

Chartered Accountant Malawi, CA (M)
Professional Examination Syllabus.



1. The ICAM PQ syllabus

Establishing a professional qualification is about a range of activities and is much more than a syllabus and examinations. Working with the training partner the professional qualification will have three integrated components to provide an in-depth understanding across accountancy, finance and business:

- Knowledge
- Skills
- Experience

Combined, they help build the technical knowledge, professional skills and practical experience needed to become a Chartered Accountant.



Professional development

Professional development prepares students to successfully handle a variety of different situations that they encounter throughout their career. The key seven areas are

- Adding value
- Communication
- Consideration
- Decision making
- Problem solving
- Team working
- Technical competence

Ethics and professional scepticism

Ethics is more than just knowing the rules around confidentiality, integrity, objectivity and independence. It is about identifying ethical dilemmas, understanding the implications and behaving appropriately. Ethics will be integrated throughout the ICAM qualification in its exams and in the professional development programme.

3-5 years practical work experience

Practical work experience will be done as part of a training agreement with an authorised training employer. Students need to complete 450 days, which can take between three to five years. The knowledge, skills and experience they gain as part of their training agreement is invaluable, as they have the opportunity to put what they learn into practice – all while earning a competitive salary.

Accountancy, finance and business syllabus modules

Each of the modules is directly relevant to the work that students do on a day-to-day basis. They will gain in-depth knowledge across a broad range of topics in accountancy, finance and business.

Students must pass every exam (or receive credit) – there are no optional papers. This ensures that once qualified, all Chartered Accountants have a consistent level of knowledge, skills and experience.

Entry Requirements

The following is the range of entry possibilities into the CA (M) qualification:

- A levels
- Non accounting degrees
- ICAM/PAEC Foundation Certificate, with exemption from three subjects at knowledge level; Accounting Framework (P1), Legal Framework (P2) and Management Information (P3)
- ICAM/PAEC Technician Diploma, with exemption from four subjects at knowledge level; Accounting Framework (P1), Legal Framework (P2), Management Information (P3), and Principles of Taxation (P6).
- BAcc from the Polytechnic, University of Malawi, with exemption from all six subjects at the Knowledge level.
- Other accounting degrees, whose exemptions would be advised after assessment of the particular degree.
- Part or full qualification with other recognised international/foreign accountancy bodies, whose exemptions would be advised after assessment of the particular qualification.

2. Syllabus and exams

The profession will have a three level structure to be followed. These levels are:

- **Knowledge level.** The student will show knowledge and skills.
- **Professional:** Application level. The student will be competent to use the skills in context.
- **Advanced:** Higher level. The student will be able to analyse, apply and evaluate.

At the lowest level questions in an exam will provide straightforward and structured data and information. At the next level questions will have straightforward but more complex data and information set in a more practical context. At the final level, there will be scenarios that are more professionally challenging asking for development of professional advice. The syllabuses¹ and examinations would be as follows:

(a) Level 1 - Knowledge:

This will be covered by the current technician qualification (PAEC), foundation (for non-relevant graduates) expanded by top up papers (full details of the benchmarking exercise and proposed syllabus are in below). An alternative route is the relevant degree. It is essential that students have a good grounding before progressing to the level 2 papers. As such the following papers need to be sat.

1. Assurance
2. Business and Finance
3. Financial and Management Accounting Skills and Competence Assessment.

For those that hold the PAEC Foundation Certificate, they will also be required to do Technician Principles of Taxation (P6).

(b) Level 2 - Professional:

This will include four ICAEW papers and two papers developed locally. The two local papers will be Tax Compliance (B4) and Public Sector Accounting and Finance (B5). The six modules build on the fundamentals and test students' understanding and ability to use technical knowledge in real-life scenarios. Modules from ICAEW will have a 2.5 hour exam, while those set locally will have a 3hour examination which will be available to sit twice per year. These modules are flexible and can be taken in any order.

(c) Level 3 - Advanced level:

This will comprise two ICAEW papers. The Corporate Reporting and Strategic Business Management modules test students' understanding and strategic decision making at a senior level. They present real-life scenarios, with increased complexity and implications from the Professional Level modules. The Advanced Level exams are fully open book, so they replicate a real-life scenario where all the resources are readily accessible. Sittings for Advanced papers will be twice a year.



Regarding Malawi Taxation and Public Sector Accounting & Finance papers, Malawi law and basic taxation will have been covered in the Level 1 qualification. At the professional level two papers will be covering these areas. A specific and detailed tax paper based on Malawi practice called Tax Compliance (Malawi) (B4). A second paper will examine public sector issues. The public sector is an enormously important area of the Malawian economy employing many accountants.

Note: All modules from Malawi have a pass mark of 50% while those from ICAEW its 55%.

3. KNOWLEDGE LEVEL SYLLABUS

P1: ACCOUNTING FRAMEWORK

Aims of the module

- i. To develop the student understands of the fundamental principles and concepts of accounting.
- ii. To develop the student's ability to apply accounting principles in various practical accounting environments in line with regulatory and statutory frameworks.
- iii. To develop the student's ability to prepare, analyze and interpret financial statements.

Objectives

By the end of the course the student should be able to:-

- i. Prepare financial statements for a variety of organizations within the regulatory framework.
- ii. Analyze the performance of a business using financial statements through ratio analysis.
- iii. Prepare basic consolidated financial statements for simple group accounts

Format and standard of the examination paper

The paper will consist of two sections; section A and section B. **Section A** will be compulsory with one question. The question will be on **preparation of final accounts for various forms of businesses with some adjustments**. This section will carry 40 marks. **Section B** will have **4 questions**, each carrying 20 marks. Candidates will be required to answer **any three** questions from section B.

Specification grid

Syllabus area	Weighting (%)
Maintaining financial records and adjustments to accounting records and financial statements	25
Accounting and reporting concepts	10
Accounting and reporting for various business organisations	50
consolidated financial statements	15
Total	100

Learning Outcomes

1 Introduction to accounting

In the assessment candidates, may be required to:-

- 1.1 *Accounting and the accounting process*
 - (a) Define accounting
 - (b) Define financial reporting – recording, analyzing and summarizing financial data
- 1.2 *Qualitative characteristics of accounting information*
 - (a) Define, understand and apply qualitative characteristics: relevance, faithful representation, comparability, verifiability, timeliness and understandability
- 1.3 *Users of accounting information and their requirements*
 - (a) Identify various users of financial statements and their information needs
- 1.4 *Accounting principles and concepts*
 - (a) Define accounting principles and concepts

- (b) Explain the principles of accounting: going concern, accruals, consistency, double entry, business entity, materiality and historical cost

1.5 *The role of computers in accounting*

- (a) Explain how computers are used in accounting systems
- (b) Consider the risks to data security, data protection procedures and the storage of data
- (c) Describe the accounting documents and management reports produced by computerized accounting systems and understand the link between the accounting system and other systems in the business
- (d) Outline advantages and disadvantages of using computers in accounting

1.6 *Regulation of accounting in Malawi*

- (a) Define, understand and apply accounting convention and generally accepted accounting principles (GAAP)
- (c) Understand the role of the regulatory system including the roles of the IFRS Foundation (IFRSF), the International Accounting Standards Board (IASB), the IFRS Advisory Council (IFRS AC) and the IFRS Interpretations Committee (IFRS IC)
- (d) Consider the role of the local regulatory system including Institute of Chartered Accountants in Malawi (ICAM) and Malawi Accountants Board (MAB)
- (e) Understand the role of International Reporting Standards

2 Accounting procedures and systems

In the assessment candidates, may be required to:-

2.1 *Classification of business transactions*

- (a) Understand a range of business transactions including: sales, purchases, receipts, payments, petty cash and payroll

2.2 *Elements of accounting information*

- (a) Understand and identify the purpose of each of the main financial statements
- (b) Define and identify assets, liabilities, equity, revenue and expenses

2.3 *Source documents*

- (a) Outline the contents and purpose of different types of business documentation, including: quotation, sales order, purchase order, goods received note, goods dispatched note, invoice statement, credit note, debit note, remittance advice, receipt

2.4 *Books of prime entry*

- (a) Identify the main types of ledger accounts and books of prime entry, and understand their nature and function.

2.5 *The concept of double entry*

- (a) Understand and apply the concept of double entry accounting and the duality concept.
- (b) Define the accounting equation.
- (c) Understand and apply the accounting equation.
- (d) Understand how the accounting equation relates to the double entry book-keeping system
- (e) Process financial transactions from the books of prime entry into the double entry bookkeeping system.

2.6 *Charts of accounts and coding*

- (a) Understand and explain charts of accounts
- (b) Understand the principles of coding in entering accounting transactions including:
 - (i) Describing the need for a coding system for financial transactions within a double entry book-keeping system
 - (ii) Describe the use of a coding system within a filing system
 - (iii) Code sales invoices, supplier invoices and credit notes ready for entry into the books of prime entry

2.7 *Trial balance and Journals*

- (a) Understand and illustrate the uses of journals and the posting of journal entries into ledger accounts.
- (b) Illustrate how to balance and close a ledger account
- (c) Identify the purpose of a trial balance
- (d) Extract ledger balances into a trial balance
- (e) Identify and understand the limitations of a trial balance
- (f) Prepare ledger balances, clearly showing the balances carried down and brought down as appropriate.
- (g) Extract an initial trial balance

3 Application of selected accounting standards

In the assessment candidates, may be required to:-

3.1 *Accounting for tangible noncurrent assets*

The main reference is International Accounting Standard (IAS) 16, Property, Plant and Equipment. The other relevant accounting standards are IAS 36 Impairment of Assets and IAS 40 Investment Property

- (a) Define non-current assets.
- (b) Recognise the difference between current and non-current assets.
- (c) Explain the difference between capital and revenue items.
- (d) Classify expenditure as capital or revenue expenditure
- (e) Prepare ledger entries to record the acquisition and disposal of non-current assets

- (f) Calculate and record profits or losses on disposal of non-current assets in the statement of profit or loss including part exchange transactions.
- (g) Record the revaluation of a non-current asset in ledger accounts, the statement of profit or loss and other comprehensive income and in the statement of financial position.
- (h) Calculate the profit or loss on disposal of a revalued asset.
- (i) Illustrate how non-current asset balances and movements are disclosed in financial statements.
- (j) Explain the purpose and function of an asset register.
- (k) Define property, plant and equipment, carrying amount, depreciable amount, depreciation, fair value, impairment loss, recoverable amount, residual value and useful life of noncurrent asset
- (l) Understand and explain the purpose of depreciation.
- (m) Calculate the charge for depreciation using straight line and reducing balance methods.
- (n) Identify the circumstances where different methods of depreciation would be appropriate
- (o) Illustrate how depreciation expense and accumulated depreciation are recorded in ledger accounts

- (p) Calculate depreciation on a revalued noncurrent asset including the transfer of excess depreciation between the revaluation reserve and retained earnings.
- (q) Calculate the adjustments to depreciation necessary if changes are made in the estimated useful life and/or residual value of a noncurrent asset.
- (r) Record depreciation in the statement of profit or loss and statement of financial
- (s) Explain when cost of an item qualifies to be recognised as an asset
- (t) Explain how the value of property, plant and equipment is measured and its elements
- (u) Recognize costs that are not costs of an item of property, plant and equipment
- (v) Explain the difference between property, plant and equipment under IAS 16 and investment property under IAS 40
- (w) Understand and apply the cost measurements: cost model and revaluation model
- (x) Recognize examples of separate classes of property, plant and equipment
- (y) Explain basis for choosing a depreciation method
- (z) Explain the circumstances an item of property, plant and equipment cost should be depreciated separately
- (aa) Explain circumstances that would be the basis for derecognition of an asset
- (bb) Explain and identify minimum requirements that should be considered in assessing any indication that an asset may be impaired
- (cc) Prepare disclosure note for each class of property, plant and equipment

3.2 *Accounting for intangible noncurrent assets and amortisation*

The main reference is International Accounting Standard (IAS) 38 Intangible Assets

- (a) Define intangible asset
- (b) Identify intangible asset with reference to identifiability, control and future economic benefits criterion
- (c) Recognise the difference between tangible and intangible non-current assets with examples
- (d) Explain the basis for recognition of intangible assets
- (e) Identify and explain the treatment of intangible assets based on whether it is acquired, or internally generated intangible asset
- (f) Define and calculate amortization and explain their treatment for intangible assets with finite and indefinite useful life
- (g) Explain and apply the cost and revaluation model options to measurement approach of intangible asset after recognition
- (h) Identify and explain circumstances that would be the basis for derecognition of an intangible asset
- (i) Prepare disclosure note for each class of intangible assets

3.3 *Accounting for inventories*

The main reference is International Accounting Standard (IAS) 2 Inventories

- (a) Define inventories, and net realizable value
- (b) Understand the measurement of inventories
- (c) Understand the elements of cost of inventories
- (d) Identify and apply cost formulas for cost of inventories; first-in, first-out (FIFO) and weighted average cost formulas
- (e) Explain when inventories are recognised as an expense
- (f) Prepare a disclosure note for accounting policy for inventory cost measurement and the cost formula used in preparation of financial statements

3.4 *Accounting for leases*

The main reference is International Accounting Standard (IAS) 17 Leases

- (a) Define lease
- (b) Identify and define classes of lease : a finance lease and operating lease

- (c) Understand the concepts of minimum lease payments and interest rate implicit in the lease
- (d) Explain the recognition of operating lease and finance lease in financial statements
- (e) Record transactions of leases in the ledger accounts and financial statements for both the lessor and the lessee
- (f) Understand and explain sale and leaseback transaction

3.5 *Accounting for agriculture*

The main reference is International Accounting Standard (IAS) 41 Agriculture

- (a) Define agricultural activity and biological transformation
- (b) Identify agricultural produce and a biological asset
- (c) Identify types of biological transformation outcome
- (d) Explain when a biological asset or agricultural produce should be recognized
- (e) Classify biological assets into mature and immature assets

3.6 *Accounting for provisions and contingencies*

The main reference is the IAS 37 Provisions, Contingent Liabilities and Contingent assets

- (a) Understand the definition of “provision”, “contingent liability” and “contingent asset”.
- (b) Distinguish between and classify items as provisions, contingent liabilities or contingent assets.
- (c) Identify and illustrate the different methods of accounting for provisions, contingent liabilities and contingent assets.
- (d) Calculate provisions and changes in provisions.
- (e) Account for the movement in provisions
- (f) Report provisions in the final accounts.

4 **Final accounts for various forms of businesses**

In the assessment candidates, may be required to:-

4.1 *Sole trader*

- (a) Prepare a statement of profit or loss and other comprehensive income or extracts as applicable from given information using accounting treatments as stipulated within section D, E and examinable documents.
- (b) Understand how accounting concepts apply to revenue and expenses.
- (c) Calculate revenue, cost of sales, gross profit, profit for the year, and total comprehensive income from given information.
- (d) Disclose items of income and expenditure in the statement of profit or loss.
- (e) Record drawings in the statement of profit or loss.
- (a) Understand the interrelationship between the statement of financial position and the statement of profit or loss and other comprehensive income

4.2 *Partnership*

- (a) Define a partnership and identify types of partners
- (b) Understand partnership in respect of ownership and liability
- (c) Explain the purpose and content of a partnership agreement.
- (d) Explain, calculate and account for appropriations of profit:
 - (i) Salaries of partners
 - (ii) Interest on drawings
 - (iii) Interest on capital

- (iv) Share of residual profit (the amount of profit available to be shared between the partners in the profit and loss sharing ratio, after all other appropriations have been made)
 - (e) Explain the difference between partners' capital and current accounts.
 - (f) Prepare the partners' capital and current accounts.
 - (g) Prepare the final accounts for a partnership
 - (h) Explain and account for the admission of a new partner including the treatment of any goodwill arising and revaluation of assets
- 4.3 *Accounts for non-profit making organizations.*
- (a) Explain the difference between accrual and cash basis accounting non-profit making organisations
 - (b) Calculate income from independent fund raising activities such as competition, canteen, bars
 - (c) Make periodical adjustments including income in arrears and in advance
 - (d) Understand and calculate accumulated fund
 - (e) Prepare statement of income and expenditure and statement of financial position for non-profit making organisations such as clubs and societies
- 4.4 *Limited companies*
- 4.4.1 *Preparation of final accounts for internal use:*
- (a) Classify expenses by function; distribution expenses, administrative expenses, and finance expenses.
 - (b) Calculate and record finance costs in ledger accounts and the financial statements.
 - (c) Record other income and taxation
 - (d) Calculate and record dividends in ledger accounts and the financial statements.
 - (e) Record profit transfers to various reserves in ledger accounts and the financial statements.
 - (f) Prepare statement of profit or loss and statement of financial statement
 - (g) Define a bonus (capitalization) issue and its advantages and disadvantages.
 - (h) Define a rights issue and its advantages and disadvantages.
 - (i) Record and show the effects of a bonus (capitalization) issue in the statement of financial position.
 - (j) Record and show the effects of a rights issue in the statement of financial position
- 4.4.3 *Preparation of final accounts for publication*
- (a) Prepare statement of profit or loss and statement of financial position according to International Financial Reporting Standards, Companies Act and Generally Accepted Accounting Practice
 - (b) Calculate earnings per share according to IAS 33
- 4.4.4 *Statement of changes in equity.*
- (a) Identify the components of the statement of changes in equity
 - (b) Record movements in the share capital, share premium accounts and other equity components
- 4.4.5 *Cash flow statement for a single company.*
The reference is IAS 7 Statement of Cash Flows
- (a) Differentiate between profit and cash flow
 - (b) Understand the need for management to control cash flow.
 - (c) Recognise the benefits and drawbacks to users of the financial statements of a statement of cash flows.
 - (d) Classify the effect of transactions on cash flows
 - (e) Calculate the figures needed for the statement of cash flows including:

- (i) Cash flows from operating activities
- (ii) Cash flows from investing activities
- (iii) Cash flows from financing activities
- (f) Understand different treatments of interest and dividends
- (g) Calculate the cash flow from operating activities using the indirect and direct method.
- (h) Identify the elements of cash and cash equivalents

5 Special accounting procedures

In the assessment candidates, may be required to:-

5.1 *Errors and the correction of errors*

- (a) Identify types of error in a book-keeping system that are disclosed by extracting a trial balance.
- (b) Identify types of error in a book-keeping system that are not disclosed by extracting a trial balance.
- (c) Use the journal to correct errors disclosed by the trial balance.
- (d) Use the journal to correct errors not disclosed by the trial balance.
- (e) Understand the purpose of a suspense account.
- (f) Identify errors leading to the creation of a suspense account.
- (g) Record entries in a suspense account journal.
- (h) Redraft the trial balance following correction of all errors.

5.2 *Bank reconciliation statement*

- (a) Understand the purpose of bank reconciliations.
- (b) Identify the main reasons for differences between the cash book and the bank statement.
- (c) Correct cash book errors and/or omissions.
- (d) Prepare bank reconciliation statements.
- (e) Derive bank statement and cash book balances from given information.
- (f) Identify the bank balance to be reported in the final accounts.

5.3 *Disposal of non current assets*

- (a) Calculate and record profits or losses on disposal of non-current assets in the statement of profit or loss including part exchange transactions and scrapping of assets

5.4 *Receivables and payables control ledgers*

- (a) Understand the purpose of control accounts for accounts receivable and accounts payable.
- (b) Understand how control accounts relate to the double-entry system.
- (c) Prepare ledger control accounts from given information to deduce sales and purchases figures
- (d) Perform control account reconciliations for accounts receivable and accounts payable.
- (e) Identify errors which would be highlighted by performing control account reconciliation.
- (f) Identify and correct errors in control accounts and ledger accounts.

5.6 *Incomplete records*

- (a) Describe the circumstances which lead to incomplete records.
- (b) Describe the methods of constructing accounts from incomplete records.
- (c) Prepare the final accounts or elements thereof using incomplete record techniques such as:

- (i) Use of accounting equation
- (ii) Use of ledger accounts to calculate missing figures
- (iii) Use of cash and/or bank summaries
- (iv) Use of profit percentages to calculate missing figures

6 Introduction to consolidated accounts

In the assessment candidates, may be required to:-

Reference standard is IFRS 10

6.1 *The definition of various investments (trade investment, subsidiary, an associate and joint ventures.*

- (a) Define and describe the following terms in the context of group accounting:
Parent, Subsidiary, Control, Consolidated or group financial statements, Non-controlling interest, Trade / simple investment
- (b) Identify subsidiaries within a group structure.

6.2 *Preparation of basic consolidated financial statements for a company with one subsidiary.*

- (a) Define and describe the following terms in the context of group accounting:
 - (i) Parent
 - (ii) Subsidiary
 - (iii) Control
 - (iv) Consolidated or group financial statements
 - (v) Non-controlling interest
 - (vi) Trade / simple investment
- (b) Identify subsidiaries within a group structure.
- (c) Calculate goodwill (excluding impairment of goodwill) using the full goodwill method only as follows:

Fair value of consideration		X
Fair value of non-controlling interest	X	
Less fair value of net assets at acquisition		(X)
Goodwill at acquisition		X
- (d) Describe the components of and prepare a consolidated statement of financial position:
 - (i) Elimination of inter-company trading balances (excluding cash and goods in transit)
 - (ii) Removal of unrealized profit arising on inter-company trading
 - (iv) Acquisition of subsidiaries part way through the financial year taking into account pre and post acquisition profits

7 Interpretation of financial statements

In the assessment candidates, may be required to:-

7.1 *Importance and purpose of analysis of financial statements*

- (a) Describe how the interpretation and analysis of financial statements is used in a business environment.
- (b) Explain the purpose of interpretation of ratios

7.2 *Ratio Analysis.*

- (a) Calculate key accounting ratios: profitability, liquidity, efficient use of resources and financial position ratios
- (b) Deduce elements of financial statements from given ratios

7.3 *Analysis of financial statements*

- (a) Calculate and interpret the relationship between the elements of the financial statements with regard to profitability, liquidity, efficient use of resources and financial position.
- (b) Draw valid conclusions from the information contained within the financial statements and present these to the appropriate user of the financial statements.
- (c) Recognise limitations of ratio analysis in interpretation of financial statements.

REFERENCES

ICAM *Accounting Framework Manual*

Frank wood; *Business Accounting 1 and 2*

Glautier, M N E, Underdown, B; Clark A C; *Basic Accounting Practice*

Lee, G A; *Modern Financial Accounting*: Van Nostrand Reinhold.

Whitehead, G; *Success in Principles of Accounting*: John Murphy.

P2: LEGAL FRAMEWORK

Aim of the module

To develop candidates' understanding of the legal framework in relation to company and business law, and the ability to apply this knowledge in various business transactions and decisions.

Objective

On completion of this module, candidates will be able to:

- Explain the various sources of law in Malawi.
- Explain the organization of the courts and administration of the courts in Malawi.
- Distinguish between civil and criminal liability.
- Explain the basic principles related to law of torts.
- Explain the principles of the law of contract.
- Explain the law relating to sale of goods.
- Explain the principles of the law of agency.
- Describe the law relating to labour and employment in Malawi.
- Explain the fundamental features of a company, classification and practical procedures in the formation of a company.
- Explain the nature of the legal constitution of a registered company.
- Explain the legal effects of incorporation of a company.
- Describe company membership, the concept of shares and their transferability
- Describe the capital and financing of companies.
- Explain company administration in relation to shareholders, directors, the company secretary, auditors and company meetings.
- Explain receivership, the forms of company liquidation and the key aspects of liquidation and the role of the liquidator.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus Area	Weighting
The Malawi Legal System	20
The Law of Contract	25
Sale of Goods	10
Employment Contracts	10
Company Law	25
Agency	5
The Law of Tort	5
TOTAL	100

Learning Outcomes

1. The Malawi Legal System

In the assessment, candidates may be required to:

- i. explain the system of courts and administration of justice in Malawi.

- ii. discuss sources of law in Malawi, including legislation, case law, custom and equity.

2. The Law of Contract

In the assessment, candidates may be required to:

- i. recognise when a legally binding contract exists between two parties and how a contract may be enforced.
- ii. identify the circumstances under which a contract can be terminated and possible remedies for breach of contract.

3. The Contract of Sale of Goods

In the assessment, candidates may be required to:

- i. explain the requirements for the formation, performance, discharge and remedies under a sale of goods contract.

4. Employment Contracts

In the assessment, candidates may be required to:

- i. identify the main legal consequences of employment status.
- ii. identify the key features of employment contracts and recognize circumstances in which an employment contract may be terminated and the consequences arising therefrom.
- iii. explain dispute resolution processes in the workplace and statutory benefits payable to employees.

5. Company Law

Candidates should be able to understand the implications of incorporation, including the roles of shareholders and directors, and the process of liquidation.

In the assessment, candidates may be required to:

- i. identify the differences between partnerships and companies and recognize the circumstances when the veil of incorporation can be lifted.
- ii. identify the procedures required to form a registered company.
- iii. identify the administrative consequences of incorporation.
- iv. identify the rules relating to financing of companies.
- v. identify rules relating to compulsory and voluntary liquidation (including relevance of secured debt).

6. Agency

In the assessment, candidates may be required to:

- i. identify the methods by which agency can be created.
- ii. identify the duties and rights of agents.
- iii. recognise the authority an agent has to enter into contracts on behalf of a principal, including express, implied and apparent authority; and the termination of the agency relationship.

7. The Law of Tort

In the assessment, candidates may be required to:

- i. distinguish a tort from other wrongs.
- ii. explain remoteness of damage; vicarious liability; negligence, strict liability, nuisance, defamation and general defenses in tort.

Reference

ICAM Legal Framework Manual

P3: MANAGEMENT INFORMATION

Aim of the module

- To develop the candidate's understanding of mathematical and statistical principles and ability to apply them in business.
- To develop the candidate's understanding of costing techniques and their application in business.

Course objectives

By the end of the study students should be able to:

- Describe the nature and role of quantitative techniques in decision making.
- Classify data and distinguish various data collection methods.
- Explain the importance of using sampling techniques when studying attributes of members of a population
- Present data in a manner that is understandable to all users.
- Calculate various summary measures from any given set of data.
- Use probability to measure chances of failure or success of any decision or any other occurrence.
- Distinguish different random variables and evaluate their respective probabilities.
- Solve linear programming problems.
- Perform investment appraisals.
- Investigate relationships between variables.
- Distinguish and calculate various index numbers
- Analyze and make forecasts from historic data.
- Ascertain costs for products and services using appropriate costing methods and use them to establish prices;
- Prepare budgets for various activities using appropriate budgeting approaches and methods:
- Analyse standards and budgets of various activities and compare with actual to explain differences;
- Use relevant cost theory to make simple and short term management decisions.

Format and standard of the examination paper

The paper will consist of 5 questions each carrying 20 marks. Candidates will be required to answer all questions.

Specification Grid

Syllabus Area	Weightings (%)
Mathematics	50
Costing	50
Total	100

LEARNING OUTCOMES

1. Nature and role of quantitative techniques

While emphasizing the importance of information to organizations, the candidate will also be exposed to quantitative techniques that will be used in decision making.

In the assessment, candidates may be required to:

- i. Define the term quantitative techniques
- ii. Outline the importance of quantitative methods for managers
- iii. Describe the attributes of quantitative methods
- iv. Describe the stages in decision making process
- v. Explain why quantitative techniques are used by managers

2. **Data and data collection**

The candidate should be able to identify various methods employed in choosing the subjects for an investigation and the different ways that exist for collecting data.

In the assessment, candidates may be required to:

- i. Distinguish between data and information
- ii. Classify data
- iii. Distinguish between data collection methods and select a suitable method
- iv. Distinguish between different types of data
- v. State stages in statistical investigation

3. **Sampling**

The candidate should explain the importance of using sampling techniques when studying attributes of members of a population.

In the assessment, candidates may be required to:

- i. Distinguish between sampling and taking a census
- ii. Outline the major sampling techniques
- iii. State advantages and disadvantages of various sampling techniques
- iv. Suggest a suitable sampling technique for a situation and take a sample using any of the major techniques.

4. **DATA PRESENTATION**

While data may be collected using various methods the candidate should be able to present the data in the form that can be easily understood and interpreted.

In the assessment, candidates may be required to:

- Know various data presentation techniques
- i. Select an appropriate data presentation technique for specific data basing on type of data at hand
- ii. State advantages and disadvantages of the technique.

5. **STATISTICAL MEASURES**

The candidate should be able to calculate various summary measures from any given set of data.

In the assessment, candidates may be required to:

- i. Calculate measures of central tendency from simple data

- ii. Calculate measures of central tendency for frequency distributions
- iii. Interpret measures of central tendency
- iv. Calculate measures of dispersion
- v. Interpret measures of dispersions
- vi. Compare distributions using summary measures
- vii. Determine the skewness of a distribution
- viii. Interpret the skewness of a distribution

6. PROBABILITY

Businesses operate in a world full of uncertainties under which managers have to make decisions. The candidate should be able to use probability to measure chances of failure or success of any decision or any other occurrence.

In the assessment, candidates may be required to:

- i. Define key terms used in probability
- ii. Describe the role of probability in decision making
- iii. Distinguish types of events/outcomes in the context of probability
- iv. Apply the two basic rules of probability
- v. Calculate marginal and conditional probabilities
- vi. Apply the rules of probability including addition, multiplication and Bayesian rules
- vii. Apply a tree diagram to organize and compute probabilities
- viii. Calculate and apply of expected values

7. RANDOM VARIABLES AND PROBABILITY DISTRIBUTIONS

The candidate should be able to distinguish different random variables and evaluate their respective probabilities.

In the assessment, candidates may be required to:

- i. define terms 'probability distribution' and 'random variable',
- ii. distinguish between discrete and continuous probability distributions,
- iii. describe the characteristics of binomial probability distribution,
- iv. compute probabilities using the binomial probability distribution.
- v. describe the characteristics of the Poisson probability distribution,
- vi. compute probabilities using the Poisson probability distribution,
- vii. describe the characteristics of the normal probability distribution,
- viii. determine probabilities using the normal probability distribution, making use of standard normal tables
- ix. calculate the mean, variance, and standard deviation of a discrete probability distribution.

8. LINEAR PROGRAMMING

The candidate should be able to solve linear programming problems.

In the assessment, candidates may be required to:

- i. Find the objective function for a given problem.
- ii. Come up with constraints from a given word problem.
- iii. Plot inequalities and determine a feasible region for a given word problem.
- iv. Find the optimal value of a function for a given word problem

9. REGRESSION AND CORRELATION ANALYSIS

The candidate should be able to investigate relationships between variables and measure the strength of those relationships.

In the assessment, candidates may be required to:

- i. explain the meaning of regression analysis
- ii. identify practical examples where regression analysis can be used
- iii. plot scatter diagrams
- iv. construct a simple linear regression model
- v. prepare estimates of the unknown variable using the regression model
- vi. compute and interpret the correlation coefficient
- vii. compute and interpret the coefficient of determination
- viii. create an understanding of linear regression

10. TIME SERIES

The candidate should be able to calculate trend and seasonal variations and use these to forecast.

In the assessment, candidates may be required to:

- i. Define a 'time series'
- ii. Plot time series data
- iii. Described times series models
- iv. Distinguish between components of a time series
- v. Decompose a time series into its components
- vi. Forecast time series values

11. INDEX NUMBERS

The candidate will be able to distinguish and calculate various index numbers.

In the assessment, candidates may be required to:

- i. Explain what an index number is
- ii. Distinguish between base year and current year.
- iii. Construct single item indices (price and quantity).
- iv. Identify different types of index numbers.
- v. Change the base of an index number
- vi. Measure changes in economic data using indices
- vii. Calculate the Laspeyres and Paasche Indices and explain the difference
- viii. To adjust nominal money values into real terms (taking inflation into account)
- ix. Explain how index numbers can be used in practice.

12. FINANCIAL MATHEMATICS

The candidate will have developed an understanding of financial mathematics and be able to apply in business.

In the assessment, candidates may be required to:

- i. Distinguish between simple and compound interest
- ii. Calculate interest, principal or period in given various combinations of parameters
- iii. Should be able to compound at shorter periods and calculate the effective interest rate
- iv. Describe the different techniques of depreciation.
- v. Depreciate an asset using the various depreciation techniques
- vi. Appraise an investment using payback period
- vii. Appraise an investment using Net Present Values
- viii. Appraise an investment using Internal Rate of Return
- ix. Compare the various techniques of investment appraisal
- x. Calculate the maturity value of an annuity
- xi. Calculate the fixed equal payment of annuity given the maturity value
- xii. Define a sinking fund
- xiii. Describe amortisation as a method of debt repayment.

13. Introduction to Calculus

In some situations, it helps to investigate the rates of changes of some phenomena with respect to some variable. Calculus is quite handy in the assessment of optimal values of functions.

In the assessment, candidates may be required to:

- i. Differentiate functions up to the second derivative.
- ii. Evaluate indefinite and definite integrals.
- iii. Find minimum and maximum values of a given function.
- iv. Apply calculus on revenue, cost and profit functions with the aim of finding optimum points.

14. Business Equations

Equations are used to model real-life situations. In particular, equations are applicable to numerous business situations.

In the assessment, candidates may be required to:

- i) Evaluate functions
- ii) Distinguish linear and non linear equations.
- iii) Formulate equations from word problems.
- iv) Solve linear equations.
- v) Solve quadratic equations by graph, factorisation and formula.
- vi) Solve exponential equations
- vii) Solve equations using logarithms.
- viii) Apply equations to business situations.

15. Cost ascertainment

Students will be able to ascertain costs for products and services using appropriate costing methods and use them to establish prices.

In the assessment, candidates may be required to:

- i. Understand the basic concepts of cost accounting
- ii. Classify costs into fixed, variable and mixed and able to separate mixed costs into variable and fixed components.
- iii. Select the most suitable method of costing for different products and services
- iv. Understand basic concepts of overhead allocation, apportionment and absorption
- v. Prepare management information using :
 - Marginal costing
 - Absorption costing and reconcile the differences in profits reported
- vi. Use non traditional costing methods in the provision of management information

16. Planning, performance measurement and control

Students will be able to identify and describe the purpose of standard costing system and the application in budgetary control. Select appropriate budgeting approaches and methods and prepare budgets.

In the assessment, candidates may be required to:

- i. Understand the concepts of standards and standard costing and how they are set.
- ii. Explain how budgeting fits into the overall planning and control framework
- iii. Identify and describe the various stages in the budgeting process
- iv. Prepare functional and master budgets using different techniques
- v. Apply the principles of flexible budgeting in budgetary control
- vi. Calculate differences between actual performance and standards or budgets in terms of cost and volume effects and identify possible reasons for those differences.

17. Decision making

Students should be able to apply principles of marginal costing and relevant costs for use in management decision making.

In the assessment, candidates may be required to:

- i. Calculate the breakeven point, contribution and margin of safety for a given product or service.
- ii. Understand Cost-Volume-Profit (CVP) analysis, assumptions and limitations.
- iii. Distinguish between relevant and irrelevant costs and revenues for decision making.
- iv. Describe the key concept that should be applied for presenting information for product mix decisions when capacity constraints apply.

- v. Describe how marginal costing can assist in short-term decision making.

Reference

ICAM Management Information Manual

P5: ASSURANCE

Module Aim

To develop candidates' knowledge and skills of assurance and fundamental principles of personal and professional ethics, and are able to apply them in the assurance process within the context of regulatory framework.

Objectives

On completion of this module, candidates should be able to:

- Explain the meaning of assurance, its importance and the need for assurance engagements being carried out by appropriately qualified professionals;
- Describe the nature of subject matters where assurance may be provided and explain how an assurance process can be executed on such subject matters; and
- Explain the importance of personal and professional ethics as a provider of assurance services.

Format and Standard of the Examination Paper

The examination paper for the P5 Assurance module will comprise five compulsory questions. Each question will carry 20 marks.

Specification Grid

This grid shows the relative weightings of sections within this course. Marks available in the examination assessment will roughly equate to the weightings below, although slight variations may occur in individual sections assessments to enable suitably rigorous questions to be set.

Syllabus Area	Weightings %
Introduction to Assurance	20
Assurance in Practice	50
Personal and Professional Ethics	30
Total	100

Learning Outcomes

The course syllabus seeks to accomplish the following learning outcomes:

Section 1: Introduction to Assurance

Candidates will be able to explain the meaning of assurance, its importance and the need for assurance engagements being carried out by appropriately qualified professionals.

In the assessment, candidates may be required to:

- a. define the concept of assurance;
- b. state the purpose of assurance report;
- c. provide benefits gained from and limitations of an assurance;
- d. compare the roles and characteristics of different parties involved in assurance engagement;
- e. identify and compare purpose and characteristics of, and levels of assurance obtained from, different assurance engagements;
- f. define the concept of reasonable assurance;
- g. define the assurance process which includes:
 - obtaining engagement,
 - planning,
 - determination of scope of work and
 - obtaining evidence.
- h. compare different methods of obtaining evidence;
- i. recognize the strength and weaknesses of different methods of obtaining evidence;
- j. select the appropriate methods of obtaining evidence from the test of controls and substantive testing procedures for a given subject matter;
- k. recognizing issues arising whilst gathering assurance evidence that should be referred to senior colleague;
- l. identify the circumstances in which written confirmation of representations from management should be sought and the reliability of such confirmation as a form of assurance evidence; These two have not been captured on the chapter, have they been covered in the text or we should remove them?
- m. identify the roles of regulation and guidelines in engagements;
- n. discuss auditors appointment, rights, duties, remuneration and removal or resignation;
- o. Discuss the law of contract and how it can affect an assurance engagement;
- p. explain the different perspectives in which a professional accountant would provide assurance services; and
- q. distinguish the role of an internal auditor from that of an external auditor in the provision of assurance services.

Section 2: Assurance in Practice

Candidates will be able to describe the nature of subject matters where assurance may be provided and explain how an assurance process can be executed on such subject matters.

In assessment, candidates may be required to:

- a. define and explain the key planning considerations of materiality, audit risk, impact of IT on audit planning;

- b. describe and prepare an audit strategy, understand different strategies to conduct the audit: risk based, systems based and controls based audit approaches;
- c. explain the procedures required to execute and report on an audit assurance assignment and describe the methods used to obtain evidence;
- d. understand and apply relevant auditing and reporting standards (ISA's and IFRS) in relation to the audit of different financial statement sections;
- e. explain the importance of audit documentation;
- f. understand the audit reporting process and its key considerations;
- g. define prospective financial information (PFI);
- h. explain the key considerations when accepting a PFI engagement;
- i. describe the procedures used in the examination of PFI;
- j. explain the reporting process and assurance levels given in a PFI engagement;
- k. describe the risk management framework;
- l. explain the importance of risk management in the achievement of corporate goals;
- m. describe the process that would enable a professional accountant provide assurance on effectiveness of risk management;
- n. define corporate governance;
- o. explain the key principles to corporate governance systems;
- p. describe elements of corporate governance;
- q. describe the provisions of the Malawi code of corporate governance;
- r. explain the importance of corporate governance;
- s. describe the roles of the board, management and shareowners;
- t. explain the procedures required to plan, execute and report on a corporate governance assurance assignment;
- u. explain the role of internal controls within the entity;
- v. describe the five components of internal controls;
- w. identify and document an organisation's internal controls (both manual and IT environment);
- x. explain preventative, detective and corrective controls;
- y. explain test of controls;
- z. discuss the inherent limitations of internal controls;
- aa. define environmental audit;
- bb. describe and assess the social and environmental effects that economic activity can have (in terms of social and environmental 'footprints' and environmental reporting);
- cc. explain and assess the concept of sustainability and evaluate the issues concerning accounting for sustainability (including the contribution of 'full cost' accounting);
- dd. describe the main features of internal management systems underpinning environmental accounting such as EMAS and ISO 14000;
- ee. explain and assess the typical contents of a social and environmental report, and discuss the usefulness of this information to stakeholders;
- ff. explain the nature of social and environmental audit and evaluate the contribution it can make to the development of environmental accounting;
- gg. define value for money;
- hh. explain the meaning of economy, efficiency and effectiveness;
- ii. apply value for money in the human resources and procurement functions of a company; and
- jj. explain the procedures required to plan, execute and report on procurement and human resource assurance assignments.

Section 3: Personal and Professional Ethics

Candidates will be able to explain the importance of personal and professional ethics as a provider of assurance services.

In the assessment, candidates may be required to:

- a. define ethics;
- b. describe the situations that pose ethical dilemmas;
- c. explain and analyse the content and nature of ethical decision-making using content from Kohlberg's framework as appropriate, AAA model and Tucker's 5 question model;
- d. explain and analyse issues related to the application of ethical behaviour in a professional context;
- e. describe and discuss 'rules based' and 'principles based approaches to resolving ethical dilemmas encountered in professional accounting;
- f. explain the areas of behaviour covered by corporate codes of ethics;
- g. describe and assess the content of, and principles behind, professional codes of ethics;
- h. describe and assess the codes of ethics relevant to accounting professionals such as IFAC and ICAM.

Reference

ICAM Assurance Manual

P6: TAXATION

Aim of the module

To enable candidates understand the general objectives of taxation and to apply this knowledge in practice by calculating income tax for different taxable persons including individuals, partnerships, corporate bodies and taxation principles applicable to special trades.

Objectives

On completion of this module the candidate should be able to:-

- Explain the principles of taxation
- Describe the administration of taxes in Malawi
- Explain the general objectives of Malawi tax and the different types of tax
- Calculate tax liabilities for individuals and corporate bodies
- Calculate value added taxes, excise and customs duties owed by taxpayers
- Prepare various tax returns

Format and standard of the examination paper

The examination will be divided into two sections, A and B. Section A will have two compulsory questions. Section B will have five questions and candidates will be required to answer any three. Section A will account for 40% of the examination and section B 60%. There will be a balance between narrative and computational questions.

The table below shows the relative weightings of topics within this module and gives an indication of the exam content for each area.

Syllabus area	Weighting
Principles of taxation and introduction to Malawi taxation	5%
Income tax on individuals and corporate bodies	40%
Capital allowances	10%
Taxation of special trades and cases	10%
Administration and collection of taxes	15%
Value added tax	10%
Customs duties	5%
Excise	5%
Total	100%

The following are the learning outcomes

1. Principles of taxation and introduction to Malawi taxation

Candidates should be able to explain the principles and objectives of taxation and explain the Malawi tax system.

In the exam candidates may be required to:

- Explain reasons for a government introducing a tax system
- Describe essential elements of a good tax system
- Describe the Malawi tax system (past and present) and the basis of taxation
- Classify and explain the nature of taxes

2. Income tax on individuals and corporate bodies

Candidates should be able to classify entities as individuals, partnerships, or companies for tax purposes and state how they are taxed.

In the exam candidates may be required to:

- Identify assessable and exempt income, allowable and non-allowable deductions and taxable income
- Compute fringe benefits tax
- Compute capital gains or losses
- Compute foreign exchange gains or losses
- Compute tax on investment income
- Compute taxes for individuals, partnerships and corporate bodies.

3. Capital allowances

Candidates should be able to explain and compute the different types of capital allowances and identify the scenarios and on which assets on which they can be claimed.

In the exam the candidate may be required to:

- Describe initial, investment and annual allowances
- Identify assets that qualify for capital allowances
- Compute capital allowances
- Compute capital gains or losses
- Describe incentives and restrictions on capital allowances

4. Taxation of special trades and cases

Candidates should be able to describe how special trades are taxed.

Candidates may be required to compute taxes for:

- Charities and trusts
- Clubs and societies
- Ecclesiastical bodies
- Sale of timber and land on which timber has been grown for sale
- Farming

5. Administration and collection of taxes

Candidates should be able to identify the obligations the Malawi tax system imposes on tax payers and the implications of non-compliance.

In the exam candidates may be required to:

- Explain the powers of the commissioner general
- Explain the significance and application of the rule of secrecy

- Explain who is responsible for administering tax on behalf of corporate bodies
- Identify the records that must be kept for various taxes.
- Explain collection procedures (Pay as you earn, withholding tax, provisional tax, non-resident tax)
- State due dates for various tax returns and penalties for non-compliance
- State appeal procedures

6. Value added tax

Candidates should be able to calculate the amount of VAT owed by or owed to businesses

In the exam candidates may be required to:

- Classify supplies as exempt, zero-rated, and taxable.
- Explain when a taxpayer could or should register or deregister for VAT
- Explain the obligations of a registered person
- Describe the VAT credit system (input and output VAT, and refunds)

7. Customs duty

Candidates should be able to explain the principles of customs duty and, where applicable, calculate the amount of customs duty owed by taxpayers

In the exam candidates may be required to:

- Describe the nature and functions of customs duty
- Explain importation and declaration procedures (ports of entry, import documentation, valuation of goods, and purpose of importation)
- Explain the functions of customs tariffs
- Explain rules of origin and preference of imported goods
- Compute customs duty
- Explain storage and post importation procedures (clearing procedures, bonded warehouses, customs record keeping)

REFERENCES

ICAM Taxation manual

Malawi Taxation Act

Value Added Tax (VAT) Act

Customs and excise Act

A. Silke South African Income Tax

P7: BUSINESS AND FINANCE

Module aim

To provide candidates with an understanding of how businesses operate and how accounting and finance functions support businesses in achieving the objectives

Objectives

On completion of this module, candidates will be able to:

- Identify the general objectives of businesses and specify the nature, characteristics, advantages and disadvantages of different forms of business and organisational structure.
- Identify the functions and tasks that businesses perform in order to meet their objectives and identify sources and methods of financing for businesses and individuals
- Identify the purpose of financial information produced by businesses, specify how accounting and finance functions support business operations.
- Specify the impact on a business of the economic environment in which it operates.
- Identify the role that governance plays in the management of a business and specify how a business can promote corporate governance, risk management, sustainability, corporate responsibility and an ethical culture; and
- Specify the impact on a business of the economic environment in which it operates
- Specify the role of the accountancy profession and why the work of the profession is important.

Format and Standard of the Question Paper

The examination will be divided into two sections. Section A, will have three questions. Candidates will be required to answer any two questions from this section. Section B will have four questions; candidates will be required to answer any three. All questions will carry equal marks.

Specification grid

This grid shows the relative weighting of subjects within the module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitable rigorous questions to be set

Syllabus area	Weighting (%)
1 Business objectives, structures and functions	25
2 Managing a business	10
3 The role of finance	15
4 The role of the accountancy profession	15
5 Governance, risk management sustainability, corporate responsibility and ethics	20
6 External environment	15
	<u>100</u>

Learning Outcomes

Business objectives, structures and functions

Candidates will be able to identify the general objectives of businesses and the functions and tasks that businesses perform in order to meet their objectives. Candidates will also be able to specify the nature, characteristics, advantages and disadvantages of different forms of business and organisational structure.

In the assessment, candidates may be required to:

- State the general objectives of businesses;
- Identify the differences between businesses carried out by sole traders, partnerships, limited liability partnerships, alliances and groups, and show the advantages and disadvantages of each of these business structures;
- Identify the differences between unincorporated businesses and companies, and show the advantages and disadvantages of incorporation;
- Identify different organisational structures and specify their advantages and disadvantages;
- State the general objectives of strategic management and specify the strategic management process and interrelationship between a business's vision, mission and strategic objectives;
- Identify the relationship between a business's overall strategy and its functional strategies;
- Identify the nature and purpose of strategic plans, business plans and operational plans;
- Identify the nature and functions of organisational management, human resources management and operations management and show how these are influenced by human behaviour;

Managing a business

Candidates will be able to identify the nature and functions of organisational management.

In the assessment, candidates may be required to:

- Identify the various functional areas within businesses and show how the functions assist the achievement of business objectives;
- Identify the nature and functions of organisational management, human resource management and operations management and show how these are influenced by human behavior;
- Specify the relationship between a business and its bankers and other providers of financial products;
- Identify the characteristics, terms and conditions and role of alternative short, medium and long term sources of finance available to different businesses;
- Identify the processes by which businesses raise equity, capital and other long term finance;
- Identify appropriate methods of financing exports, including:
 - bills of exchange
 - letters of credit
 - export credit insurance
- Specify the general objectives of personal financial management; and
- Identify the principles of personal financial management and the personal financial management process.

The role of finance

Candidates should be able to identify the purpose of financial information produced by businesses, specify how accounting and finance functions support business operations.

- Specify the extent to which financial information:
 - provides for accountability of management to shareholders and other stakeholders
 - reflects business performance
 - is useful to users in making economic decisions
 - meets the information needs of national, social and economic contexts (e.g., national statistical information)
- Specify how accounting and finance functions support businesses in pursuit of their objectives;
- Identify the main considerations in establishing and maintaining accounting and financial reporting functions and financial control processes;
- Identify, in the context of accounting and other systems, the issues surrounding:
 - information processing
 - information security
 - information management

- Specify how a strategic plan is converted into fully-integrated business and operational plans;
- Specify why the management of a business require information about performance measurement including non-routine areas such as in supporting an entity's sustainability management;
- Identify the accountant's role in preparing and presenting information for the management of a business;

Governance, risk management, sustainability, corporate responsibility and ethics

Candidates will be able to identify the role that governance plays in the management of a business and specify how a business can promote risk management, corporate governance, sustainability, corporate responsibility and an ethical culture.

In the assessment, candidates may be required to:

- Identify the main components of the risk management process and show how they operate; and
- Identify the key issues in relation to risk and crisis management;
- State the reasons why governance is needed and identify the role that governance plays in the management of a business;
- Identify the key stakeholders and their governance needs for a particular business;
- Identify and show the distinction between the roles and responsibilities of those charged with corporate governance and those charged with management including the basics of the Malawi Corporate Governance Code;
- Specify how differences in legal systems and in national and business cultures affect corporate governance;
- Identify the roles and responsibilities of the members of the board, board subcommittees, internal audit and external audit;
- Specify the nature of ethics, business ethics, sustainability and corporate responsibility; and
- Specify the policies and procedures a business should implement in order to promote an ethical culture.

External environment

Candidates will be able to specify the impact on a business of the environment in which it operates including the potential effects of sustainability issues.

In the assessment, candidates may be required to:

- Specify the signalling, rewarding and allocating effects of the price mechanism on business (including the concept of price elasticity);
- Specify the potential types of failure of the market mechanism and their effects on business;
- Identify the key macroeconomic factors that affect businesses;
- Specify the principal effects of regulation upon businesses;

- Show how the needs of different stakeholders in a business (e.g., shareholders, the local community, employees, suppliers, customers) impact upon it; and
- Specify the effects of key international legislation on businesses.

Role of the accountancy profession

Candidates will be able to specify the role of the accountancy profession and why the work of the profession is important.

In the assessment, candidates may be required to:

- Identify the importance to the public interest of high quality, accurate financial reporting and assurance;
- Specify the rationale for key parts of the profession's work and the links between technical competence and professional responsibility, including accounting principles, International Financial Reporting Standards, International Standards on Auditing sound business management and the public interest;
- Specify the key features of the structure of the accountancy profession, the regulatory framework within which professional accountants work and the ways in which the accountancy profession interacts with other professions.

Reference

ICAM Business & Finance Manual

P8: FINANCIAL AND MANAGEMENT ACCOUNTING SKILLS AND COMPETENCE

Module aim

To ensure that candidates have a sound understanding of the techniques of double-entry accounting and can apply its principles in preparing non-complex financial statements. It will enable candidates to prepare essential financial information for the management of a business.

Objectives

On completion of the course candidates should be able to:

- Candidates will be able to specify the components of financial statements, and prepare and present non-complex accounts for sole traders, partnerships and limited companies.
- Candidates will be able to select appropriate budgeting approaches and methods and prepare budgets.
- Candidates will be able to identify and calculate relevant data for use in management decision making.

Specification grid

Syllabus area	Weighting (%)
1 Accounting	50
2 Management accounting Total	50
3 Budgeting and forecasting	10
4 Performance management	20
5 Management decision making	20

Technical knowledge requirements	Indicators
Conceptual Framework for Financial Reporting	B
IAS1 Presentation of Financial Statements	A
IAS2 Inventories	B
IAS7 Statement of Cash Flows	B
IAS8 Accounting Policies, Changes in Accounting Estimates and Errors	B
IAS16 Property Plant and Equipment	B
IAS18 Revenue	B
IAS37 Provisions, Contingent Liabilities and Contingent Assets	C
IAS38 Intangible Assets	C

Guide to A, B and C indicators

A = Thorough knowledge with a solid understanding

B = Working knowledge with broad understanding and ability to apply in straightforward situations

C = General knowledge with basic understanding of the subject matter and sufficient application knowledge to identify significant issues and evaluate implications or impact.

1. Accounting

Preparing Financial Statements

Candidates will be able to specify the components of financial statements, and prepare and present non-complex accounts for sole traders, partnerships and limited companies.

In the assessment, candidates may be required to:

- a. Prepare an extended trial balance
- b. Identify the main components of a set of financial statements and specify their purpose and interrelationship
- c. Specify the key aspects of the accrual basis of accounting, cash accounting and break-up basis of accounting; and
- d. Prepare and present a statement of financial position, income statement and statement of cash flows (or extracts there from) from the accounting records and trial balance in a format which satisfies the information requirements of the entity.

2. Management accounting

Budgeting and forecasting

Candidates will be able to select appropriate budgeting approaches and methods and prepare budgets.

In the assessment, candidates may be required to:

- a. Prepare and/or comment upon a cash budget for a business which highlights the quantity and timing of cash surpluses and deficits;
- b. Calculate the cash cycle for a business and recognise its significance;
- c. Identify the constituent elements of working capital and treasury and specify the methods by which each element can be managed to optimise working capital and cash flows; and
- d. Recognise how a business manages surpluses and deficits predicted in cash budgets.

Performance management

Candidates will be able to identify key features of effective performance management systems, select appropriate performance measures and calculate differences between actual performance and standards or budgets.

In the assessment, candidates may be required to:

- a. Identify the reasons for and key features of effective performance management systems;
- b. Select appropriate financial and non-financial performance measures which effectively encourage the business as a whole to meet its objectives
- c. Identify the role of controls in ensuring effective performance management
- d. Identify how performance measures and compliance measures are integrated into the general systems of control in businesses
- e. Calculate differences between actual performance and standards or budgets in terms of price and volume effects and identify possible reasons for those differences
- f. Calculate profits under direct, absorption or marginal costing and reconcile the results under these different methods

Management decision making

Candidates will be able to identify and calculate relevant data for use in management decision making.

In the assessment, candidates may be required to:

- a. Calculate the breakeven point, contribution and margin of safety for a given product or service;
- b. Allocate scarce resource to those products or services with the highest contribution per limiting factor;
- c. Calculate the net present value, internal rate of return, payback period or accounting rate of return for a given project; and,
- d. Identify and comment upon the advantages and disadvantages of the investment appraisal techniques specified above.

References

ICAEW Accounting Manual

ICAEW Management Information Manual

SYLLABUS FOR THE PROFESSIONAL LEVEL QUALIFICATION

B1: FINANCIAL MANAGEMENT

Module aim

To enable candidates to recommend relevant options for financing a business, recognise and manage financial risks and make appropriate investment decisions.

On completion of this module, candidates will be able to:

- Identify capital requirements of businesses, assess financing options and recommend relevant methods of financing;
- Identify the financial risks facing a business and the principal methods of managing those risks; and
- Apply appropriate investment appraisal techniques taking into account other factors affecting investment decisions.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 Financing options	35
2 Managing financial risk	30
3 Investment decisions and valuation	35
	100

The following learning outcomes should be read in conjunction with the Business Analysis table in the evolved ACA syllabus technical knowledge document.

1 Financing options

Candidates will be able to identify capital requirements of businesses and assess financing options. In the assessment, candidates may be required to:

- a. Explain the general objectives of financial management understand the fundamental principles of financial economics and describe the financial strategy process for a business.
- b. Describe the impact of financial markets and other external factors on a business's financial strategy, using appropriate examples to illustrate the impacts.
- c. Describe the implications of terms included in loan agreements in a given scenario (e.g., representations and warranties; covenants; guarantees).

- d. Explain the roles played by different stakeholders, advisors and financial institutions in the financial strategy selected by a business.
- e. Identify the possible conflicts of objectives between different stakeholders in a business.
- f. Compare the features of different means of making returns to owners and lenders, explain their effects on the business and its stakeholders, and recommend appropriate options in a given scenario.
- g. Identify and calculate a business's future requirements for capital, taking into account current and planned activities referring to levels of uncertainty and making reasonable assumptions which are consistent with the situation.
- h. Assess the suitability of different financing options for a given business.
- i. Identify in the business and financial environment factors that may affect financing for investment in a different country.
- j. Compare the financing costs and benefits (including those that are not separately quantifiable) of various courses of action, using appropriate appraisal techniques.
- k. Calculate and interpret the costs of different financing methods (before and after tax) and the weighted average cost of capital.
- l. Explain, in non-technical terms and using appropriate examples, the effect of capital gearing/leverage on investors' perception of risk and reward.
- m. Describe options for reconstruction (e.g., group reconstruction, spin-off, purchase of own shares, use of distributable profits).

2 Managing financial risk

Candidates will be able to identify the financial risks facing a business and the principal methods of managing those risks. In the assessment, candidates may be required to:

- a. Identify and describe the key financial risks facing a business in a given scenario.
- b. Explain how financial instruments (e.g., derivatives, hedging instruments) can be utilised to manage financial risks and describe the characteristics of those instruments.
- c. Explain different methods of managing interest rate exposure appropriate to a given situation and perform non-complex calculations to determine the cost of the hedge.
- d. Explain different methods of managing currency risks appropriate to a given situation and perform non-complex calculations to determine the cost of the hedge.
- e. Explain methods of managing other key financial risks and perform non-complex calculations to determine the cost of particular methods.

3 Investment decisions and valuation

Candidates will be able to apply appropriate investment appraisal techniques and calculate the value of shares and businesses. In the assessment, candidates may be required to:

- a. Select and justify investment appraisal techniques which are appropriate to the objectives and circumstances of a given business.
- b. Explain the investment decision making process.
- c. Select and justify an appropriate discount or interest rate for use in selected investment appraisal techniques from information supplied.
- d. Choose appropriate values to be used in selected appraisal techniques from information supplied, taking account of inflation and tax.

- e. Apply appraisal techniques and demonstrate how the interpretation of results from the techniques can be influenced by an assessment of risk.
- f. Recognise 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.
- g. Calculate the optimal investment plan when capital is restricted.
- h. Recommend and justify a course of action which is based upon the results of investment appraisal and consideration of relevant non-financial factors such as sustainability and which takes account of the limitations of the techniques being used.
- i. Draft a straightforward investment and financing plan for a given business scenario
- j. Value shares and businesses using income and asset based approaches (including performing appropriate sensitivity calculations).

Reference

ICAEW Financial Management Manual.

B2: FINANCIAL ACCOUNTING AND REPORTING

Module aim

To enable candidates to prepare complete single entity and consolidated financial statements, and enable extraction from those financial statements. It will also covers wide range of International Financial Reporting Standards (IFRS).

Candidates will also be required to explain accounting and reporting concepts and ethical issues, and the application of IFRS to specified single entity or group scenarios.

Objectives

On completion of this module, students will be able to:

- Explain the contribution and inherent limitations of financial statements, apply the International Accounting Standards Board's (IASB) conceptual framework for financial reporting and identify and explain key ethical issues;
- Prepare and present financial statements from accounting data for single entities, whether organised in corporate or in other forms, in conformity with IFRS and explain the application of IFRS to specified single entity scenarios; and
- Identify the circumstances in which entities are required to present consolidated financial statements, prepare and present them in conformity with IFRS and explain the application of IFRS to specified group scenarios.

Learning outcomes apply to non-specialised profit-oriented entities unless otherwise specified.

Method of assessment

The Financial Accounting and Reporting module will be 3 hours long containing four or five written test questions. Candidates may use the IASB's IFRS open book text.

The module will include questions on:

- a. Preparation of single entity financial statements from trial balance or draft financial statements; and
- b. Preparation of consolidated financial statements from individual financial statements or draft consolidated financial statements.

Other question types could include, inter alia:

- a. Written questions explaining the application of IFRS to specified scenarios; and
- b. Mixed or single topic questions requiring extracts and/or calculations.

Concepts and ethics will be tested in any of the written test questions.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 Accounting and reporting concepts and ethics	10
2 Single entity financial statements	60
3 Consolidated financial statements	30
	100

The following learning outcomes should be read in conjunction with the Financial Reporting table in the evolved ACA technical knowledge grid, which contains the list of examinable IFRSs.

1 Accounting and reporting concepts and ethics

Candidates will be able to explain the contribution and inherent limitations of financial statements apply the International Accounting Standards Board's conceptual framework for financial reporting and identify and explain key ethical issues. In the assessment, candidates may be required to:

- a. Explain the standard-setting process used by UK and international bodies and the authority of UK and international standards, using appropriate examples as illustration.
- b. Explain the objectives and inherent limitations of financial statements, giving appropriate examples.
- c. Explain the qualitative characteristics of financial information and the constraints on such information, using appropriate examples to illustrate the explanation.
- d. Identify the financial effects of transactions in accordance with the IASB Conceptual Framework
- e. Discuss the concepts of "fair presentation" and "true and fair view" and the circumstances in which these concepts may override the detailed provisions of legislation or of accounting standards.
- f. Explain the differences between financial statements produced using the accrual basis and those produced using the bases of cash accounting and break-up, performing simple calculations to illustrate the differences.
- g. Explain, in non-technical language, the different bases of measurement of the elements of the financial statements and the different definitions of capital and capital maintenance used in accrual basis financial statements, illustrating the explanation with simple calculations and examples.
- h. Explain and demonstrate the concepts and principles surrounding the consolidation of financial statements.
- i. Identify and explain the ethical and professional issues for a professional accountant undertaking work in financial accounting and reporting and identify appropriate action.

2 Single entity financial statements

Candidates will be able to prepare and present financial statements from accounting data for single entities, whether organised in corporate or in other forms, in conformity with IFRS requirements and explain the application of IFRS to specified single entity scenarios. In the assessment, candidates may be required to:

- a. Identify the laws and regulations, and accounting standards and other requirements applicable to the statutory financial statements of an entity
- b. Calculate from financial and other data the amounts to be included in an entity's financial statements according to the international financial reporting framework
- c. Prepare and present the financial statements, or extracts therefrom, of an entity according to its accounting policies and appropriate international financial reporting standards
- d. Explain the application of IFRS to specified single entity scenarios
- e. Explain the principal differences between IFRS and UK GAAP and prepare simple extracts from single entity financial statements in accordance with UK GAAP
- f. Define and calculate from information provided the distributable profits of an entity
- g. Identify the circumstances in which the use of IFRS, and International Public Sector Accounting Standards (IPSASs) for not-for-profit entities might be required
- h. Calculate from financial and other data the amounts to be included in the equity section of the statement of financial position of a not-for-profit entity in accordance with its accounting policies and the appropriate financial reporting framework.

3 Consolidated financial statements

Candidates will be able to identify the circumstances in which entities are required to present consolidated financial statements, prepare and present them in conformity with IFRS and explain the application of IFRS to specified group scenarios. In the assessment, candidates may be required to:

- a. Identify and describe the circumstances in which an entity is required to prepare and present consolidated financial statements.
- b. Identify the laws and regulations, and accounting standards and other requirements applicable to the legal entity and consolidated financial statements of an entity.
- c. Identify from financial and other data any subsidiary or associate of an entity according to the international financial reporting framework.
- d. 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 and associates according to the international financial reporting framework.
- e. Prepare and present the consolidated financial statements, or extracts therefrom, of an entity in accordance with its accounting policies and the international financial reporting framework, using calculated amounts and other information.
- f. Explain the application of IFRS to specified group scenarios.
- g. Explain the principal differences between IFRS and UK GAAP and prepare simple extracts from consolidated financial statements in accordance with UK GAAP.

Reference

ICAEW Financial Accounting & Reporting Manual

B3: AUDIT AND ASSURANCE

Module aim

To develop candidates' understanding of the critical aspects of managing an assurance engagement (including audit engagements): acceptance, planning, managing, concluding and reporting.

Objectives

On completion of this module, candidates will be able to:

- Understand and advise on the regulatory, professional and ethical issues relevant to those carrying out an assurance engagement;
- Understand the processes involved in accepting and managing assurance engagements;
- Understand how quality assurance processes mitigate risks;
- Plan assurance engagements in accordance with the terms of the engagements and appropriate standards; and
- Conclude and report on assurance engagements in accordance with the terms of the engagements and appropriate standards.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 Legal and other professional regulations, ethics and current issues	20
2 Accepting and managing engagements	15
3 Planning engagements	40
4 Concluding and reporting on engagements	25
	100

The following learning outcomes should be read in conjunction with the Assurance and Audit and ethics tables in the evolved ACA syllabus technical knowledge document.

For clarity, learning outcomes applicable to all types of assurance engagements (including audit) are separated from those that are relevant only to audit engagements.

1. Legal and other professional regulations, ethics and current issues

Candidates will be able to understand and advise on the regulatory, professional and ethical issues relevant to those carrying out an assurance engagement. In the assessment, candidates may be required to:

All assurance engagements

- a. Identify and advise upon the professional and ethical issues that may arise during an assurance engagement
- b. Recognise the professional and ethical issues that may arise during an assurance engagement, explain the relevance and importance of these issues and evaluate the relative merits of different standpoints taken in debate
- c. Judge when to raise legal and ethical matters arising from assurance work with senior colleagues for review and possible referral to external parties
- d. Discuss the purposes and consequences of UK laws and other regulatory requirements surrounding assurance work
- e. Explain the standard-setting process used by national and international (IAASB) bodies and the authority of the national and international standards
- f. Explain, in non-technical language, significant current assurance issues being dealt with by the national standard-setting body and the IAASB
- g. Explain, using appropriate examples, the main ways in which national legislation affects assurance.

Audit engagements

- h. Explain the main ways in which national legislation and other regulations affect the scope and nature of the audit and the appointment and removal of auditors (including the relationship between the laws and auditing standards).
- i. Explain the principles behind different auditing requirements in different jurisdictions and describe how national and international bodies are working to harmonise auditing requirements, including requirements to report on internal controls.
- j. Describe the principal causes of audit failure and their effects and the gap between outcomes delivered by audit engagements and the expectations of users of audit reports.

2. Accepting and managing engagements

Candidates will be able to understand the processes involved in accepting and managing assurance engagements and how quality assurance processes mitigate the risks to those conducting the engagement. In the assessment, candidates may be required to:

All assurance engagements

- a. Identify the legal, professional and ethical considerations that an individual or firm must consider before accepting a specified assurance engagement.
- b. Identify the sources of liability (including professional negligence) arising from an assurance engagement and their impact upon the conduct of the engagement.
- c. Discuss the issues which underlie the agreement of the scope and terms of an assurance engagement (new or continuing).
- d. Formulate the approach suitable for management of the assurance engagement.
- e. Discuss the principles and purposes of quality control of assurance engagements.
- f. Demonstrate how the assurance function within an organisation can be monitored.

- g. Describe how quality can be monitored and controlled through procedures external to the organisation.

Audit engagements

- h. Discuss the process by which an auditor obtains an audit engagement.
- i. Discuss the issues and risks that an individual auditor or audit firm must consider with regard to the acceptance of an audit engagement (new or continuing) with a client, including terms of engagement and their documentation.
- j. Identify the legal, professional and ethical considerations that an individual auditor or audit firm must consider before accepting a specified audit engagement.

3. Planning engagements

Candidates will be able to plan assurance engagements in accordance with the terms of the engagements and appropriate standards. In the assessment, candidates may be required to:

All assurance engagements

- a. Explain, in the context of a given scenario, why it is important to have an understanding of the business when planning an engagement.
- b. Identify ways of gaining an understanding of a client's business.
- c. Recognise the circumstances under which it may be necessary to bring in expertise from other parties to support assurance processes.
- d. Identify the risks arising from, or affecting, a given set of business processes and circumstances and assess their implications for the engagement.
- e. Identify the risks arising from error, fraud and non-compliance with law and other regulations and assess their implications for the engagement.
- f. Assess significant business risks identified for their potential impact upon an organisation, in particular their potential impact on performance measurement.
- g. Identify the components of risk for a specified assurance engagement.
- h. Assess the impact of risk and materiality on the engagement plan, including the nature, timing and extent of assurance procedures, for a given organisation.
- i. Discuss the benefits and limitations of analytical procedures at the planning stage.
- j. Determine an approach appropriate for an engagement for a specified organisation which addresses:
 - possible reliance on controls (including those within IT systems)
 - possible reliance on the work of internal audit
 - possible reliance on the work of other experts
 - possible reliance on the work of another auditor
 - probable extent of tests of controls and of substantive procedures, including analytical procedures
 - the nature and extent of client-generated information
 - the probable number, timing, staffing and location of assurance visits
 - the assurance of entities' published sustainability and corporate responsibility reports.

Audit engagements

- k. Identify the components of audit risk for a specified audit engagement, including the breakdown of audit risk into inherent risk, control risk and detection risk.
- l. Outline the aspects of employment and social security law which are relevant to statutory audit
- m. Discuss the differences between the audit of a non-specialised profit oriented entity and the audit of a given specialised profit oriented entity.
- n. Discuss the differences between the audit of a non-specialised profit oriented entity and the audit of a given not-for-profit entity.
- o. Specify and explain the steps necessary to plan, perform, conclude and report on the audit of the financial statements of a non-specialised profit oriented entity in accordance with the terms of the engagement including appropriate auditing standards.
- p. Evaluate the impact of risk and materiality in preparing the audit plan, including the nature, timing and extent of audit procedures.

3 Concluding and reporting on engagements

Candidates will be able to conclude and report on assurance engagements in accordance with the terms of the engagements and appropriate standards. In the assessment, candidates may be required to:

All assurance engagements

- a. Describe the nature and timing of specific procedures designed to identify subsequent events that may require adjustment or disclosure in relation to the matters being reported on.
- b. Describe the nature and timing of specific procedures designed to identify the appropriateness of the going concern assumption, including compliance with relevant legal and regulatory requirements.
- c. Evaluate, quantitatively and qualitatively (including use of analytical procedures), the results and conclusions obtained from assurance procedures.
- d. Draw conclusions on the ability to report on an assurance engagement which is consistent with the results of the assurance work.
- e. Draft suitable extracts for an assurance report (including any report to the management issued as part of the engagement) in relation to a specified organisation 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 organisation being reported upon.
- f. Advise on reports to be issued to those responsible for governance in accordance with International Standards on Auditing, legislation, regulation and codes of corporate governance
- g. Judge when to refer reporting matters for specialist help.

Audit engagements

- h. Draw conclusions on the ability to report on an audit engagement, including the opinion for a statutory audit, which are consistent with the results of the audit work

- i. Explain the elements (both explicit and implicit) of the auditor's report issued in accordance with the International Standards on Auditing and statutory requirements and recommend the nature of an audit opinion to be given in such a report
- j. Draft suitable extracts for an audit report (including any report to the management issued as part of the engagement) in relation to a specified organisation 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 organisation being reported upon.

Reference

ICAEW Audit & Assurance Manual

B4: TAX COMPLIANCE (MALAWI)

Aim of the module

To enable students to prepare tax computations for individuals and companies in straightforward scenarios.

Objectives

On completion of this module, students will be able to:

- describe the ethical issues arising in the course of performing tax work;
- identify the obligations the Malawi tax system imposes on taxpayers and the implications of non-compliance for taxpayers;
- compute tax on capital gains payable by individuals and trusts;
- compute income tax owed by or owed to individuals and trusts;
- compute estate duty;
- compute corporation tax liabilities of companies;
- compute VAT owed by or owed to businesses;
- describe how special trades are taxed; and
- explain the principles of customs duty and excise tax and, where applicable, compute the amount of customs duty and excise tax owed by taxpayers

Format and standard of the examination paper

The examination will be divided into two sections, A and B. Section A will have two compulsory questions. Section B will have four questions and candidates will be required to answer any three. Section A will account for 40% of the examination and section B 60%. There will be a balance between narrative and computational questions.

The table below shows the relative weightings of topics within this module and gives an indication of the exam content for each area.

Syllabus area	Weighting
Ethics and law	10%
Income tax on individual and corporate taxpayers	40%
Tax on capital gains	10%
Taxation of special trades and cases	10%
Estate duty	10%
Value Added Tax	10%
Customs duty and excise tax	10%
Total	100%

Learning outcomes

The following are the learning outcomes

1. Ethics and law

Candidates will be able to describe ethical issues arising in the course of performing tax work and identify the obligations the Malawi tax system imposes on taxpayers and the implications for taxpayers of non-compliance.

Part A establishes the fundamental principles of professional ethics for professional accountants and provides a conceptual framework for applying those principles.

In the assessment, candidates may be required to:

- a. Identify and apply the fundamental principles of professional ethics and the guidance given in the IFAC Code of Ethics for Professional Accountants which has been adopted by IFAC in relation to a tax practice.
- b. Identify the law and the guidance in the IFAC Code of Ethics with regard to:
 - New client procedures
 - Money laundering
 - Tax avoidance and tax evasion
- c. Identify legal and ethical issues arising from tax work undertaken and explain the significance of these issues.
- d. Describe the administration and collection of taxes by identifying the obligations the Malawi tax system imposes on tax payers and the implications of non-compliance.

2. Income tax on individuals and corporate bodies

Candidates should be able to classify entities as individuals, partnerships, or companies for tax purposes and state how they are taxed.

In the exam candidates may be required to:

- Identify assessable and exempt income, allowable and non-allowable deductions and taxable income
- Compute fringe benefits tax
- Compute capital gains or losses
- Compute foreign exchange gains or losses
- Compute tax on investment income
- Compute taxes for individuals, partnerships and corporate bodies.
- Compute capital allowances
- Calculate the amounts of pension payable by individuals, businesses and companies and describe its impact on income tax payable.

3. Taxation of special trades and cases

Candidates should be able to describe how special trades are taxed.

Candidates may be required to compute taxes for:

- Charities and trusts
- Clubs and societies
- Ecclesiastical bodies
- Sale of timber and land on which timber has been grown for sale
- Farming

- Insurance

4. Estate duty

Candidates should be able to compute the amount of estate duty owed by or owed to taxpayers

In the exam candidates may be required to:

- Explain general rules of taxation of deceased estates
- Compute dutiable amounts
- Identify allowable deductions

5. Value added tax

Candidates should be able to compute the amount of VAT owed by or owed to businesses

In the exam candidates may be required to:

- Classify supplies as exempt, zero-rated, and taxable.
- Explain when a taxpayer could or should register or deregister for VAT
- Explain the obligations of a registered person
- Describe the VAT credit system (input and output VAT, and refunds)

6. Customs duty

Candidates should be able to explain the principles of customs duty and, where applicable, compute the amount of customs duty owed by taxpayers

In the exam candidates may be required to:

- Describe the nature and functions of customs duty
- Explain importation and declaration procedures (ports of entry, import documentation, valuation of goods, and purpose of importation)
- Explain the functions of customs tariffs
- Explain rules of origin and preference of imported goods
- Compute customs duty
- Explain storage and post importation procedures (clearing procedures, bonded warehouses, customs record keeping)

7. Excise

Candidates should be able to explain the principles of excise duty and, where applicable, compute the amount of excise duty owed by taxpayers

In the exam candidates may be required to:

- Explain what is meant by excise as part of the indirect taxes and how it is accounted for in Malawi.
- Explain legal provisions as read in the Customs and Excise Act and Regulations
- Identify goods liable for excise tax
- Explain registration procedures and conditions applying to all excise traders and their obligations.

References

ICAM Taxation (TC10) Manual

Chapter 41:01 of the Laws of Malawi – The Taxation Act

Chapter 42:01 of the Laws of Malawi – Customs and Excise Act

The Value Added Tax Act

B5: PUBLIC SECTOR ACCOUNTING AND FINANCE

Aim of the course:

- i. To enable students develop an in-depth understanding of Government Accounting and Finance.
- ii. To introduce students to the regulatory framework of Public Sector Accounting and Financial Reporting, and to equip them with knowledge to enable them function effectively in the public sector.
- iii. To be able to differentiate the General Government, Government Business Enterprises and Private Entities and the controls relating to the entities.

Scope

- The legal framework: The Constitution, The Public Finance Management Act (2003), The Taxation Act, The Reserve Bank Act, The Money Laundering Act, The Public Procurement Act, The Public Audit Act, The Anti- Corruption Act and other relevant Acts.
- The regulatory framework: Accounting concepts and individual judgement, accounting standards, and other international influences, and generally accepted accounting principles (GAAP), and fair presentation.
- Planning and budgeting
 - Medium Term Expenditure Framework Budget
 - Output Based Budget
 - Activity Based Budget
 - Program Based Budget
 - Incremental Budget
 - Zero based budget.
 - Any other budget systems.
- Budget Implementation
- Accounting and Reporting
 - Overview of the International Public Sector Accounting Standards
 - Financial reporting in the Public Sector.
- Public Sector Internal Controls.
 - Classifications of transactions (Chart of Accounts)
- Public Procurement Procedures.
- Oversight Functions.
- Current Developments in Public Financial Management
- Revenue management
- Expenditure Control
- Accountability and value for money in the public sector and Public Private Partnerships.
- Public Finance Management Assessment Frameworks.

Objectives

By the end of the course students should be able to:-

- i. Explain the main features of the public sector entities and accounting systems.
- ii. Discuss the public sector reporting framework.

- iii. Apply requirements of all relevant International Public Sector Accounting Standards in an exam question.
- iv. Prepare a complete set of General Purpose Financial Statements in the Public Sector.
- v. Prepare Consolidated Financial Statements in the Public Sector.
- vi. Evaluate current reporting issues and developments in the Public Sector.
- vii. Evaluate the regulatory and financial reporting framework.
- viii. Evaluate current public financial management issues.
- ix. Explain the role of tax revenues in the budgeting process.
- x. Explain and compute the income tax liabilities.
- xi. Explain and evaluate the concepts of revenue management and expenditure management.
- xii. Explain the different public finance management assessment frameworks.

Format and Standard of the Examination Paper

The paper will consist of 5 questions each carrying 20 marks. Candidates will be required to answer all questions.

Specification Grid

The grid shows the relative weightings of topics within this course and should guide the guide the relative study time spent on each.

Syllabus Coverage	Weighting (%)
Introduction (Definitions, Government set-up, Controlling Officers) and Context of Public Financial Management and Accounting	15
Legal and regulatory framework for public financial management and overview of International Public Sector Accounting Standards	15
Public Procurement	5
Budgeting Processes in the public sector	20
Revenue Management and Expenditure Control	15
Financial reporting for Central, Local Government and Statutory Corporations	15
Accountability and value for money in the public sector.	10
Accounting for Public Private Partnerships.	5
Total	100

Learning Outcomes

A) Introduction

- a) Students will be able to understand how government accounting and finance systems work and the terms used within the government accounting and finance systems.

- a) Students will be able to understand the set-up and systems of the three arms of government (Executive, Judiciary, and Legislature) and the various government ministries, departments and agencies.
- b) Candidates will be able to understand the differences and similarities between the public and private sector entities.
- c) Candidates will be able to understand the duties of the Minister of Finance, Secretary to the Treasury, Accountant General, Budget Director, Reserve Bank Governor and other controlling or accounting officers.
- d) Candidates will be able to understand public funds and their constituents.
- e) Candidates will be able to understand the process of payment into and out of the consolidated fund.
- f) Candidates will be able to understand how to regulate the different components of the consolidated fund.
- g) Candidates will be able to understand the process of appropriation of public money.
- h) Candidates will be able to understand the modalities of withdrawing from the consolidated fund.
- i) Candidates will be able to understand the processes of dealing with the appropriation balances.
- j) Candidates will be able to understand the process of investing public money in securities.
- k) Candidates will be able to understand accounting systems prescribed for subvented statutory corporations and other public boards.

In the assessment, candidates will be required to:

- a) Define and explain the various terms used within the government accounting and finance system.
- b) Define and explain the composition and use of the consolidated fund account.
- c) State and explain the three arms of government and the interrelationships within the three arms of government.
- d) State the roles and responsibilities of various government ministries, departments and agencies.
- e) The duties of the Minister of Finance, Secretary to the Treasury, Accountant General, Budget Director, Reserve Bank Governor and other controlling or accounting officers.
- f) Public funds and their constituents.
- g) Process of payment into and out of the consolidated fund.
- h) The process of appropriation of public money.
- i) The modalities of withdrawing from the consolidated fund.
- j) The processes of dealing with the appropriation balances.
- k) The process of investing public money in securities.

B) Legal and regulatory framework for public financial management.

- a) The Candidates will be able to understand the legal framework governing public sector accounting and finance. The legal instruments are the constitution of Republic of Malawi, 1994, the Public Finance Management Act

No. 7 of 2003, the Public Procurement Act (2003), the Public Audit Act (2003), the Reserve Bank of Malawi Act, the Money Laundering Act, the Anti-corruption Act and any other relevant Acts that have a direct impact on public sector accounting and finance.

- b) Candidates will be expected to understand an overview of the International Public Sector Accounting Standards (IPSAS) and current developments.
 - i) The candidates will be able to understand the overview of International accounting standards for the public sector.
 - ii) The candidates will be able to understand the nature, scope and objectives of IPSAS.
 - iii) The candidates will be able to know the general outline of IPSAS (the content, scope, application and disclosures).

In the assessment, candidates will be required to:

- a) Explain the legal framework governing public sector accounting and finance in Malawi.
- b) Explain a general outline of International Public Sector Accounting Standards (IPSAS).
- c) State the nature, content, scope, application, disclosures and objectives of IPSAS

C) Public Procurement

- a) The Candidates will be able to know the governing structure of the internal procurement committee.
- b) The candidates will be able to understand the procurement structures in the public procurement act
- c) The candidates will be able to understand the procurement rules in the Public Procurement Act.
- d) The candidates will be able to understand the methods of procurement in the Public procurement act and the impact on expenditure management.
- e) The candidates will be able to understand tendering procedures with particular reference to invitation of tenders, submission of tenders, and evaluation and comparison of tenders.
- f) The candidates will be able to understand the procedures for engaging the services of consultants.
- g) The candidates will be able to understand the procedures for disposal of stores, plant and equipment.

In the assessment, candidates will be required to:

- a) Explain applicable procurement procedures.
- b) Explain the role of Accountants in public procurement.
- c) Evaluate a given procurement scenario

D) Budgeting Processes in the Public Sector

- a) The candidates will be able to understand budgeting principles in the public sector context.
- b) The candidates will be able to understand the budgeting processes in the budget cycle: budget framework agreement, budget formulation, budget authorisation, budget approval, budget execution, reporting, monitoring and evaluation.
- c) The candidates will be able to understand the objectives of budgeting in public sector.
- d) The candidates will be able to understand the different approaches to budgets in the public sector such as incremental budgeting, zero based budgeting, program based budgeting, output/outcome budgeting, and hybrid approaches of budgeting.
- e) The candidates will be able to understand the categories of budgets eg: approved, revised and supplementary budgets, Expenditure Budgets: Recurrent, Development, Voted and Statutory budgets.
- f) The candidates will be able to know the formats and contents of public sector budget.
- g) The candidates will be able to understand the concept of virements and the circumstances allowed.
- h) The candidates will be able to understand the medium term expenditure framework (MTEF) and long term development plans.
- i) The candidates will be able to understand a budget outturn based on IPSAS 24: Presentation of Budget Information in Financial Statements and the requirements of Cash Basis IPSAS.
- j) The candidates will be able to understand to process of approving the development project or capital expenditure to be included in the budget through the Public Sector Investment Programme (PSIP).
- k) The candidates will be able to know that budgeting as a tool for public accountability.
- l) The candidates will be able to understand the relationship between the government policy and an annual budget.
- m) The candidates will be able to recognise the limitations of budgeting.
- n) The candidates will be able to understand commitments to the budget.
- o) The candidates will be able to calculate budget variances from actuals.

In the assessment, candidates will be required to:

- a) Explain the various types and categories of budgets.
- b) Explain the objectives of budgeting.
- c) Explain the differences between cash and accrual based budgeting.
- d) State the various budget processes.
- e) Explain the role of taxation in the budgeting process.
- f) Prepare a budget from a set of given figures or scenarios.
- g) Calculate budget variances and explain the information.
- h) Critique a given set of budget.
- i) Explain the concept or principle of commitments as a tool for budget control.
- j) State the factors that determine the budget allocations in different sectors.
- k) Explain the limitations of budgets.

E) Revenue Management and Expenditure Control

Candidates will be able to learn and understand the necessary tools required to manage revenue generation and expenditure control.

- a) The candidates will be able to recognise different sources of revenues for the different forms of public sector organisations such as central government, local government, state owned enterprises and non- governmental organisations (NGO's).
- b) The candidates will be able to understand the objectives of taxation within the public sector context.
- c) The candidates will be able to understand the different types of taxes and their implications.
- d) The candidates will be able to understand the different types of non-tax revenues: fuel levy, PIL receipts, and departmental receipts, loans and grants.
- e) The candidates will be able to understand revenue accounting and reconciliation.
- f) The candidates will be able to understand the internal controls over revenue.
- g) The candidates will be able to understand the tools for expenditure management and control.
- h) The candidates will be able to understand the features and general features government chart of accounts (Government Finance Statistics, IPSAS, PBB).
- i) The candidates will be able to understand the Malawi Integrated Financial Management Information System.
- j) The candidates will be able to understand expenditure/payments management relating to general expenditures, salaries and pensions.
- k) The candidates will be able to understand the management of expenditure relating to non-current assets including maintenance of asset registers, depreciation and disposals. IPSAS 17: Property Plant and Equipment; IPSAS 11: Construction Costs, IPSAS 21, and IPSAS 26.
- l) Candidates will be able to understand the process of acquisition, keeping, issuing, disposal and accounting for government stores.
- m) The candidates will be able to understand cash management and control.
- n) Candidates will be able to understand the regulation of collection and custody of tax and non-tax revenues.

In the assessment, candidates will be required to:

- a) Explain the sources of revenues for different forms of public entities.
- b) Enumerate the internal controls over revenues and expenditures.
- c) Design a chart of accounts applicable to public sector.
- d) Explain how the Integrated Financial Management Information System works.
- e) Explain the role and functions of the Integrated Financial Management Information System.
- f) Explain the role of Malawi Revenue Authority.
- g) Prepare a cash flow forecast.
- h) Demonstrate how non-tax revenues are a significant component of government revenues.
- i) The process of acquisition, keeping, issuing, disposal and accounting for government stores.

F) Financial reporting for Central, Local Government and Subvented Statutory Corporations

The candidates will be able to understand the specific financial reporting requirements of central government, local government and subvented statutory corporations.

The candidates will be able to understand the preparation of financial statements on Cash Basis IPSAS.

- a) The candidates will be able to understand the preparation of a consolidated operating statement showing revenue and expenditure and the surplus or deficit for the period.
- b) The candidates will be able to understand the preparation of a statement of financial position showing the assets, liabilities, and net financial position as at balance date of the reporting period.
- c) The candidates will be able to understand the preparation of a statement of funds showing, for each fund, balances at the beginning and end of the reporting period, and the nature of the movement in the reporting period.
- d) The candidates will be able to understand the preparation of a statement of funds showing, for each fund, balances at the beginning and end of the reporting period, and the nature of the movement in the reporting period.
- e) The candidates will be able to understand the preparation of a statement of cash balances showing a breakdown of the balances held by type of holding.
- f) The candidates will be able to understand the preparation of the financial statements based on Cash Basis IPSAS.
- g) Candidates will be able to understand the preparation of financial statements for public funds and consolidated funds with reference to basis of accounts, classification of accounts, frequency of reporting, content of the financial statements, and format of presentation.
- h) The candidates will be able to understand the analysis and interpretation of financial statements through use of ratios and other methods.
- i) The candidates will be able to understand the preparation of consolidated financial statements: IPSAS 6, 7, 8 and 20.
- j) The candidates will be able to understand the preparation of financial statements in NGO's.

In the assessment, candidates will be required to:

- a) Prepare a set of financial statements as follows
 - i) A consolidated operating statement
 - ii) A statement of financial position
 - iii) A statement of cash flows
 - iv) A statement of funds
 - v) A statement of cash balances
- b) Prepare the financial statements based on Cash Basis IPSAS.
- c) Prepare consolidated financial statements: IPSAS 6, 7, 8 and 20.
- d) Prepare financial statements for public funds and consolidated funds with reference to basis of accounts, classification of accounts, frequency of reporting, content of the financial statements, and format of presentation.(International Public Sector Accounting Standards)
- e) Prepare financial statement extracts for disposal of stores and non-current assets.

- f) Analyse and interpret financial statements through use of ratios and other analysis methods.
- g) Explain accounting systems prescribed for subvented statutory corporations and other public boards.
- h) Prepare the financial statements in NGO's.

G) Accountability and value for money in the public sector.

The candidates will be able to understand the responsibilities of Minister of Finance, and other ministers in regard to public accountability.

The candidates will be able to understand the responsibilities of Secretary to the Treasury, Controlling Officers and other government officers regarding accountability and value for money in public sector accounting and finance.

- a) The candidates will be able to understand the concept of public accountability.
- b) The candidates will be able to understand mechanisms of ensuring public accountability.
- c) The candidates will be able to understand mechanisms of ensuring value for money in the public sector: the three E's Economy, Efficiency and Effectiveness and the avoidance of waste.
- d) The candidates will be able to understand the corporate governance principles for governing public sector entities.
- e) The candidates will be able to understand the roles of the following structures in ensuring public accountability: the office of Department of Accountant General, Office of National Audit Office, and the office of the Central Internal Audit, Public Accounts Committee of parliament, Budget and Finance committee of parliament.
- f) Candidates will be able to understand the basis of audit of the consolidated fund accounts and other public funds accounts.

In the assessment, candidates will be required to:

- a) State the mechanisms put in place to ensure public accountability and value for money in the public sector.
- b) Evaluate the existence or non-existence of a public accountability system in any given case study.
- c) Describe the concepts of accountability and value for money and how they are interlinked.
- d) Describe the roles of the following in ensuring public accountability and value for money: Auditor General, Accountant General, and Secretary to the Treasury, Minister of Finances, Ministers, Public Accounts Committee, budget and finance committee of parliament.
- e) The basis of audit of the consolidated fund accounts and other public funds accounts.

H) Accounting for Public Private Partnerships

The candidates will be able to understand the definition, concepts, advantages and disadvantages of Public Private Partnerships including accounting and financing for Public Private Partnerships.

- a) The candidates will be able to understand the meaning of public private partnerships.
- b) The candidates will be able to differentiate the types of Public Private Partnerships.
- c) The candidates will understand and differentiate the financing arrangements of PPP's.
- d) The candidates will understand the uses and advantages, and disadvantages of public private partnerships.
- e) The candidates will understand the concepts of IPSAS 13 and 32, and accounting for PPPs.

In the assessment, candidates will be required to:

- a) Describe what a Public Private Partnership is.
- b) State the advantages and disadvantages of PPPs.
- c) Prepare financial statement extracts of PPPs.
- d) State the different types of PPPs arrangements.
- e) Evaluate and make recommendations regarding the different methods of financing PPPs.

References

ICAM Public Sector Accounting and Finance Manual,
 IPSAS Explained, Ernst and Young, Second Edition, 2012. John Wiley & Sons Limited.
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 Agariga, E. (2014), Public Sector Accounting. Ziphin Business World.
 Ampadu, A. (2014) Public Sector Accounting. EPP Book Service.
 Odulo, R. (2014) Public Sector Accounting. Second Edition.
 Other current reference manuals.
 The Constitution of the Republic of Malawi, 1994.
 The Public Finance Management Act (2003),
 The Public Procurement Act (2003)
 The Public Audit Act (2003)
 The Money laundering Act
 The Reserve Bank of Malawi Act
 Government Finance Statistics

B6: BUSINESS STRATEGY

Module aim

To provide candidates with an understanding of how businesses develop and implement strategy.

On completion of this module, candidates will be able to:

- Identify and analyse the consequences of a business's current objectives, market position and direction;
- Evaluate the likely consequences of strategic choices and recommend strategies to meet the objectives of a business; and
- Recommend appropriate methods of implementing strategies and demonstrate how management information can be used subsequently to measure and monitor strategic performance.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time to be spent on each. In time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 Strategic analysis	35
2 Strategic choice	35
3 Implementation and monitoring of strategy	30
	100

The following learning outcomes should be read in conjunction with the Business Analysis table and the ethics standards table in the evolved ACA syllabus technical knowledge document.

1 Strategic analysis

Candidates will be able to analyse and identify the consequences of a business's current objectives, market position and direction. In the assessment, candidates may be required to:

- a. Evaluate a business's purpose, in terms of its stated mission, objectives and critical success factors, highlighting omissions, inconsistencies and weaknesses in its strategic management systems and considering the different objectives of stakeholders.
- b. Analyse for a given situation the external factors which may impact upon a business's performance and position, identifying significant issues in areas such as:
 - sustainability issues
 - global macroeconomic forces
 - international trade and financial systems
 - government policies

- industry developments
 - cultural environment
 - stakeholder impact
 - current markets
 - markets for finance, labour and other resources
- c. Analyse a business's current markets and competitive strategy in sufficient detail for decisions to be made, drawing conclusions consistent with the data and results and highlighting relevant issues in terms of their likely impact on the strategy of the business.
 - d. Identify the significance and effect of the internal factors in a given situation which affect or may influence a business's ability to achieve its chosen strategy, including its:
 - current resources
 - product/service portfolio
 - organisational and operational capabilities (including core competencies existing business processes, human resource capabilities and information systems capabilities)
 - e. Analyse the governance structure of a business identifying strengths and weaknesses.
 - f. Identify the risk attached to a business's present position, considering all relevant factors (including attitudes to risk).
 - g. Assess a business' current position and performance from both a financial perspective and a non-financial perspective, using management information and data analysis.
 - h. Explain the ethical factors to be considered in determining the scope and nature of a business's objectives and its strategic analysis, having regard to the legitimate interests of all stakeholder groups.

2 Strategic choice

Candidates will be able to evaluate the likely consequences of strategic choices and recommend strategies to meet the objectives of a business. In the assessment, candidates may be required to:

- a. Identify and describe in a given scenario the alternative strategies available to a business
- b. Explain and demonstrate how a business can collect and analyse financial and other data in order to provide relevant information for strategic decision making at an appropriate level within the business
- c. Identify the implications for stakeholders, including shareholder value, of choice between strategies
- d. Identify the risks attached to proposed courses of action in a given situation, considering all relevant factors (including attitudes to risk) stating all assumptions made and identifying strategies for managing risk
- e. Show, in a given scenario, how a business chooses from competing strategies in order to maximise the achievement of its key objectives, including those relating to corporate responsibility and sustainability
- f. Evaluate the ethical implications of a business's strategies and operations including those for the organisation and for individuals (including the accountant in business and others)

- g. choose for a given scenario a strategy or combination of strategies which will achieve the business's objectives and take account of known constraints, including stakeholder risk preferences
- h. Explain, in a given scenario, how products and services must evolve in the face of changing consumer demand
- i. Explain, using information provided, how to position particular products and services in the market place to maximise competitive advantage and develop a marketing strategy
- j. Explain and demonstrate how a business can use management accounting techniques to evaluate its proposed strategies, including the risk associated with forecasts.

3 Implementation and monitoring of strategy

Candidates will be able to recommend appropriate methods of implementing strategies and demonstrate how management information can be used subsequently to measure and monitor strategic performance. In the assessment, candidates may be required to:

- a. Evaluate, in a given scenario, the functional strategies necessary to achieve a business's overall strategy.
- b. Evaluate the different types of organisational structure and recommend an appropriate structure for a given strategy.
- c. Identify the steps needed for a given business to enable it to meet the appropriate regulations, codes of conduct and disclosure requirements in respect of its governance.
- d. Identify methods of further developing a specific business which take account of positional analysis and risk and would be most likely to achieve the business's strategic objectives, and justify the methods selected.
- e. Draft a simple business plan, or extracts there from, which will achieve given or implied objectives
- f. Critically assess an entity's business plan.
- g. Explain and demonstrate how financial and non-financial data, including budgetary information, can be analysed in order to implement and manage a business's strategy and to monitor the performance of its projects, divisions and other strategic units.
- h. Explain and demonstrate how a business can collect and analyse data to provide management accounting and other management information that enables it to implement, monitor and modify a strategy and create competitive advantage.
- i. Identify in a given situation the key issues which should be addressed by the management of a business during the planning and implementation of change.
- j. Evaluate the ethical implications of how a business chooses to implement and modify its strategies, suggesting appropriate courses of action to resolve ethical dilemmas that may arise.

Reference

ICAEW Business Strategy Manual

SYLLABUS FOR ADVANCED LEVEL QUALIFICATION

A1: CORPORATE REPORTING

Module aim

To enable candidates to apply technical knowledge, analytical techniques and professional skills to resolve compliance and business issues that arise in the context of the preparation and evaluation of corporate reports and from providing audit services.

Candidates will be required to use technical knowledge and professional judgement to identify, explain and evaluate alternatives and to determine the appropriate solutions to compliance issues, giving due consideration to the needs of clients and other stakeholders. The commercial context and impact of recommendations and ethical issues will also need to be considered in making such judgements.

Objectives

On completion of this module, candidates will be able to:

- Formulate, implement and evaluate corporate reporting policies for single entities and groups of varying sizes and in a variety of industries. They will be able to discern and formulate the appropriate financial reporting treatment for complex transactions and complex scenarios. Candidates will be able to evaluate and apply technical knowledge from individual accounting standards and apply professional skills to integrate knowledge where several accounting standards are simultaneously applicable and interact.
- Analyse, interpret, evaluate and compare financial statements of entities both over time and across a range of industries.
- Explain the processes involved in planning an audit, evaluating internal controls, appraising risk, gathering evidence and drawing conclusions in accordance with the terms of the engagement. In addition, they will be able to perform a range of assurance engagements and related tasks.
- Evaluate corporate reporting policies, estimates and disclosures in a scenario in order to be able to assess whether they are in compliance with accounting standards and are appropriate in the context of audit objectives.
- Identify and explain ethical issues. Where ethical dilemmas arise, candidates will be able to recommend and justify and determine appropriate actions and ethical safeguards to mitigate threats.

Prior knowledge

This module assumes and develops the knowledge and skills acquired in the Financial Accounting and Reporting module and in the Audit and Assurance module.

Background knowledge based upon the strategic elements of the Business Planning: Taxation, Business Strategy and Financial Management modules will also be required in evaluating the business and financial risks of reporting entities.

Regulation

The regulations relating to auditing and corporate reporting will have international application and are therefore based upon standards and other regulations issued by the IASB and the IAASB. Knowledge of specific national standards will not be tested.

Ethics

Ethical codes will be those issued by IFAC and ICAEW. The ethical implications will be at both the organisational level and for individuals, particularly with respect to the accountant in business

Method of assessment

The Corporate Reporting module will be examined using a paper-based assessment of 3.5 hours. Each exam will contain questions requiring integration of knowledge and skills, including ethics. Candidates will be allowed to take any written or printed material into the exam hall subject to practical space restriction.

The exam will consist of three questions. Ethical issues and problems could appear in any of the three questions.

Specification grid

This grid below shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will be within the ranges of weightings below, but slight variations may occur in individual papers to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
Corporate Reporting – Compliance	55-65
Corporate Reporting – Financial statement analysis	
Audit and Assurance	30-40
Ethics	5-10
	100

The following learning outcomes should be read in conjunction with the relevant sections of the evolved ACA syllabus technical knowledge document.

1. Corporate Reporting: Compliance

Candidates will be able to formulate, implement and evaluate accounting and reporting policies for single entities and groups of varying sizes and in a variety of industries. They will be able to discern and formulate the appropriate financial reporting treatment for complex transactions and complex scenarios. Candidates will be able to evaluate and apply technical knowledge from individual accounting standards and apply professional skills to integrate knowledge where several accounting standards are simultaneously applicable and interact. In the assessment, candidates may be required to:

Principles

- a. Explain the impact of accounting principles and bases on measurement in corporate reporting, for example fair value measurement.
- b. Appraise corporate reporting regulations, and related legal requirements, with respect to presentation, disclosure, recognition and measurement.
- c. Explain and appraise accounting standards that relate to the impact of changes in accounting policies and estimates.
- d. Explain and evaluate the impact of underlying assumptions on financial statements.
- e. Identify and explain current and emerging issues in corporate reporting.

Principles

- a. Explain how different methods of recognising and measuring assets and liabilities can affect reported financial performance.
- b. Explain and appraise accounting standards that relate to reporting performance: in respect of presentation of financial statements; revenue; operating segments; continuing and discontinued operations; EPS; construction contracts; interim reporting.
- c. Formulate, implement and evaluate accounting and reporting policies for single entities and groups of varying sizes and in a variety of industries.

Assets and non-financial liabilities

- a. Explain how different methods of recognising and measuring assets and liabilities can affect reported financial position.
- b. Explain and appraise accounting standards that relate to assets and non-financial liabilities for example: property, plant and equipment; intangible assets, held-for-sales assets; inventories; investment properties; provisions and contingencies.

Financing

- a. Determine and calculate how different bases for recognising, measuring and classifying financial assets and financial liabilities can impact upon reported performance and position
- b. Appraise and evaluate cash flow measures and disclosures in single entities and groups
- c. Evaluate the impact of accounting policies and choice in respect of financing decisions for example hedge accounting and fair values
- d. Show, explain and appraise accounting standards that relate to an entity's financing activities which include: financial instruments; leasing; cash flows; borrowing costs; and government grants.

Employee remuneration

- a. Explain how different methods of providing remuneration for employees may impact upon reported performance and position.
- b. Explain and appraise accounting standards that relate to employee remuneration which include different forms of short-term and long-term employee compensation; retirement benefits; and share-based payment.

Groups

- a. Identify and show the criteria used to determine whether and how different types of investment are recognised and measured as business combinations
- b. Calculate and disclose, from financial and other data, the amounts to be included in an entity's consolidated financial statements in respect of its new, continuing and discontinued interests (which include situations when acquisitions occur in stages and in partial disposals) in subsidiaries, associates and joint ventures.

Reporting overseas activities

- a. Determine and calculate how exchange rate variations are recognised and measured and how they can impact on reported performance, position and cash flows of single entities and groups
- b. Demonstrate, explain and appraise how foreign exchange transactions are measured and how overseas entities are translated.

Taxation

- a. Explain, determine and calculate how current and deferred tax is recognised and appraise accounting standards that relate to current tax and deferred tax.

2. Corporate Reporting – Financial statement analysis

Candidates will be able to analyse, interpret, evaluate and compare financial statements of entities both over time and across a range of industries. In the assessment, candidates may be required to:

Financial statement analysis

- a. Comment on and critically appraise the nature and validity of items included in published financial statements
- b. Comment and critically appraise the nature and validity of information disclosed in annual reports, including voluntary disclosures
- c. Appraise the limitations of financial analysis
- d. Analyse and evaluate the performance, position, liquidity, efficiency and solvency of an entity through the use of ratios and similar forms of analysis
- e. Interpret the potentially complex economic environment in which an entity operates and its strategy based upon financial and operational information contained within the annual report (for example: financial and business reviews; reports on operations by management, corporate governance disclosures, financial summaries and highlights)
- f. Appraise the significance of inconsistencies and omissions in reported information in evaluating performance
- g. Compare the performance and position of different entities allowing for inconsistencies in the recognition and measurement criteria in the financial statement information provided
- h. Make adjustments to reported earnings in order to determine underlying earnings and compare the performance of an entity over time
- i. Analyse and evaluate business risks and assess their implications for corporate reporting

- j. Analyse and evaluate financial risks (for example financing, currency and interest rate risks) and assess their implications for corporate reporting
- k. Compare and appraise the significance of accruals basis and cash flow reporting.

3. Audit and Assurance

Candidates will be able to explain the processes involved in planning an audit, evaluating internal controls, appraising risk, gathering evidence and drawing conclusions in accordance with the terms of the engagement. In addition, they will be able to perform a range of assurance engagements and related tasks. In the assessment, candidates may be required to:

Professional practice

- a. Appraise and explain the role and context of auditing.
- b. Explain the nature and purpose of quality assurance (both at the level of the firm and the individual audit) and assess how it can contribute to risk management.
- c. Evaluate and explain current and emerging issues in auditing.

Planning

- a. Identify the components of risk and how these components may interrelate.
- b. Appraise the entity and the, potentially complex, economic environment within which it operates as a means of identifying and evaluating the risk of material misstatement.
- c. Identify the risks arising from, or affecting, a potentially complex set of business processes and circumstances and assess their implications for the engagement.
- d. Identify significant business risks and assess their potential impact upon the financial statements and the audit engagement.
- e. Evaluate the impact of risk and materiality in preparing the audit plan, for example the nature, timing and extent of audit procedures.
- f. Determine analytical procedures, where appropriate, at the planning stage using technical knowledge of corporate reporting and skills of financial statement analysis.
- g. Evaluate the components of audit risk for a specified scenario, for example the interactions of inherent risk, control risk and detection risk, considering their complementary and compensatory nature.
- h. Show professional scepticism in assessing the risk of material misstatement, having regard to the reliability of management.
- i. Evaluate, where appropriate, the extent to which reliance can be placed on expertise from other parties to support audit processes
- j. Prepare, based upon planning procedures, an appropriate audit strategy and detailed audit plan or extracts there from.

Internal control systems

- a. Analyse and evaluate the control environment for an entity based on an understanding of the entity, its operations and its processes.
- b. Evaluate an entity's processes for identifying, assessing and responding to business and operating risks as they impact on the financial statements.
- c. Appraise an entity's accounting information systems and related business processes relevant to corporate reporting and communication.

- d. Analyse and evaluate strengths and weaknesses of preventative and detective control mechanisms and processes, highlighting control weaknesses.
- e. Evaluate controls relating to information technology and e-commerce.
- f. explain and appraise the entity's system for monitoring and modifying internal control systems
- g. Devise, explain and evaluate tests of controls.

Corporate governance

- a. Describe and explain the nature and consequences of corporate governance and accountability mechanisms in controlling the operating and financial activities of entities of differing sizes, structures and industries.
- b. Explain the rights and responsibilities of the board, board committees (e.g. audit and risk committees), those charged with governance and individual executive and non-executive directors, with respect to the preparation and audit of financial statements.
- c. Describe and explain the rights and responsibilities of stakeholder groups (e.g. executive management, bondholders, government, securities exchanges, employees, public interest groups, financial and other regulators, institutional and individual shareholders) with respect to the preparation and audit of financial statements.
- d. Evaluate and appraise appropriate corporate governance mechanisms.
- e. Explain and evaluate the nature and consequence of relevant corporate governance codes and set out the required compliance disclosures.
- f. Explain the OECD principles of corporate governance.
- g. Explain the respective responsibilities of those charged with governance and auditors for corporate risk management and risk reporting.
- h. Explain the respective responsibilities of those charged with governance and auditors in respect of internal control systems.
- i. Explain and evaluate the role and requirement for effective two-way communication between those charged with governance and auditors.
- j. Describe and explain the roles and purposes of meetings of boards and of shareholders.

Audit evidence

- a. Explain and evaluate the relationship between audit risk and audit evidence
- b. Determine audit objectives for each financial statement assertion
- c. Determine for a particular scenario what comprises sufficient, appropriate audit evidence
- d. Design and determine audit procedures in a range of circumstances and scenarios, for example identifying an appropriate mix of tests of controls, analytical procedures and tests of details
- e. Demonstrate how professional scepticism may be applied to the process of gathering audit evidence and evaluating its reliability
- f. Demonstrate and explain, in the application of audit procedures, how relevant ISAs affect audit risk and the evaluation of audit evidence
- g. Evaluate, applying professional judgement, whether the quantity and quality of evidence gathered from various audit procedures is sufficient to draw reasonable conclusions
- h. Prepare appropriate audit documentation
- i. Recognise issues arising whilst gathering assurance evidence that should be referred to a senior colleague.

Reporting and concluding

- a. Review the appropriateness of the going concern assumption.
- b. Review events after the reporting period.
- c. Review and evaluate, quantitatively and qualitatively, for example using analytical procedures, the results and conclusions obtained from audit procedures.
- d. Draw conclusions on the nature of the report on an audit engagement, and formulate an opinion for a statutory audit, which are consistent with the results of the audit evidence gathered.
- e. Draft suitable extracts for reports (for example any report to the management or those charged with governance issued as part of the engagement).

Assurance engagements

- a. Explain the nature of a range of different assurance engagements.
- b. Evaluate the evidence necessary to report at the appropriate level of assurance.
- c. Evaluate risk in relation to the nature of the assurance engagement and the entity or process for a given scenario.
- d. Design and determine procedures necessary to attain the relevant assurance objectives in a potentially complex scenario.

Other engagements

- a. Evaluate the role of internal audit and design appropriate procedures to achieve the planned objectives.
- b. Appraise and explain the nature and purposes of forensic audit and prepare and plan procedures required to achieve a range of differing objectives.
- c. Explain the roles and responsibilities that auditors may have with respect to a variety of different types of information and design procedures sufficient to achieve agreed objectives.
- d. Explain the nature and purposes of due diligence procedures (for example: financial, commercial, operational, legal, tax, human resources) and plan procedures required to achieve a range of differing financial objectives.

4. Audit and Corporate Reporting: integrated learning outcomes

Candidates will be able to evaluate corporate reporting policies, estimates and disclosures in a scenario in order to be able to assess whether they are in compliance with accounting standards and are appropriate in the context of audit objectives. In the assessment, candidates may be required to:

Integrated learning outcomes

- a. Identify and explain corporate reporting and assurance issues in respect of social responsibility, sustainability and environmental matters for a range of stakeholders.
- b. Critically evaluate accounting policies choices and estimates, identifying issues of earnings manipulation and creative accounting.

- c. Critically appraise corporate reporting policies, estimates and measurements for single entities and groups in the context of an audit.

4. Ethics

Candidates will be able to identify and explain ethical issues. Where ethical dilemmas arise, they will be able to recommend, justify and determine appropriate actions and ethical safeguards to mitigate threats. In the assessment, candidates may be required, in the context of corporate reporting and auditing, to:

Ethics

- a. Identify and explain ethical issues in a reporting, assurance and/or business scenario.
- b. Explain the relevance, importance and consequences of ethical issues.
- c. Evaluate the impact of ethics on a reporting entity, relating to the actions of stakeholders.
- d. Recommend and justify appropriate actions where ethical issues arise in a given scenario.
- e. Design and evaluate appropriate safeguards to mitigate threats and provide resolutions to ethical problems.

Reference

ICAEW Corporate Reporting Manual

A2: STRATEGIC BUSINESS MANAGEMENT

Module aim

To enable candidates to demonstrate quantitative and qualitative skills, in order to make realistic business recommendations in complex scenarios. Business awareness will need to be demonstrated at strategic, operating and transactional levels.

To achieve this aim, candidates will be required to use technical knowledge and professional judgement to apply appropriate models and to analyse data from multiple sources, including corporate reports, in order to evaluate alternatives and determine appropriate solutions.

Objectives

On completion of this module, in a national or global context, and for a range of different business structures and industry scenarios, candidates will be able to:

- Analyse and identify the external environment and internal strategic capability of an entity; evaluate the consequences of strategic choices; recommend strategies to achieve stakeholder objectives, recommend appropriate methods of implementing strategies and monitoring strategic performance; manage business risks; and advise on corporate governance.
- Identify and advise upon appropriate finance requirements; evaluate financial risks facing a business and advise upon appropriate methods of managing those risks; provide valuations for businesses and securities; and advise upon investment and distribution decisions.
- Identify and explain ethical issues. Where ethical dilemmas arise, candidates will be able to recommend and justify and determine appropriate actions and ethical safeguards to mitigate threats.
- Interpret and apply corporate reporting information in evaluating business and financial performance; recognise and explain the corporate reporting consequences of business and financial decisions; apply corporate reporting information in appropriate models to determine asset, equity and entity valuations, demonstrating an understanding of the usefulness and limitations of accounting information in this context.
- Appraise and explain the role of assurance in raising new equity and debt funding and in the subsequent monitoring of such funding arrangements; understand, explain and evaluate the role of assurance in selecting and implementing key business decisions including acquisitions and strategic alliances; understand and explain the role of assurance in financial and business risk management.

Prior knowledge

This module assumes and develops the knowledge and skills acquired in the Financial Accounting and Reporting module, the Business Strategy module and the Financial Management module.

Background knowledge based upon the strategic elements of the Taxation and the Audit and Assurance module will also be required in evaluating the business and financial risks of reporting entities.

Ethics

Ethical codes will be those issued by IFAC and the ICAEW. The ethical implications will be at both the organisational level and for individuals, particularly with respect to the accountant in business.

Method of assessment

The Strategic Business Management module will be examined using a paper-based assessment of 3.5 hours. Each exam will contain questions requiring integration of knowledge and skills, including ethics. Candidates will be allowed to take any written or printed material into the exam hall subject to practical space restriction.

The exam will consist of two questions, and ethical issues and problems could appear in either question.

Specification grid

The grid below shows the relative weightings of subjects within this module and should guide the study time spent on each. Over time the marks available in the assessment will be within the ranges of weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
Business and management	35-45
Financial strategy	25-35
Corporate reporting	15-20
Assurance	10
Ethics	5-10
	100

Business contexts

The learning outcomes may all be assessed within an integrated business scenario.

The following are examples of possible scenarios:

- developing management information strategies
- developing management and corporate governance mechanisms
- business and financial risk management
- business start-up planning
- business and security valuations
- developing policies for sustainability and corporate responsibility
- raising, structuring and restructuring of finance
- resource management issues

- developing performance management strategies
- developing remuneration and reward packages
- reorganisation and restructuring of entities, and the management of change
- financial distress and business recovery
- developing global financial and business strategies and operations
- developing global divisional and transfer pricing strategies for tax and performance management
- appraisal methods for businesses undertaking major projects and/or organisational or process transformation
- issues arising from use of complex financial instruments in business finance in the context of risk and treasury management
- ethical issues arising in business and finance

Integrated learning outcomes

1. Business Strategy and Management

Candidates will be able to analyse and identify the external environment and internal strategic capability of an entity; evaluate the consequences of strategic choices; recommend strategies to achieve stakeholder objectives, recommend appropriate methods of implementing strategies and monitoring strategic performance; manage business risks; and advise on corporate governance. Candidates will also be able to apply corporate reporting and assurance principles and practices in the context of key business decisions and events. In the assessment, candidates may be required to:

Strategic analysis

- Describe and explain the strategic objectives of an entity considering the interests of stakeholders.
- Analyse and evaluate, for a given scenario, the external economic, market and industry environment which may impact upon a business's performance and position.
- Identify and evaluate the significance of the internal factors in a given scenario which may influence an entity's ability to achieve its chosen strategic objectives.
- Analyse and evaluate an entity's current position and performance, from both a financial perspective and a non-financial perspective, using a variety of internal and external information sources.
- Demonstrate how strategic analysis tools can be used in a complex scenario.
- Demonstrate how business strategy and financial strategy can interrelate in a complex scenario.
- Evaluate and advise upon the strategic capability of an entity.
- Evaluate strategy at corporate, business unit and operational levels.

Strategic choice

- Assess and advise on and propose appropriate business strategies to meet stated objectives.
- Identify and evaluate business unit strategies to achieve sustainable competitive advantage.

- c. Explain and demonstrate how financial and non-financial data can be analysed in order to select an optimal business strategy.
- d. Explain and demonstrate how strategic business models can be used in a given scenario, to identify factors that a business can consider in choosing between competing strategies.
- e. Explain international strategies; appraise international value chains and markets; and show the impact on individual and group financial statements in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Strategic implementation

- a. Demonstrate and explain the impact of acquisitions and strategic alliances in implementing corporate strategy and evaluate the nature and role of assurance procedures in selecting and monitoring such strategies.
- b. Evaluate and explain the relationship between business strategy and organisational structure.
- c. Explain and evaluate the nature and methods of change management and give advice on the implementation of change in complex scenarios.
- d. Demonstrate and explain the techniques that may be used in implementing a strategy to reduce costs, for example supply chain management, business process re-engineering and outsourcing.
- e. Evaluate, in a given scenario, the functional strategies necessary to achieve a business's overall strategy.
- f. Develop business plans and proposals and advise on technical issues relating to business and organisational plans, assess the impact on historic and projected corporate reporting information.

Strategic performance management

- a. Advise on, and develop, appropriate performance management approaches for businesses and business units.
- b. Explain and demonstrate how a business can analyse complex data from multiple sources to provide strategic management accounting information to implement, monitor and modify a strategy at an appropriate organisational level in order to create competitive advantage.
- c. Use financial and non-financial performance data to measure multiple aspects of performance at a variety of organisational levels.
- d. Advise on, and develop, appropriate remuneration and reward packages for staff and executives linked to performance, considering agency relationship issues; and evaluate the impact on corporate reports arising from IAS19, *Employee Benefits*, and IFRS2, *Share-based payment*.
- e. Develop measures to evaluate performance in the context of social responsibility, sustainability and environmental matters.

Strategic marketing and brand management

- a. Assess strategic marketing issues and demonstrate the application of marketing techniques in complex scenarios.

- b. Evaluate and analyse markets and the marketing environment and develop a marketing strategy consistent with the overall business strategy.
- c. Explain, using information provided, how to position particular products and services in the market place (domestic or international) to maximise competitive advantage, and assess the impact on revenue recognition and profit in accordance with IAS 18, *Revenue*.
- d. Demonstrate, across a range of industries, how elements of the marketing mix can be used to promote competitive advantage.
- e. Develop and explain marketing strategies using databases and information technology applications such as social media and other internet sources.
- f. Develop and explain the strategies for managing and sustaining existing brands.
- g. Prepare marketing strategies and show how they can be used to develop brands.
- h. Demonstrate how appraisal techniques can be used for valuing brands, patents, R&D projects and intellectual property and evaluate relevant corporate reporting recognition and measurement implications according to IAS 38, *Intangible assets*.

Business risk management

- a. Analyse and evaluate the key types of business risks and assess their implications within a given scenario, for business strategy and corporate reporting disclosures.
- b. Advise on the risks involved in business and organisational plans and show how these risks can be managed by assurance procedures and other forms of risk mitigation.
- c. Explain the responsibility of those charged with governance for managing risk and assess the role of assurance in risk mitigation.
- d. Assess the impact of risk on a variety of stakeholders.
- e. explain and assess the various steps involved in constructing a business risk management plan, by establishing context, identifying risks and the assessment and quantification of risk
- f. Evaluate and explain the limitations of business risk management.
- g. Assess and explain enterprise risk management, evaluating its framework and its benefits.
- h. Using data provided, analyse quantitatively, business risks under a range of complex scenarios.

Corporate governance

- a. Assess the nature of governance and explain the characteristics and principles of good governance in a variety of scenarios.
- b. Assess the interests and impact of organisational stakeholders in determining strategy and the consequences for stakeholders of strategic choices.
- c. Evaluate the impact of governance mechanisms on a range of stakeholders.
- d. Assess and advise on appropriate corporate governance mechanisms, and evaluate stakeholder management.
- e. Analyse and evaluate the strengths and weaknesses of corporate governance mechanisms and processes.
- f. Explain the role of boards in determining and evaluating an entity's policy for social responsibility, sustainability and environmental matters and give advice on corporate reporting disclosures relating to these policies.

- g. Evaluate the suitability of corporate governance and organisational structures for implementing strategy.
- h. Explain the role of boards in monitoring corporate performance and risk, and assess the role of assurance procedures in this context.
- i. Explain the nature, and assess the consequences, of the legal framework within which businesses, assurance and governance systems operate (with particular reference to company law, fraud, money laundering, civil liabilities, social security law, employment law, contract law, tort and environmental law).

Data analysis

- a. Undertake appropriate data analysis, business analysis and financial statement analysis.
- b. Explain financial and operational data and other management information, drawing inferences relating to its completeness, accuracy and credibility, as a basis for a meaningful analysis of the position, future prospects and risks for a business.
- c. Demonstrate how suitable financial, strategic and operational analysis techniques can be used to analyse financial and operational data and to evaluate business position, prospects and risks.
- d. Communicate an explanation (stating any reservations regarding transparency and objectivity of data and information) of the position, prospects and risks of a business, based on analysis of financial and operational data and information, and assess the extent to which limited assurance and reasonable assurance engagements can identify and mitigate information risks in this context.

Information strategy

- a. Outline proposals and advise on outline requirements for information technology applications to support business strategy, for example in the context of e-commerce, e-business and virtual arrangements.
- b. Use management accounting information (for example, costs, prices, budgets, transfer prices) and management accounting tools (for example, break-even, variances, limiting factors, expected values, ABC, balanced scorecard) to evaluate short and long term aspects of strategy.
- c. Explain and appraise how management information systems can provide relevant data to analyse markets, industry and performance.
- d. Demonstrate and explain methods for determining the value of information in the context of developing an information strategy.
- e. Assess financial and operational data and information from management information systems, drawing inferences relating to its completeness, accuracy and credibility, and provide an evaluation of assurance procedures in evaluating information risks.
- f. Demonstrate and explain how businesses capture, analyse and utilise information to develop competitive advantage.

Human resource management

- a. Assess, explain and advise on the role of human resource management in implementing strategy.
- b. Demonstrate and explain how human resource management can contribute to business strategy.

- c. Identify the impact of remuneration structures on organisational behaviour and other aspects of human resource management, and show the corporate reporting consequences.
- d. Demonstrate and explain the role and impact of human resource management in change management.

2. Financial Strategy

Candidates will be able to identify and advise upon appropriate finance requirements; evaluate financial risks facing a business and give advice upon appropriate methods of managing those risks; provide valuations for businesses and securities; and advise upon investment and distribution decisions. Candidates will also be able to apply corporate reporting and assurance principles and practices in the context of key financing decisions and events. In the assessment, candidates may be required to:

Finance awareness

- a. Demonstrate and explain the financing alternatives available for projects and assets, and make informed choices as to which alternative is the most compatible with the overall financial strategy of the entity, showing the corporate reporting consequences relating to presentation, disclosure, recognition and measurement of projects and their financing.
- b. Assess and explain current and emerging issues in finance.
- c. Identify social responsibility, sustainability and environmental factors for a range of financial stakeholders, and assess assurance and corporate reporting issues relating to such factors.
- d. Explain how financial crises, which have occurred in the past over a long time period, may impact on approaches and attitudes to financial risk and may inform corporate reporting practice.

Business and Securities Valuation

- a. Explain give advice on and demonstrate appropriate valuation methods for businesses and equity securities using: asset-based; adjusted earnings-based; and cash-based methods (for example SVA, EVAR, VBM, MVA and other appropriate techniques).
- b. Critically appraise business and securities valuation methods in the context of specified complex scenarios.
- c. Explain and demonstrate: appropriate valuation techniques in the context of acquisitions and mergers; assess the contribution of due diligence procedures; and show the impact on corporate reporting issues from IFRS 3, *Business Combinations*, and IFRS 10, *Consolidated Financial Statements*.
- d. Explain and demonstrate appropriate valuation techniques in the context of demergers and for disposal of entities and business units, and show the impact on corporate reporting issues from IFRS5, *Non-current Assets Held for Sale and Discontinued Operations*.
- e. Demonstrate, and explain the techniques used to determine the value of debt.

3. Financial Structure and Financial reconstruction

Capital Structure

- a. Appraise and evaluate the sources of finance and the process for raising finance.
- b. Advise on and develop proposals for determining the appropriate financing mix for new businesses and projects.
- c. Explain and advise on issues relating to the cost of capital.
- d. Show and explain how dividend policy impacts upon equity value and upon financing and investment decisions.
- e. Appraise and explain how the choice of financing impacts on reported corporate performance, and on the recognition and measurement of financial assets and financial liabilities.

Financial reconstruction

- a. Show and explain how financial reconstruction takes place and explain the consequences of such reconstructions for corporate reporting.
- b. Appraise and evaluate financial reconstruction proposals in a given scenario, and determine the nature and role of assurance procedures in this context.
- c. Explain the different reasons for refinancing, and demonstrate how companies in financial distress can be managed, having regard to insolvency law.
- d. Explain and appraise the workings of, and reasons for, securitisation, showing the impact on financial statement information.
- e. Explain and appraise the nature and consequences of leveraged buy outs.
- f. Appraise and evaluate various forms of reconstruction (for example, spin-off, MBO, divestment, demergers, purchase of own shares, use of distributable profits), explaining the corporate reporting impact.

Small and medium company financing

- a. Appraise and explain the small and medium-sized enterprise financing problem.
- b. Appraise and evaluate the various methods of financing available to small and medium-sized enterprises, and explain the nature and role of assurance for small and medium-sized companies in raising such finance.
- c. Assess and explain the characteristics of sources of equity for smaller companies and the financial institutions operating in these markets (for example venture capital and private equity).

4. Financial instruments and financial markets

Equity instruments

- a. Assess and explain the types of equity securities, and evaluate the implications for disclosure, presentation, recognition and measurement in financial statements.
- b. Appraise and explain the characteristics of equity markets and the financial institutions operating in these markets.
- c. Analyse and evaluate the cost of equity, portfolio theory and the use of appropriate asset pricing models, applying principles of financial economics.

Fixed interest

- a. Explain the types of fixed interest securities and evaluate the implications for disclosure, presentation, recognition and measurement in financial statements.
- b. Appraise and explain the characteristics of bond markets and the financial institutions operating in these markets.
- c. Appraise and evaluate the use of bonds/loans as a method of finance, and explain the implications of terms included in loan agreements in a given scenario (for example, covenants and guarantees) and explain the procedures by which monitoring and assurance can be provided in respect of such agreements.
- d. Explain and appraise bond valuation techniques and assess flat and gross redemption yields.
- e. Explain and appraise yield curves, sensitivity to yield and components of the yield.
- f. Evaluate and explain interest rate risk.
- g. Appraise and evaluate credit risk and credit spread.

Derivatives

- a. Explain the types of derivative securities and evaluate the implications for disclosure, presentation, recognition and measurement in financial statements.
- b. Assess and explain the characteristics of derivative markets and the financial institutions operating in these markets.
- c. Appraise and evaluate the characteristics of forwards, futures, options, swaps, credit derivatives.

Financial risk management

- a. Analyse and evaluate financial risks and their implications (for example financing, currency and interest rate risks) and show the application of qualitative and quantitative risk disclosures according to IFRS 7, *Financial Instruments: Disclosure*, and other corporate reporting disclosures relevant to risk assessment.
- b. Appraise and advise on appropriate methods to assess and manage financial risk in specific business scenarios.
- c. Explain and appraise financial instruments available for hedging against interest rate and foreign exchange rate risk, for example, swaps, collars and floors.
- d. Demonstrate and explain the nature and operation of financial instruments underlying the disclosure, recognition and measurement requirements of IAS 32, IAS 39, IFRS 7 and IFRS 9.
- e. Demonstrate and explain how interest rate hedging strategies and foreign currency risk management strategies can be formulated, both at the level of the individual transaction and for macro hedging arrangements.

International financial management

- a. Explain and appraise the various methods of financing available for overseas investments and evaluate the implications for disclosure, presentation, recognition and measurement in financial statements in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

- b. Appraise and explain global treasury organisation and international liquidity management.
- c. Appraise and evaluate the factors affecting the capital structure of a multinational company.
- d. Explain and appraise the advantages and risks associated with international borrowing.
- e. Demonstrate and explain the risks associated with international trade and the ways in which these risks can be managed, and assess the nature and role of assurance procedures in mitigating risk and the financial reporting consequences of currency hedging.
- f. Appraise and evaluate the different methods open to multinationals wishing to set up overseas operations and the choices of finance available, identifying tax and corporate reporting consequences.
- g. Assess and explain the impact of exchange controls and how companies can overcome the effects of these controls.
- h. Appraise and evaluate the management of dividends in multinational organisations.
- i. Appraise and evaluate the management of transfer prices in multinational organisations and the implications for reported profit and tax.

Investment appraisal

- a. Select and advise on investment appraisal techniques which are appropriate to the objectives and circumstances of a given business.
- b. Appraise and advise on appropriate measures of return and risk for assessing business projects.
- c. Demonstrate and evaluate investment appraisal techniques for international projects, identifying the impact of tax and the effects on corporate reporting.
- d. Explain and appraise real options and determine the impact of options to abandon, expand, delay and redeploy.
- e. Appraise and evaluate the quantitative and qualitative issues surrounding international investment appraisal.
- f. Evaluate the impact of externalities when making investment appraisal decisions.
- g. Identify social responsibility, sustainability and environmental consequences of investment decisions, explaining corporate reporting issues in relation to such policies.

Treasury and working capital management

- a. Demonstrate and explain the role and responsibilities of the treasury management function.
- b. Demonstrate and explain the role of treasury management in short-term finance, short-term investment and liquidity risk.
- c. Appraise and evaluate the contribution of working capital management to short term and long term financing.
- d. Evaluate the risks arising from working capital management and how these may be mitigated.
- e. Evaluate and explain working capital requirements for a range of different organisations and circumstances.

- f. Demonstrate and explain the nature and role of working capital management within financial management.
- g. Appraise, evaluate and advise with respect to working capital management techniques.

5. Ethics

Candidate will be able to identify and explain ethical issues. Where ethical dilemmas arise, candidates will be able to recommend, justify and determine appropriate actions and ethical safeguards to mitigate threats. In the assessment, candidates may be required to:

- a. Recognise and explain ethical issues.
- b. Explain the relevance, importance and consequences of ethical issues.
- c. Evaluate the impact of ethics on an entity, its stakeholders and the scope of its strategies and operations.
- d. Recommend and justify appropriate actions where ethical dilemmas arise in a given scenario.
- e. Design and evaluate appropriate ethical safeguards.

Reference

ICAEW Strategic Business Management Manual