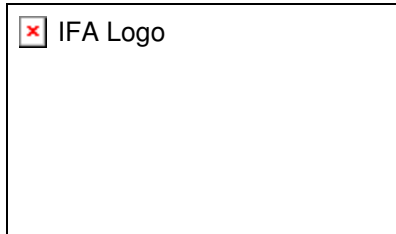
	<p>techniques</p> <p>4.2.1 Describe the various methods of sampling for data collection</p> <p>4.2.2 Use time series analysis on data over a period of time to forecast future trend and data</p> <p>4.2.3 Use indexation factors i.e. the retail price index (RPI) to compare data over a period of time</p> <p>4.3 Pricing policy</p> <p>4.3.1 Discuss the significance of contribution and its relationship with break-even point analysis</p> <p>4.3.2. Discuss and apply cost and market based pricing strategies using the following techniques: Marginal pricing, Cost plus pricing, Customer based pricing, Competitive pricing - skimming and penetration pricing</p> <p>4.3.3. Assess whether to make or buy a product or service (importance of outsourcing) using relevant costing</p> <p>4.3.4 Describe common factors influencing the pricing of a product or service.</p>
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Study weightings

Against each learning outcome a percentage weighting is shown as a guide.

Instructions to candidates:

Time allowed 3 hours 10 minutes of which 10 minutes is reading time.
Use of a silent non-programmable calculator which is NOT part of a mobile phone or any other device capable of communication is allowed.



This is a closed book examination.

The pass mark is 50%

The examination paper will consist of four compulsory questions. Questions one, two and three are each worth 30 marks, question four is worth 10 marks.

Booklist

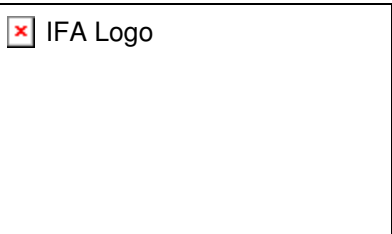
Recommended: BPP Study Guide IFA Management of Systems and Performance

Others:

Brammer, J., Penning, A. (2007), Managing Performance & Resources, Osborne Books, ISBN 978 1872962 917

Drury, C. (2000), Management & Cost Accounting, Thomson, 5th Edition ISBN 1-86152-536-2

Fardon, F., Penning, A. (2007), Cash Management & Credit Control, Osborne Books, ISBN978 1872962 979



Financial Accountant Diploma Syllabus

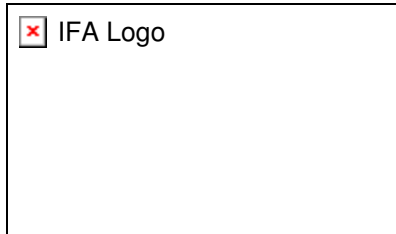
D4. Principles of Taxation

Module aim

The aim of this module is to develop an understanding of the structure and operation of the principle systems of taxation within the individual student's country; with benchmark systems drawn from UK practice. As such students will be expected to understand key elements of UK tax law and be able to prepare UK tax computations. Elements of personal and business tax are examined to allow a wide appreciation of tax applications and implications. The preparation of taxation computations is also required to a level that allows an individual to undertake such work.

Module learning outcomes

- **Describe the economic principles, objectives, structure and operation of the taxation system**
15%
 - Introduce wider implications of taxation and core administrative functions of the tax system
- **Apply income tax legislation, regulation and practice to earned and investment incomes**
25%
 - Understand employment tax issues
 - Calculate personal income tax computations
 - Computing sole trader and partnership taxation
- **Apply tax legislation and regulation to organisations subject to corporation tax**
25%
 - Profits chargeable to corporation tax
 - The corporation tax liability for small, medium and large companies (as defined by the Taxes Acts)
 - Determine the extent of loss relief and how the loss may be relieved
- **Apply the legislation and regulation in respect of chargeable gains and their associated relief's that may be able to apply to individuals' and company chargeable events**
15%
 - Prepare CGT (chargeable gains tax) computations
 - Apply CGT relief's



- **Apply sales tax legislation and regulation to sales tax computations**
20%
 - Demonstrate and understanding of core sales tax terms and issues
 - Prepare a sales tax computation
 - Identify where a trader should register for sales tax and where penalties may be enforced

Module requirements

Learning Outcome	Detailed breakdown of learning outcomes
1. Describe the economic principles, objectives, structure and operation of the taxation system	<p>1.1 Explain the functions and structures of revenue authorities</p> <p>1.2 Discuss motivations supporting a tax compliant society including the concepts of tax as a price, tax as a community responsibility and tax as an enforced charge</p> <p>1.3 Explain and identify the nature of, and practical applications of progressive, regressive and flat taxes</p> <p>1.4 Classify the main types of taxes including those levied on income, capital, commercial transactions and those levied as charges</p> <p>1.5 Identify different sources of accepted tax practices: legislation, case law, Revenue practices</p> <p>1.6 Explain the principles of self assessment and PAYE (pay as you earn), including the key timings for tax returns and payments</p> <p>1.7 Identify, with the aid of case law the distinction between tax avoidance and tax evasion.</p>
2. Apply income tax legislation, regulation and practice to earned and investment incomes	<p>2.1 Identify and apply the accepted tests for defining employment including case law precedent</p> <p>2.2 Calculate employee and employer national insurance contributions</p> <p>2.3 Compute the value of benefits in kind (including recognition of exempt benefits)</p>

	<p>2.4 Compute the value of savings and non-savings income assessable to Income Tax (excluding overseas earnings and income from overseas investments)</p> <p>2.5 Identify and apply all relevant tax allowances and benefits</p> <p>2.6 Compute the taxation liability for an individual and state dates when any outstanding tax is due for payment</p> <p>2.7 Calculate the assessments for a sole trader, including opening and closing years assessment</p> <p>2.8 Compute taxable business income for a sole trader</p> <p>2.9 Identify and apply the badges of trade</p> <p>2.10 Prepare a plant & machinery capital allowances computation for a sole trader</p> <p>2.11 Prepare a partnership tax computation</p> <p>2.12 Identify and compute alternative treatment of trading and non-trading losses (including losses arising from rental properties).</p>
<p>3. Apply tax legislation and regulation to compute :</p> <ul style="list-style-type: none"> • profits chargeable to corporation tax (PCTCT) • The corporation tax liability for small, medium and large companies (as defined by the Taxes Acts). • Determine the extent of loss relief and how the 	<p>3.1 Compute PCTCT for sole companies including:</p> <ul style="list-style-type: none"> - adjustment of trading profits, - car leases and short leases, - long and short periods of account, - periods of account straddling financial years, - plant and machinery capital allowances, - industrial buildings allowances

loss may be relieved	<p>3.2 Compute the corporation tax liability for companies within the small, medium and large company bandings (as defined for taxation purposes) and when tax might be paid</p> <p>3.3 Recognise the marginal tax rates for medium sized companies.</p>
4. Apply the legislation and regulation in respect of chargeable gains and their associated relief's that may be able to apply to individuals' and company chargeable events;	<p>4.1 Understand the idea of capital gains tax</p> <p>4.2 Identify the assets which are exempt from capital gains and those which are chargeable</p> <p>4.3 Apply the basic format of capital gains computations to be applied for the computation of each individual gain; within an individual and corporate environment</p> <p>4.4 Identify and compute available reliefs; Identify the basis of capital loss and appreciate the rules to be applied in order to maximise the offset of this loss.</p>
5. Discuss sales tax principles prepare sales tax computations based upon UK legislation (VAT – Value Added tax). 6.	<p>5.1 Describe the principles and scope of UK sales tax</p> <p>5.2 Identify when a business entity must or may register for sales tax</p> <p>5.3 Discuss administrative and assessment arrangements in the submission and management of returns</p> <p>5.4 Define the alternative classifications of supply and explain the impact of each type of supply</p> <p>5.5 Prepare a sales tax return for a partially exempt business</p>

	<p>5.6 Calculate the sales tax payable / reclaimable</p> <p>5.7 Identify the tax point and describe the content of a sales invoice.</p>
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Study weightings

Against each learning outcome a percentage weighting is shown as a guide.

Instructions to candidates

Time allowed 3 hours 10 minutes which includes 10 minutes reading time
Use of a silent non-programmable calculator, which is NOT part of a mobile phone or any other device capable of communication, is allowed.

The examination will be in form of an in-tray test, where candidates are expected to analyse, explain and evaluate different elements of tax practice that may face middle managers of a company. Marks allocations will be provided to advise students in their weighting of the time required to answer each element of the in-tray test.

The pass mark is 50%

Booklist

Recommended: BPP Study Guide IFA Principles of Taxation

Others:

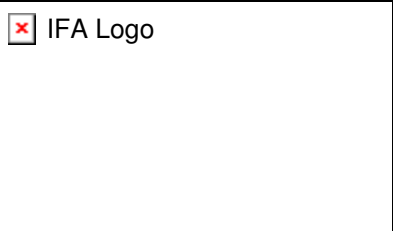
Current Editions of the following Textbooks and Journals are recommended.

Taxation by Melville A, FT Prentice Hall, ISBN-10: 0273708716 ISBN-13: 978-0273708711

"UK Tax Guide" , Tiley & Collison, Butterworths Law Revised edition (Oct 2008), ISBN-10: 1405729007 ISBN-13: 978-1405729000

Tolley's Tax Guide, Butterworths Law, Revised edition (Aug 2008), ISBN-10: 0754534723 ISBN-13: 978-0754534723

Tolley's Tax Digest (12 issues per year), ISBN 0754527190



Taxation Policy and Practice, Fiscal Publications, 15th edition (1 Aug 2008), ISBN-10: 190620103X ISBN-13: 978-1906201036

Useful Websites:

Taxbriefs Tax Guide, Taxbriefs Limited
www.taxbriefs.co.uk