



**Level III Certificate  
in Bookkeeping and Financial Statements  
2015/16 Syllabus for ICBUSA**

## Level III Certificate in Bookkeeping and Financial Statements

### Introduction

The Level III Certificate in Bookkeeping and Accounting covers the preparation of ledger balances, control accounts and reconciliations, adjustments and basic preparation of financial statements for sole proprietors and partnerships.

### Occupational Role: Self Employed Bookkeeper/Employed Bookkeeper

On completion of this qualification, candidates will be able to carry out the role of an employed or self-employed bookkeeper, be able to reconcile bank statements with the ledgers, produce a sales tax return, control the sales and purchase ledgers, post year-end adjustments and produce the basic financial statements for a sole proprietor and a partnership in both a manual and a computerized system.

### Prior Knowledge

Before commencing study at this level, the candidate should have achieved ICBUSA Level II Certificate in Bookkeeping or its equivalent with another awarding body.

### Qualification aims

On completion of this level of study a candidate will be able to:

- Understand the following areas of underpinning knowledge:
  - The importance of adhering to a set of ethical principles
  - How and when to take action to cope with unethical behavior
  - The concepts of business entity, going concern, historical cost, consistency, conservatism, sales tax, and accruals
  - The legal requirements for forming a partnership, a limited liability company (LLC), and a corporation
  - Different ways of processing sales tax (e.g. nexus-based vs. streamlined sales tax/SSTP)
- Prepare a bank reconciliation.
- Understand the purpose and use of control accounts as a checking mechanism.
- Account for sales tax and prepare a sales tax return.
- Prepare the general journal entries to record the disposal of a fixed asset and to calculate the profit or loss on disposal.
- Calculate adjustments to the accounts including:
  - Opening and closing inventory adjustments
  - Depreciation of fixed assets
  - Accruals, deposits, prepaid expenses, and deferred revenue
  - Allowance for doubtful accounts receivable
- Prepare the final trial balance for a non-incorporated business including processing of adjustments for opening and closing stock, depreciation, accruals, prepayments, and provision for doubtful debts for a sole proprietor or a partnership.

## **Assessment and Grading**

The testing of knowledge and skills for the qualification will be performed with two online assessments, both of which are taken in the candidate's home or place of work, plus one assessment taken at an ICBUSA affiliated testing center. Note: the assessments may also test elements of the Level II Certificate in Bookkeeping.

### **Examination BA4 – reconciliations and adjustments to the financial statements of a sole proprietor:**

Home / place of work based assessment to include:

- Underpinning knowledge (5% weighting)
- Reconciliation and correction of errors (customer and supplier reconciliations, bank reconciliation, correction of errors) (15% weighting)
- Sales Tax Returns (15% weighting)
- Posting adjustments including disposal and acquisition of fixed assets (15% weighting)
- Closing the books of a sole proprietor or self-employed individual (20% weighting)
- Production of financial statements with adjustments for a sole proprietor or self-employed individual using a computerized package (30% weighting)

### **Examination BA5 – financial statements of a partnership**

Home / place of work based covering knowledge and skills assessment to include:

- Underpinning knowledge (10% weighting)
- Posting adjustments including disposal and acquisition of fixed assets (30% weighting)
- Basic financial statements of a partnership including the separate partner capital accounts and a detailed analysis of the partner capital accounts, including beginning balance, additions/contributions, distributions, and ending balance. (60% weighting)

### **Examination BA6 - Level II External Assessment**

A single assessment to be taken at a testing center affiliated with ICBUSA will be a mixture of multi-choice and data entry questions which will cover all elements of the syllabus.

## **The full qualification will be graded at Distinction with Honors, Distinction, Merit or Pass**

All tests and the examination must be successfully achieved to gain the full qualification.

Each assessment will generate a separate accreditation notification.

The home or work place based assessments will be graded as follows:

Distinction	95 -100%
Merit	90 - 94%
Pass	85 - 89%
Fail	0 - 84%

The assessment taken at an external ICB center will be graded as follows:

Distinction	90 -100%
Merit	80 - 89%
Pass	70 - 79%
Fail	0 - 69%

Once all tests and the examination have been successfully completed, a final certificate can be applied for which will be graded at Distinction with Honors, Distinction, Merit or Pass. Unit results will be aggregated. To achieve the relevant grade in the full qualification, the following aggregate points must be achieved:

Distinction with Honours	390 points and above
Distinction	375 – 389 points
Merit	350 – 374 points
Pass	325 – 349 points

### **Level of Membership**

Successful achievement at the full qualification will lead to the offer to upgrade to Member of ICB and the award of the designatory letters MICB.

## Topic 1 – Underpinning Knowledge

Learning Outcome	Assessment Criteria
1.1 Understand the importance of adhering to a code of ethical principles	<p>Be able to:</p> <ul style="list-style-type: none"> <li>• Understand the importance of adhering to a set of professional ethics when working with clients, suppliers, colleagues and others with regards to:               <ul style="list-style-type: none"> <li>– integrity and honesty</li> <li>– objectivity</li> <li>– professional competence and due care and diligence</li> <li>– confidentiality</li> <li>– professional behavior including separating personal duties from business life</li> <li>– adhering to organizational codes of practice and regulations</li> <li>– working within your own professional experience, knowledge and expertise</li> </ul> </li> </ul>
1.2 Understand when and how to take appropriate action to cope with unethical behavior	<p>Be able to:</p> <ul style="list-style-type: none"> <li>• Identify relevant authorities to whom unethical behavior, suspected illegal acts or other malpractice should be reported.</li> <li>• Identify inappropriate client behavior and how to report it to relevant authorities inside the company, and if necessary, to law enforcement.</li> <li>• Explain the procedure which should be followed if it is suspected that an act has been committed which is believed to be unethical, or illegal.</li> </ul>
1.3 Understand the legal differences between the structures of various types of businesses	<p>Be able to:</p> <ul style="list-style-type: none"> <li>• Understand the nature of liability for sole proprietors and partners.</li> <li>• Define the term partnership.</li> <li>• Identify the characteristics of a partnership agreement.</li> <li>• Understand the rules that apply in the absence of a partnership agreement.</li> <li>• Identify the characteristics of not-for-profit organizations and their accounting requirements.</li> </ul>
1.4 Understand the main accounting concepts that apply	<p>Be able to:</p> <ul style="list-style-type: none"> <li>• Identify and explain the concepts of:               <ul style="list-style-type: none"> <li>– business entity, going concern, historical cost, consistency, conservatism, accruals</li> </ul> </li> <li>• Identify and use the method of accounting most commonly used by sole proprietors and small partnerships.</li> </ul>
1.5 Understand the different rules that apply when processing sales tax transactions	<p>Be able to:</p> <ul style="list-style-type: none"> <li>• Understand that there are different schemes for calculating sales tax such as:               <ul style="list-style-type: none"> <li>– Cash basis</li> <li>– Accrual basis</li> <li>– Based on the seller's location</li> <li>– Based on the location where the item was installed or serviced</li> </ul> </li> </ul>

	<p style="text-align: center;">– Based on the buyer’s delivery location (streamlined sales tax)</p> <p>Note: questions will not be set testing data entry or completion of SALES TAX returns for such schemes</p>
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## Topic 2 – Reconciliation of General Ledger Accounts and Correction of Errors

Learning Outcome	Assessment Criteria
2.1 Reconcile supplier statements	<p>Be able to:</p> <ul style="list-style-type: none"> <li>• Reconcile vendor statements with the detailed listing of open accounts payable by vendor and the general ledger trial balance.</li> </ul>
2.2 Prepare a bank reconciliation statement	<p>In both a manual and computerized system, be able to:</p> <ul style="list-style-type: none"> <li>• Compare individual items on the bank statement with those in the ledger.</li> <li>• Update the ledger.</li> <li>• Resolve discrepancies and evaluate timing differences between the records of the bank and the general ledger.</li> <li>• Prepare the bank reconciliation statement.</li> </ul>
2.3 Use control accounts to reconcile sales and purchase ledgers	<p>In both a manual and computerized system, be able to:</p> <ul style="list-style-type: none"> <li>• Reconcile sales and purchase ledger control accounts with totals from the subsidiary ledgers to check the accuracy of the ledgers.</li> <li>• Describe the types of activities which can create differences between the general ledger and the subsidiary ledgers, and describe how to find such items in both a manual and a computerized system.</li> </ul>
2.4 Understand the need to correct errors	<p>Be able to:</p> <ul style="list-style-type: none"> <li>• Understand what to do if the trial balance does not balance.</li> <li>• Open a suspense account where applicable to account for any imbalance in the trial balance.</li> <li>• Identify and correct errors that do not affect the trial balance, e.g. omission, commission, principle, original entry, reversal, compensating.</li> <li>• Prepare and clear the suspense account as appropriate.</li> <li>• Produce a corrected trial balance.</li> <li>• Prepare journal entries for the above errors.</li> <li>• Post relevant corrections in a computerized system.</li> </ul>

**Topic 3 – Sales Tax Returns**

<b>Learning Outcome</b>	<b>Assessment Criteria</b>
3.1 Reconcile the accrued sales tax account	In both a manual and computerized system, be able to: <ul style="list-style-type: none"><li>• Reconcile the sales tax activity report and the return figures with the accrued sales tax liability account.</li></ul>
3.2 Complete a sales tax return	In both a manual and computerized system, be able to: <ul style="list-style-type: none"><li>• Complete and submit a paper and electronic sales tax return (standard and/or cash sales tax only).</li></ul>
3.3 Look up tax rates for a location/jurisdiction	Be able to: <ul style="list-style-type: none"><li>• Use state department of revenue websites to look up the state, county, local, and special tax rate(s) for an address.</li><li>• Use a third party website like Avalara's AvaTaxRates.com or salestax.com to look up the state, county, city, and special tax rates which apply to an address.</li><li>• Explain why using zip codes to calculate sales tax can create compliance problems for users.</li></ul>



**Topic 4 – Calculate and Post Adjustments To The Ledgers**

<b>Learning Outcome</b>	<b>Assessment Criteria</b>
4.1 Calculate depreciation	<p>Be able to:</p> <ul style="list-style-type: none"> <li>• Calculate depreciation on a fixed asset using both straight line and declining balance method.</li> <li>• Calculate the original cost price of an asset given net book value and depreciation rates and number of years of depreciation.</li> </ul>
4.2 Account for the disposal of fixed assets	<p>In both a manual and computerized system, be able to:</p> <ul style="list-style-type: none"> <li>• Correctly identify the original cost of the asset disposed.</li> <li>• Correctly identify and record all disposal costs and proceeds in the appropriate accounts.</li> <li>• Correctly calculate and determine the cumulative depreciation to date on a disposed asset.</li> <li>• Prepare the supporting analysis which documents the correct net book value of the asset as of the sale date, the cost to dispose of the asset, and the gain/loss on disposal of the asset.</li> <li>• Classify correctly the gain or loss on sale of fixed assets, the proceeds from sale, and the cost to acquire fixed assets on the statement of cash flows.</li> <li>• Make relevant journal entries to record the disposal.</li> </ul>
4.3 Understand the need to allow for adjustments to the accounts	<p>In both a manual and computerized system, be able to:</p> <ul style="list-style-type: none"> <li>• Post entries to the ledgers for the following adjustments: <ul style="list-style-type: none"> <li>– opening and closing inventory including valuing inventory at the lower of cost or market accruals and prepaid expenses including dealing with the relevant entries in the following periods</li> <li>– depreciation (straight line and declining balance)</li> <li>– account for the revaluation of fixed assets</li> <li>– provision for doubtful accounts including <ul style="list-style-type: none"> <li>○ identifying the need for depreciation</li> <li>○ calculating depreciation expense, accumulated depreciation, and reconciling to the general ledger</li> <li>○ accounting for changes in the account detailing the cost of acquired assets and the related accumulated depreciation</li> <li>○ preparing the relevant journal entry to adjust the balance to match the supporting analysis of the detailed depreciation report</li> </ul> </li> </ul> </li> </ul>

## Topic 5 – Final Accounts of Non-Incorporated Businesses

Learning Outcome	Assessment Criteria
5.1 Prepare a set of final accounts for a sole proprietor from a given trial balance	<p>In both a manual and computerized system, be able to:</p> <ul style="list-style-type: none"> <li>• Prepare an income statement and a statement of stockholders equity from a trial balance, including all required adjustments.</li> <li>• Prepare a Balance Sheet showing clearly the main categories of assets and liabilities.</li> <li>• Close the income statement accounts at the year end.</li> </ul>
5.2 Prepare a set of financial statements for a partnership	<p>In both a manual and computerized system, be able to:</p> <ul style="list-style-type: none"> <li>• Prepare an income statement and an analysis of partner equity balances, including capital contributions, share of earnings, distributions/draws, guaranteed payments, and ending partner equity balances from a trial balance, including any required adjustments.</li> <li>• Allocate the purchase price of assets acquired to the tangible assets received in an acquisition.</li> <li>• Prepare relevant partnership capital account analyses.</li> <li>• Prepare a balance sheet showing clearly the main categories of assets and liabilities.</li> <li>• Close the income statement accounts at the year end.</li> </ul>

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