



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

Level IV Certificate in Advanced Bookkeeping and Financial Statements

Introduction

The Level IV Certificate in Advanced Bookkeeping and Financial Statements covers the production of a set of accounts from incomplete records, advanced partnership accounts and the preparation and interpretation of internal management accounts for incorporated bodies.

Limits of the qualification

Where reference is made in the syllabus to preparing financial statements for incorporated businesses, this qualification covers the production of internal use financial statements only. Those who wish to prepare financial statements for issuance to third parties under International Financial Reporting Standards (IFRS) as well as Generally Accepted Accounting Principles (GAAP) in the United States of America should successfully complete this qualification and then take the Level IV Unit in Financial Reporting. Those who wish to prepare the related Federal and State Income Tax Returns for these entities should successfully complete this qualification and then take the Level IV Unit in Income Tax Preparation for the relevant type of entity (individual, partnership, S-corporation, C-corporation, or non-profit organization).

Occupational Role: self-employed bookkeeper / senior employed bookkeeper

On completion of this qualification candidates will be able to carry out the role of an employed or self-employed bookkeeper, producing draft year-end financial statements for corporations, partnerships, and limited liability companies in both a manual and a computerized system within the above limitations. Successful candidates will also be able to properly account for the admission or termination of a partner in a partnership.

Prior Knowledge

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

Qualification aims

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

- Prepare a set of accounts for an organization from incomplete records.
- Prepare a set of final accounts for a limited liability company (LLC) for internal management purposes.
- Prepare a set of final accounts for a limited liability partnership (LLP, income statement and balance sheet only – the preparation of notes will not be tested).
- Adjust the capital share of partners in the event of a change of partnership profit sharing ratio.
- Interpret financial statements by calculating and explaining ratios for profitability and liquidity.

Assessment and Grading

The testing of knowledge and skills for this qualification will comprise two online assessments, one of which will be taken in the candidate's home or place of work, the other of which will be taken at an external ICB center. Note: the assessment may also test elements of the Level II Certificate in Bookkeeping and the Level III Certificate in Bookkeeping and Financial Statements.

Examination ABA7 – Final management accounts of incorporated businesses

Home /place of work based assessment to include:

- Final financial statements including adjustments for a corporation or a limited liability corporation (LLC) (internal management use financial statement format only) (30% weighting)
- Corporations and LLCs (5% weighting)
- Incomplete records (20% weighting)
- Partnership and LLC profit sharing ratios (15% weighting)
- Calculation and interpretation of key financial ratios (5% weighting)
- Testing in a computerized accounts system for any and/or all of the above (25% weighting)

Examination ABA8 – Level IV External Assessment

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

This full qualification will be graded at Distinction with Honors, Distinction, Merit, Pass or Fail

Both the test and the examination must be successfully achieved to gain the full qualification.

The assessments will each generate an accreditation notification.

The home or office based assessment 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 have been successfully completed, a final certificate can be applied for and will be 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 Honors	195 points and above
Distinction	185 – 195 points
Merit	170 – 184 points
Pass	155 – 169 points

Level of Membership

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

Topic 1 – Corporate Financial Statements

Learning Outcome	Assessment Criteria
<p>1.1 Prepare a set of final accounts for a corporation</p>	<p>Be able to:</p> <ul style="list-style-type: none"> • Define the term Limited Liability. • Understand its legal status. • Identify sources of capital – shares of stock and debt. • Distinguish between retained earnings and contributed capital. • Define shareholders' equity. • Account for the issue of shares and debt. • Account for dividends paid. • Prepare a set of final accounts to include: adjustments and provisions, accrued interest payable and cash paid for interest, treatment of dividends and the accrual of the current provision for income taxes, as well as the changes in the deferred portions of state and federal corporate income tax. Note: the calculation of corporation tax will not be part of this examination.
<p>1.2 Identify circumstances where you should only prepare financial statements after consulting with appropriate outside experts</p>	<p>Be able to identify situations where you will likely need specialized skills or the services of an expert to properly prepare the adjusting entries and financial statements of a corporation:</p> <ul style="list-style-type: none"> • Defined benefit pension plans. • Post-employment or post-retirement employee benefit plans. • Self-insurance programs. • Unsettled derivatives and/or options contracts. • Significant liabilities exist for pending and/or threatened litigation. • Bankruptcy of key customers and/or of the company. • Fraudulent transactions have been discovered and must be reported in the financial statements. • Management has determined that it needs to restate previously issued financial statements. • The company requires statements in full compliance with US GAAP or IFRS, along with supporting footnotes for use by third parties.

Topic 2 – Limited Liability Companies (LLCs)

Learning Outcome	Assessment Criteria
<p>2.1 Understand the nature of a limited liability company (LLC)</p>	<p>Be able to:</p> <ul style="list-style-type: none"> • Understand why a decision might be taken to set up a limited liability company (LLC). • Explain the limit of the liability. • Explain which income tax form is generally used for a single-member LLC and a multi-member LLC. • Prepare the financial statements for a limited liability company (internal management use only).
<p>1.2 Identify circumstances where you should only prepare financial statements after consulting with appropriate outside experts</p>	<p>Be able to identify situations where you will likely need specialized skills or the services of an expert to properly prepare the adjusting entries and financial statements of an LLC:</p> <ul style="list-style-type: none"> • Defined benefit pension plans. • Post-employment or post-retirement employee benefit plans. • Self-insurance programs. • Unsettled derivatives and/or options contracts. • Significant liabilities exist for pending and/or threatened litigation. • Bankruptcy of key customers and/or of the company. • Fraudulent transactions have been discovered and must be reported in the financial statements. • Management has determined that it needs to restate previously issued financial statements. • The company requires statements in full compliance with US GAAP or IFRS, along with supporting footnotes for use by third parties.

Topic 3 – Incomplete Records

Learning Outcome	Assessment Criteria
3.1 Prepare a set of financial statements for a business with incomplete records	<p>Be able to:</p> <ul style="list-style-type: none">• Determine the opening value of capital through the accounting equation.• Determine bank and cash balances.• Prepare general ledger accounts to determine missing values for sales and purchases using mark up and margin, expenses and draws.• Identify and reclassify capital expenditures to the proper general ledger accounts and also record them in the fixed asset software application.• Identify unrealized losses on investments and make related adjustments when required by US GAAP or IFRS.• Apply the equity method of accounting for investments where the company has significant influence (as defined by US GAAP).• Prepare adjusting entries and supporting analyses for accrued expenses and prepaid expenses.• Prepare an income statement and a balance sheet from a set of manual ledgers.

Topic 4 – Advanced Partnership Accounts

Learning Outcome	Assessment Criteria
4.1 Account for changes in a partnership	<p>Be able to:</p> <ul style="list-style-type: none">• Prepare accounting entries for a change of profit sharing ratio including the admission and retirement of a partner.• Account for the treatment of goodwill on such a change in partners.• Account for a revaluation of assets in a partnership. <p>The candidate should be familiar with both the bonus and goodwill methods of accounting for the admission or withdrawal of a partner, and should also be familiar with the order of preference when liquidating a partnership.</p>

Topic 5 – Interpretation of Financial Statements	
Learning Outcome	Assessment Criteria
5.1 Understand the importance of interpreting financial statements for internal management purposes.	Be able to: <ul style="list-style-type: none"> • Understand the link and the disconnects between profitability and liquidity. • Have an awareness of the problems that might arise if long term borrowing is significantly high in relation to capital invested in the business. • Identify possible sources of benchmarking information for the typical financial position and results of operations for different industries.
5.2 Analyze and Interpret Financial Statements	Be able to calculate the following: <ul style="list-style-type: none"> • Profitability ratios: <ul style="list-style-type: none"> - return on equity - gross profit % to sales (gross margin) - net income % to sales • Liquidity / working capital ratios: <ul style="list-style-type: none"> - accounts receivable collection period - accounts payable payment period - current ratio - quick ratio (acid test) • Comment on the results shown from the ratio calculations over time.

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