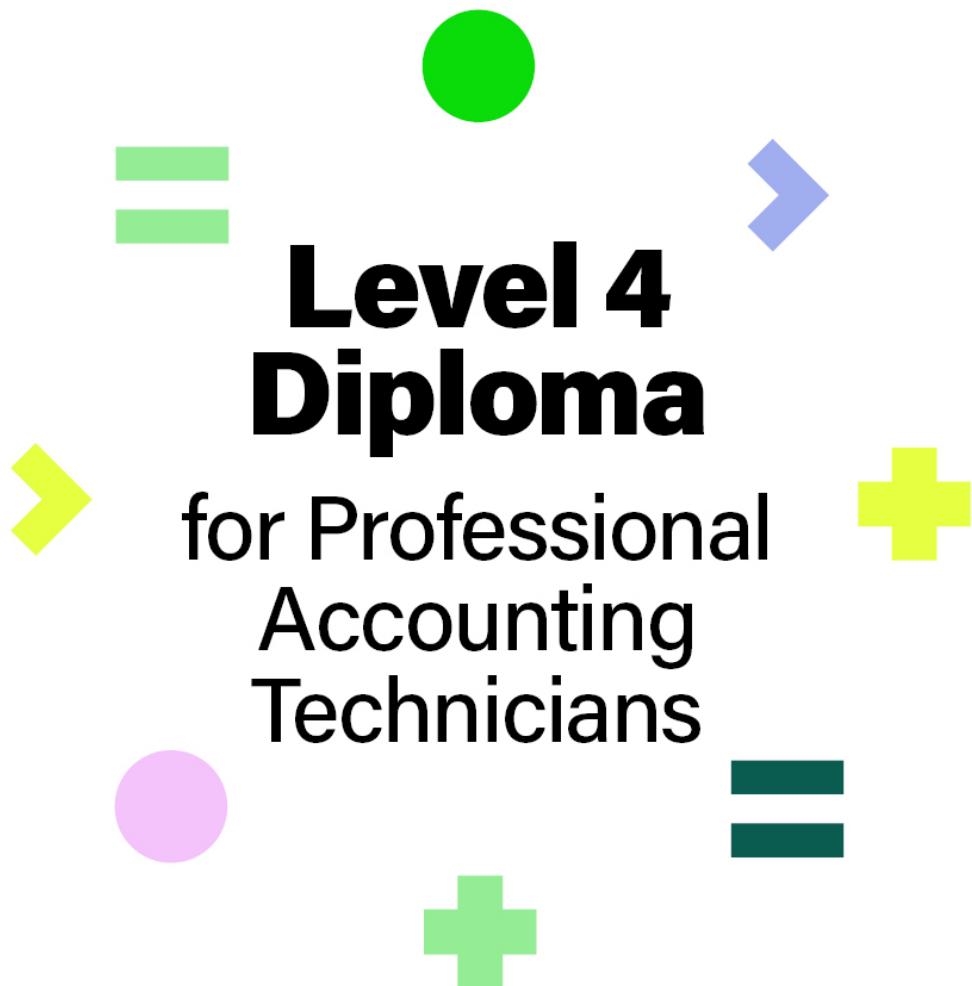


Level 4 Diploma for Professional Accounting Technicians

Qualification specification

Version 2.0 published November 2025



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This qualification is approved and regulated by:

- the Office of Qualifications and Examinations Regulation (Ofqual) in England and internationally.

Qualification accreditation number: 610/5263/2

This qualification applies only to students registered with AAT from **1 September 2026**.

Change control

Version no.	Page(s)	Changes made	Date
1.0	N/A	First publication	07/02/2025
	32 – 40	Section 11: Financial Accounting Changes highlighted in blue	
1.1	67	Section 11: Principles of Taxation Changes highlighted in blue	24/10/2025
	93 – 94	Section 13: Equity, Diversity, Inclusion, Belonging (EDIB) and accessibility. Statement updated.	
	11, 17 – 18, 21, 41, 43, 81, 83 – 87, 90 - 91	Section 5: Reduction in Guided Learning Hours (GLH) and Total Qualification Time (TQT). Section 9: Assessment marking update Section 10: % weighting of units towards qualification grade Section 11: Financial Accounting, Audit and Internal Controls, Advanced Business Awareness, Inclusions / exclusions highlighted in lavender	21/11/2025

1. About AAT

AAT works across the globe with nearly 137,000 members and students in 114 countries. Our members are represented at every level of the finance and accounting world, including students studying for a career in finance, people already working in accountancy and self-employed business owners.

AAT members are ambitious, focused accounting professionals. Many of our members occupy senior, well-rewarded positions with thousands of employers – from blue-chip corporate giants to public sector institutions.

AAT qualifications are universally respected and internationally recognised. Organisations hire AAT qualified members for their knowledge, skills, diligence and enthusiasm because AAT represents the highest standards of professionalism.

In short, an AAT qualification is a route to some of the most in-demand skills in the world and provides our students and members with a professional status to be proud of.

[**Find out more about AAT**](#)

2. Ethics: we set and raise standards

AAT is about more than qualifications. AAT is well recognised and respected as a professional membership body throughout a wide range of businesses and requires its members to take a professional and ethical approach throughout their accountancy and finance careers.

It is because of our exceptionally high standards and the professionalism of our members that AAT members are so highly regarded. This is a benefit to us as a professional body and to our members.

We publish the [**AAT Code of Professional Ethics**](#), which sets out a code of fundamental ethical principles and supporting guidance, and is based on the IFAC Code of Ethics for Professional Accountants. The decisions that an accounting technician makes in the course of their professional life can have real ethical implications, and this is where the Code can help. It:

- sets out the required standards of professional behaviour with guidance to help our members achieve them
- helps our members to protect the public interest
- helps our members to maintain AAT's good reputation and public confidence.

To reflect the realities of the workplace, we have embedded ethical dilemmas and decision making throughout the content of AAT's qualifications and assessments. This will help to set our students on the right path as they embark on careers as accountancy or finance professionals.

3. Student registration: support every step of the way

Registering with AAT is essential if students wish to study an AAT qualification. Once students have registered and purchased access to their desired qualification, they will be able to:

- sit AAT assessments
- access AAT support resources to supplement the qualification learning and aid career progression.

AAT registration is a one-off fee, giving students access to the purchased qualification for the lifespan of the qualification. Additional fees will apply for sitting AAT assessments.

We support and develop our students through more than 500 AAT approved training providers across the world. We also have an extensive branch network where students can access support and training and meet other AAT students and professional members in their local area.

Prospective students wishing to register for the Level 4 Diploma for Professional Accounting Technicians can [register online](#), from **1 September 2026**.

Students are advised to register with an AAT approved training provider before registering with AAT. On registration, an email confirming their registration and AAT registration number will be sent.

[Find out more about the benefits of registering with AAT](#)

4. Choosing to study the AAT Level 4 Diploma for Professional Accounting Technicians

4.1. Who should choose to study this qualification?

The Level 4 Diploma for Professional Accounting Technicians offers technical training in accounting and is ideal for anyone wishing to pursue a career in accountancy or finance.

The purpose of the qualification is to enhance the skills developed from the Level 3 Diploma in Accounting enabling students to maximise their employment opportunities.

By studying this qualification, students will acquire professional accountancy and financial skills that will be useful throughout their careers, including:

- drafting financial statements
- having the knowledge and skills to use complex management accounting techniques
- the ability to analyse internal control systems as part of the audit process
- carry out tax calculations for UK taxpayers and companies
- the ability to analyse and interpret financial and accounting information to assist with decision making
- use complex business concepts and practices to support informed decisions, improve organisational effectiveness, and contribute to sustainable business practices.

The Level 4 Diploma for Professional Accounting Technicians is suitable for those who:

- have completed their Level 3 Diploma in Accounting and would like to continue to build their accounting skills
- are already working in finance and would like a formal recognition of their skills
- would like to go on to become an [AAT full member](#) and/or study for chartered accountant status
- would like to start their own business through the [AAT licensed members scheme](#)
- are self-motivated and have a questioning mindset.

4.2. Why choose this qualification?

Students should choose the Level 4 Diploma for Professional Accounting Technicians as it provides the real-world skills needed by employers and maximises opportunities for employment within a wider accountancy context.

In developing this qualification, AAT has carried out extensive consultation with and received input from a wide variety of stakeholders, including industry experts, employers and training providers.

AAT qualifications benefit from being globally recognised and they are valued by leading employers, from small high street firms to large accountancy businesses. They offer students flexible study options, with over 500 AAT approved training providers around the world.

4.3. What does the qualification cover?

The Level 4 Diploma for Professional Accounting Technicians will enable students to become confident with a wide range of financial and management accounting skills and applications, and will gain competencies in drafting financial statements, reviewing and reporting audit findings, and constructing and presenting complex management accounting reports.

Students will also gain a sound understanding of the UK tax regime and will be able to carry out key tax calculations for both individual UK taxpayers and for companies.

Finally, students will be equipped with practical business skills through study of strategy and decision making, personal effectiveness, professional ethics, and sustainable business practices.

Alongside these core skills, six **green threads** run through the suite of accounting qualifications, ensuring learners develop the broader skills and awareness needed to thrive in a fast-changing world. These future-focused themes go beyond technical knowledge, embedding practical mindsets that prepare students to: communicate with clarity and confidence; champion sustainability in business; harness digital innovation for smarter decisions; foster equity, diversity, inclusion and belonging; and navigate complex legal and regulatory landscapes with integrity.

Together, these threads form a powerful foundation for a career that is not only successful, but impactful.



This qualification includes five mandatory units:

- Financial Accounting
- Management Accounting
- Audit and Internal Controls
- Principles of Taxation
- Advanced Business Awareness.

These units reflect topics included in previous qualification suites, to ensure standards are maintained over time, whilst also aligning in full to the [Professional Accounting Technicians occupational standard](#).

4.4. What will this qualification lead to?

The primary and most important outcome of the **Level 4 Diploma for Professional Accounting Technicians** is that it can lead to a wide variety of highly skilled accountancy and finance jobs, some of which include:

- Accountant
- Assistant Auditor
- Accounts Payable and Expenses Supervisor
- Assistant Financial Accountant
- Assistant Management Accountant
- Commercial Analyst
- Finance Adviser
- Junior Analyst
- Professional Accounting Technician

5. About the Level 4 Diploma for Professional Accounting Technicians

Qualification name	AAT Level 4 Diploma for Professional Accounting Technicians
Qualification number	610/5263/2
Level	4
Guided learning hours (GLH)	430 400
Total qualification time (TQT)	950 900
Credits	95 90

5.1. Guided learning hours (GLH)

The total GLH value for this qualification is 430 400 hours.

The GLH value for a qualification is an estimate of the amount of time a student spends learning under the supervision of a teacher or tutor. This might include lectures, tutorials or supervised study carried out either face-to-face or remotely. Time spent by tutors, teachers or external experts assessing student performance is also included. It doesn't include time that students spend on unsupervised preparation or study.

The GLH value is set and recommended as appropriate by AAT, but some students may need more or less support to achieve the qualification. The GLH value is not a compulsory measure for all students. Training providers have the flexibility to offer the qualification in the hours required by their own students, within the constraints of any funded provision requirements.

5.2. Total Qualification (TQT) value

The TQT value for this qualification is 950 900 hours.

The TQT is also a measure of how long it takes to complete a qualification, but it includes both guided learning hours and unsupervised learning.

Any independent study time, or any additional work by the student that is directed by, but not under the supervision of, a tutor, is included in the TQT value. This might include working through e-learning at home, or time spent on independent research.

5.3. Are there any pre-requisites for this qualification?

AAT does not set any prerequisites for this qualification.

However, for the best chance of success, we recommend that students begin their studies with a good standard of English and maths, ideally at Level 2 or equivalent. Professional accountants work at the very heart of a business and are expected to be able to communicate information clearly and appropriately to a given audience. Ideally, students should have also completed the AAT Level 2 and Level 3 qualifications.

5.4. Transitional arrangements

Students who have already started an AAT qualification should try to complete their studies on their current programme where possible.

If this is not possible, transitional arrangements may be available. In some cases, students may be able to transfer results for current units to similar units in an updated qualification, although this will be strictly time-limited.

More information on transitional arrangements will be published in due course.

5.5. Recognition of prior learning (RPL)

If a student can demonstrate that they already have the knowledge and skills to meet the requirements for a unit assessment, they may be eligible for RPL. This must be arranged through a registered AAT training provider and mapping of the student's skills and knowledge must be uploaded to AAT's assessment platform.

There are restrictions on the number of units that may be claimed by RPL to ensure that at least 50% of the qualification will always be externally assessed. Where RPL is successfully claimed for a unit assessment, the student will be given a maximum pass mark for that assessment and this mark will be used in determining the final qualification grade. To achieve a higher mark, the assessment must be taken as normal.

6. Exemptions

6.1. Exemptions from AAT assessments

Exemptions may be offered to students who can provide evidence of gaining a previous, relevant qualification. If eligible, students may be exempt from sitting some AAT assessments. This includes students who have completed a recognised accounting or finance-related degree with one of AAT's partner universities.

There are restrictions on how many exemptions are allowed within each qualification. Fees will be charged for exemptions. Exemptions will carry a maximum pass into the overall grade of the qualification.

More information on exemptions will be published in due course.

6.2. Exemptions from chartered accountancy bodies

For students who wish to become chartered accountants, the study of AAT qualifications may also offer exemptions from the exams required by a range of chartered accountancy bodies.

More information on exemptions to chartered accountancy bodies will be published in due course.

6.3. Exemptions from the first year of university

AAT qualifications are a great alternative to university, but some students may wish to go on and study for a degree. A number of institutions, including universities, offer exemptions for AAT qualified members. Students should contact the individual institutions to confirm their exemption policies. UCAS tariff points may be available for AAT qualifications although UCAS points will not automatically offer entry to some HE courses. Further information on UCAS may be found on the [UCAS website](#).

7. Employer involvement

7.1. Employer involvement throughout qualification lifecycle

AAT qualifications are recognised and valued by employers as vocational and technical qualifications that prepare students for the world of work and for working specifically in accountancy and finance roles.

AAT has worked closely with employers in the development of this qualification to ensure that the qualification demands the skills that an employer would expect of a student at this level.

Evidence of involvement throughout qualification development includes:

- relevant occupational data, indicating roles in demand
- consultation meetings and surveys to provide confirmation that the qualification meets the need in reference to:
 - content included, qualification structure, alignment to the occupational standards
 - size
 - assessment strategy.
- letters of support endorsing AAT qualifications, including how the qualifications address skills shortages in the labour market, plans for offering qualifications within staff / recruitment plans, and accessibility of qualification and assessment delivery.

On an annual basis, employers will be involved in reviewing the qualification to ensure:

- the content subject matter is still relevant
- the qualification is meeting its purpose
- feedback from students, members, training providers and other employers has been considered and updates made, where appropriate.

8. Support for this qualification

8.1. Qualification support

Throughout the life of this qualification, AAT will make available a range of free materials and resources to support tutors and students in delivery and assessment.

In addition to the qualification specification, materials produced for this qualification include:

- practice assessments for each unit
- annual Chief Examiner reports.

Additional materials may also include:

- e-learning
- Green Light tests
- webinars
- tutor-to-tutor sessions at network meetings.

All study support resources can be accessed via the [AAT Lifelong Learning Portal](#).

8.2. Published materials

Several commercial publishers produce support materials for AAT qualifications. While AAT ensures that commercial publishers have the information they need to produce materials in good time to support the qualifications, AAT does not formally endorse any specific publisher and it does not review publishers' materials for accuracy.

Tutors are reminded to always refer to the unit content within this specification for what to teach, what will be assessed and to refer to a range of support materials where possible. While published materials can offer excellent support and variety in teaching and learning, they should not be used without reference to this specification.

9. The assessment in detail

9.1. How will students be assessed?

Students must successfully complete five end-of-unit assessments to achieve this qualification. The proportion of this qualification assessed by external assessment is 100%.

All assessments in this qualification:

- are set and marked by AAT (with the exception of RPL, which is marked by the training provider)
- are computer based
- are time-limited
- are scheduled by training providers or assessment venues
- take place either at approved training providers and assessment venues under controlled conditions, or remotely.

9.2. Availability of assessments

All assessments are available to be scheduled on demand throughout the year, except during periods set and communicated by AAT.

9.3. Controlled conditions

AAT has published detailed regulations for training providers and assessment venues regarding how to conduct computer-based assessments.

Training providers and assessment venues must ensure that they comply with the minimum and supporting requirements for the hardware and software used in the delivery of AAT assessments and must ensure that all assessments are delivered securely.

Each training provider and assessment venue must have at least one computer-based assessment (CBA) administrator and at least one invigilator. Training providers and assessment venues must ensure that all assessments are invigilated and conducted in accordance with AAT policies and procedures. To avoid any possible conflict of interest, the CBA administrator(s) and invigilator(s) for an assessment must not be an active AAT student or related to any student taking that assessment and must not be or have been a tutor involved in preparing students for any of the units that are being assessed.

AAT requirements and regulations for how to conduct assessments within this qualification will be detailed in an updated version of the [Instructions for conducting AAT computer based assessments \(CBAs\)](#) guidance document.

9.4. Sitting the assessment

All assessments in this qualification are computer based, with time restrictions. Details on assessment duration for each unit have been included in Section 11: Units.

Students will be presented with a range of question types and formats in the assessment. These may include multiple-choice questions, numeric gap-fill questions, or question types that replicate workplace activities such as completing an extended trial balance. ~~In the Financial Accounting and Advanced Business Awareness assessments, some tasks will require extended written responses.~~ While tasks generally do not have to be completed in a specific order, students are encouraged to proceed through them in the order in which they are presented.

Students should familiarise themselves with the assessment platform environment, including question types that will be included in the live assessments by using the practice assessments accessed via the [AAT Lifelong Learning Portal](#).

9.5. Remote invigilation for AAT assessments

For most assessments, AAT also offers assessment sittings remotely, where students and their screen are recorded directly in the assessment platform. This is then reviewed by an invigilator. It allows students to:

- take assessments at home or another secure location of their choice e.g., the workplace
- take assessments at any time (as most are available for scheduling every day)
- have a more flexible approach to sitting their assessments and completing their qualification.

Further information on remote invigilation for AAT assessments can be found on the dedicated [RI webpage](#).

9.6. Marking

All assessments in this qualification are marked by AAT, with the exception of RPL, and are wholly computer marked. Computer marking is completed within the assessment software in accordance with an objective marking scheme devised during assessment development.

~~Assessments in this qualification are marked by AAT and may be either:~~

- ~~wholly computer marked, or~~
- ~~partially computer marked and partially human marked.~~

~~Computer marking is completed within the assessment software in accordance with an objective marking scheme devised during assessment development. Human marking is conducted by a team of markers, with appropriate subject matter knowledge, who are appointed by AAT. Markers use mark schemes devised during assessment development.~~

~~Assessments undergo regular quality assurance, which includes:~~

- ~~standardisation of markers~~
- ~~sampling for marking consistency~~
- ~~review of borderline scripts.~~

9.7. Results

From the first assessment date, results will be held for up to 15 working days to ensure enhanced quality assurance checks are completed and that marking logic is working correctly. The results release for all assessments will resume to being available via MyAAT within 24 hours of submitting the assessment, once a statistically reliable number of sittings have been completed.

~~Results for computer marked assessments are made available via MyAAT within 24 hours of submitting the assessment. For assessments that contain human marked tasks, results can take up to six weeks to become available via MyAAT.~~

Students will be advised on what percentage of the marks available they achieved in their assessments.

AAT's feedback service provides a simple summary of students' performance in each assessment. The feedback statement confirms their overall result and a breakdown of performance by task. Students will also be able to see marks available and marks achieved against each task position.

Feedback statements are automatically generated and are designed to help students identify their strengths and any topic areas requiring further study. The student is presented with a short descriptor for each task to describe their performance in that task against the topics assessed. There are four feedback descriptors. Each descriptor provides an indication of how the student has performed in that task and includes generic advice on how to proceed with their studies or continuing professional development (CPD).

9.8. Re-sits

Students should only be entered for an assessment when they are well prepared, and they are expected to pass the assessment. Where a student is unsuccessful in an assessment attempt, they should discuss their results with their tutor and revise appropriately before retaking the assessment.

This qualification is not subject to re-sit restrictions.

9.9. Enquiries and appeals

If the student thinks that their assessment outcome does not reflect their performance, they can submit an enquiry. Full details of the process can be found on AAT's dedicated [enquiries and appeals webpage](#). AAT's results enquiry service includes a check of all procedures leading to the issue of the outcome, checking that all parts of the assessment were marked, that the marks were totalled correctly and that the marks were recorded correctly. Students may also request to have the original marking reviewed, to check that the agreed mark scheme was applied correctly.

The appeals process can be followed if a student is not satisfied with the outcome of their enquiry or Malpractice Review Panel (MRP) decision. The appeals process checks all aspects of the original enquiry review or MRP hearing and checks that all AAT procedures have been correctly followed.

Enquiries and appeals can be made by a student or by their training provider or

employer on their behalf; enquiries and appeals for a group of students can also be made by a training provider.

There is an administrative fee for enquiries and appeals. All paid fees will be refunded if the outcome of the enquiry or appeal is in favour of the student.

10. Grading

To achieve the qualification and to be awarded a grade, students must pass **all** mandatory assessments.

Students will be awarded a grade based on performance across the qualification. Unit assessments are not individually graded. These assessments are given a mark that is used in calculating the overall grade.

10.1. How the overall grade is determined

Students will be awarded an overall qualification grade (Distinction, Merit, and Pass).

Students who do not achieve the qualification will not receive a qualification certificate and will be shown as unclassified. This is indicated below for illustrative purposes only.

The raw marks of each assessment will be converted into a percentage mark and rounded up or down to the nearest whole number. For example, 75.5% would be rounded up to 76%, whereas 82.1% would be rounded down to 82%. This percentage mark is then weighted according to the weighting of the unit assessment within the qualification. The resulting weighted assessment percentages are combined to arrive at a percentage mark for the whole qualification.

Grade definition	Percentage threshold
Distinction	90–100%
Merit	80–89%
Pass	70–79%
Unclassified	0–69% Or failure to pass one or more assessment/s

Example of Pass

Assessment	Contribution of assessment to qualification grade	Percentage achieved	Weighted percentage contribution to grade
Financial Accounting	25%	75%	18.8%
Management Accounting	25%	71%	17.8%
Audit and Internal Controls	12.5% 15%	79%	9.9% 11.8%
Principles of Taxation	12.5% 15%	82%	10.2% 12.3%
Advanced Business Awareness	25% 20%	76%	19% 15.2%
Total			76%*

*has been rounded to nearest whole number

Example of Merit

Assessment	Contribution of assessment to qualification grade	Percentage achieved	Weighted percentage contribution to grade
Financial Accounting	25%	87%	21.8%
Management Accounting	25%	90%	22.5%
Audit and Internal Controls	12.5% 15%	82%	10.3% 12.3%
Principles of Taxation	12.5% 15%	80%	10% 12%
Advanced Business Awareness	25% 20%	78%	19.5% 15.6%
Total			84%*

*has been rounded to nearest whole number

Example of Distinction

Assessment	Contribution of assessment to qualification grade	Percentage achieved	Weighted percentage contribution to grade
Financial Accounting	25%	90%	23%
Management Accounting	25%	96%	24%
Audit and Internal Controls	12.5% 15%	89%	11.1% 13.3%
Principles of Taxation	12.5% 15%	91%	11.4% 13.6%
Advanced Business Awareness	25% 20%	86%	21% 17.2%
Total			91%

*has been rounded to nearest whole number

10.2. Can students improve their grades?

Any student wishing to improve their grade can do so by re-sitting their assessment(s).

Only a student's highest result will count towards their grade. If a student re-sits but, in doing so, achieves an assessment result that would lower their overall grade, their previous higher result will remain valid and will be used to determine their overall grade for the qualification.

It's important to recognise that students achieving a Pass are already demonstrating a high level of competence, as AAT maintains a pass mark of 70% across all assessments.

10.3. Grading descriptors

Pass	Merit	Distinction
Demonstrates understanding of the legal and ethical frameworks, duties, and appropriate planning and control systems which apply to the accounting function in a limited company. Refers to these in supporting the actions that they would take in a given context.	Demonstrates good understanding of the legal and ethical frameworks, duties, and appropriate planning and control systems which apply to the accounting function in a limited company. Applies these successfully in range of contexts.	Demonstrates sound understanding of the legal and ethical frameworks, duties, and appropriate planning and control systems which apply to the accounting function in a limited company, supported by evidence of breadth and depth of reading and/or experience. Synthesizes and applies these successfully in a wide range of contexts.
Demonstrates understanding of theories and concepts in accounting, including professional ethics and sustainability.	Demonstrates good understanding of a range of theories and concepts in accounting, including professional ethics and sustainability. Applies this understanding successfully in a range of contexts.	Demonstrates sound understanding of a wide range of theories and concepts in accounting, including professional ethics and sustainability. Applies this understanding successfully in range of complex contexts.

<p>Demonstrates understanding of the wider professional accounting landscape, including the role of accountancy in sustainability, the impact of digital innovation and changes in accounting practice, and the importance of personal effectiveness within this wider landscape.</p>	<p>Demonstrates a good understanding of the wider professional accounting landscape, including the role of accountancy in sustainability, the impact of digital innovation and changes in accounting practice, and the importance of personal effectiveness within this wider landscape.</p> <p>Applies this understanding successfully in a range of contexts.</p>	<p>Demonstrates sound understanding of the wider professional accounting landscape, including the role of accountancy in sustainability strategy, the impact of digital innovation and changes in accounting practice, and the importance of personal effectiveness within this wider landscape.</p> <p>Applies this understanding successfully in range of complex contexts.</p>
<p>Selects and appraises a range of appropriate statistical, management and financial accounting tools and techniques to prepare financial statements and single limited company accounts with a good degree of accuracy.</p>	<p>Selects and appraises a wide range of appropriate statistical, management and financial accounting tools and techniques to prepare financial statements and single limited company accounts with a high degree of accuracy.</p>	<p>Selects and provides a detailed appraisal of a wide range of appropriate statistical, management and financial accounting tools and techniques to prepare financial statements and single limited company accounts with a high degree of accuracy.</p>
<p>Performs complex calculations for tax, financial and management accounting purposes and records these in a range of financial statements and forecasts.</p>	<p>Performs a range of complex calculations for tax, financial and management accounting purposes and records these with a high degree of accuracy in a range of financial statements and forecasts.</p>	<p>Performs a wide range of complex calculations for tax, financial and management accounting purposes, justifies their selection and records these with a high degree of accuracy in a range of financial statements and forecasts.</p>

Uses statistical techniques to analyse and evaluate complex data and information to arrive at conclusions that support management decision making and performance management.	Uses a range of statistical techniques to analyse and evaluate complex data and information to arrive at justified conclusions that support management decision making and performance management.	Uses a wide range of statistical techniques to analyse and evaluate complex data and information to arrive at justified conclusions that fully support management decision making and performance management.
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11. Units

All units in this qualification comply with the requirements set out in the Conditions of Recognition published by the regulators in England, Wales and Northern Ireland and follow a standard format. The unit specification gives guidance on the requirements of the unit for students, tutors, assessors and those responsible for monitoring standards. Each unit contains a range of sections, as outlined in below.

Unit title

This qualification, and its component units, is regulated. The unit title shown is the regulated title of the unit.

Unit level

All units and qualifications are assigned a level using the level descriptors that apply to regulated qualifications in England, Wales and Northern Ireland. There are nine levels of achievement, from Entry level to level 8. All units in this qualification are Level 4.

GLH value

The GLH value is defined as all the times when a tutor, trainer or facilitator is present to give specific guidance. This definition includes lectures, tutorials, and supervised study. It also includes time spent by staff marking assignments or homework where the student is not present.

Assessment methodology

All units will be independently assessed.

Unit reference number

This number is set by Ofqual, the independent regulator for England, and is unique to the unit.

Introduction

The unit introduction gives the reader an appreciation of the unit in the context of the vocational setting of the qualification, as well as highlighting the focus of the unit. It gives the reader a snapshot of the unit and the key knowledge, skills and understanding gained while studying the unit.

Learning outcomes

The learning outcomes of a unit set out what a student is expected to know, understand or be able to do as a result of their learning.

Scope of content

The scope of content identifies the breadth of knowledge, skills and understanding needed to achieve each of the learning outcomes. The content provides the range of subject material for the programme of learning and specifies the skills, knowledge and understanding required for achievement of the unit.

Content structure

Each learning outcome is stated in full.

Topic areas specify the standard that a student is expected to meet in order to demonstrate that the learning outcome has been achieved. These may be shown as 'Learners need to understand' for an understanding topic area or 'Learners need to be able to' for a skills topic area. Some learning outcomes may include both understanding and skills elements.

Each topic area is then expanded into key concepts related to that learning outcome.

Each concept is then further expanded into indicative content where applicable.

Relationship between content and assessment

Students must have the opportunity to cover all the unit content. It is not a requirement of the unit specification that all the content is assessed. However, the indicative content will need to be covered in a programme of learning for students to be able to meet the standard determined in the scope of content.

Delivering this unit

This section includes guidance on how the unit content can be delivered. Tutors are encouraged to develop their own approach depending on the needs of their students but may wish to incorporate some of the ideas included. Tutors may wish to go beyond the scope of the content in order to aid understanding and provide context but must always ensure first that all required content is covered according to the depth and breadth indicated in the scope of content.

Test specification for unit assessment

The test specification for the unit assessment gives details about the assessment method, marking type and duration of the assessment. The contribution that each learning outcome makes to the overall mark for the unit assessment is also provided.

Financial Accounting

Unit level	GLH value	Credit value	Unit reference number	Assessment
4	80	23	F/651/4652	Unit assessment

Introduction

This unit provides students with the skills and knowledge for drafting the financial statements of single limited companies. It ensures that students will have a proficient level of knowledge and understanding of international accounting standards, which will then be applied when drafting the financial statements. Students will be able to prepare a statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows for a limited company. Students will also have a sound appreciation of the regulatory and conceptual frameworks that underpin the preparation of limited company financial statements.

On successful completion of this unit, students would be expected to draft the financial statements of single limited companies with little supervision.

Students will also acquire the tools and techniques required to analyse and interpret financial statements of limited companies by means of ratio analysis for the purposes of assisting outside user groups in their decision making, thereby fulfilling a useful role within an accounting team.

Learning outcomes

1. Understand the reporting frameworks that underpin financial reporting
2. Understand the accounting process
3. Understand accounting standards for non-current assets
4. Understand other accounting standards
5. Prepare financial statements
6. Interpret financial statements using ratio analysis

Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit. All areas indicated in the table below must be covered in teaching.

Learners may not be assessed on all content, or on the full depth or breadth of a piece of content. Content assessed may change over time to ensure validity of assessment.

1. Understand the reporting frameworks that underpin financial reporting	
1.1	The regulatory framework that underpins financial reporting Learners need to understand: 1.1.1 types of business organisations: <ul style="list-style-type: none">- sole traders- general partnerships- limited liability partnerships- companies 1.1.2 types of limited company: <ul style="list-style-type: none">- private company limited by shares (Ltd)- public limited company (plc) 1.1.3 how the financial statements of limited companies differ from those of sole traders and general partnerships 1.1.4 users of financial statements: <ul style="list-style-type: none">- information requirements of users- the extent to which financial statements meet users' needs 1.1.5 the forms of equity, reserves and loan capital 1.1.6 sources of regulation: <ul style="list-style-type: none">- company law- International Financial Reporting standards 1.1.7 duties and responsibilities of the directors in respect of financial statements.
1.2	The International Accounting Standards Board (IASB) Conceptual Framework Learners need to understand: 1.2.1 the role of the IASB conceptual framework 1.2.2 the objective of financial statements 1.2.3 the qualitative characteristics of useful financial information: <ul style="list-style-type: none">- fundamental- enhancing 1.2.4 the going concern assumption 1.2.5 the elements of the financial statements: <ul style="list-style-type: none">- definition- recognition- derecognition- measurement.

2. Understand the accounting process		
2.1 Double-entry bookkeeping	<p>Learners need to understand:</p> <p>2.1.1 the accounting equation 2.1.2 use of daybooks 2.1.3 different ledgers and how they interact 2.1.4 control account reconciliations 2.1.5 bank reconciliations 2.1.6 the suspense account 2.1.7 year-end adjustments: - accruals and prepayments of income and expenditure - irrecoverable debts - doubtful receivables.</p> <p>Learners need to be able to:</p> <p>2.1.8 process adjustments - year-end adjustments - correction of errors 2.1.9 verify balances using relevant sources of information.</p>	
2.2 The purpose of financial statements	<p>Learners need to understand:</p> <p>2.2.1 the purpose of the financial statements: - the statement of profit or loss and other comprehensive income - the statement of financial position - the statement of cash flow - the statement of changes in equity</p> <p>2.2.2 the relationship between the financial statements</p> <p>2.2.3 the underlying principles in the preparation of accounts: - accruals - business entity - consistency - going concern - materiality - money measurement - prudence.</p> <p>Learners need to be able to:</p> <p>2.2.4 identify underlying principles being applied in: - scenarios - accounting standards.</p>	

3. Understand accounting standards for non-current assets		
3.1 IAS 16 Property, plant and equipment (PPE)	<p>Learners need to know:</p> <p>3.1.1 the definition of PPE</p> <p>Learners need to be able to:</p> <p>3.1.12 calculate:</p>	

	<p>3.1.2 the recognition criteria for PPE</p> <p>3.1.3 the measurement of PPE after initial recognition:</p> <ul style="list-style-type: none"> - cost model - revaluation model <p>3.1.4 how to determine initial cost</p> <p>3.1.5 the accounting entries for additions of PPE</p> <p>3.1.6 the treatment of subsequent expenditure on PPE</p> <p>3.1.7 depreciation of PPE:</p> <ul style="list-style-type: none"> - the requirement to depreciate - useful life - residual value - depreciable amount - depreciation methods - carrying value - accounting entries for depreciation - application to each class of assets - requirement for review <p>3.1.8 revaluation of PPE:</p> <ul style="list-style-type: none"> - the amount to which an asset may be revalued - the meaning of revaluation increases or decreases - accounting entries on revaluation - accounting entries post-revaluation - application to each class of assets - requirement for review <p>3.1.9 derecognition/disposals of PPE:</p> <ul style="list-style-type: none"> - when derecognition occurs - accounting entries for disposals (including assets that have been revalued) <p>3.1.10 how PPE is reflected in the financial statements</p> <p>3.1.11 the disclosures required for PPE.</p>	<ul style="list-style-type: none"> - cost - depreciable amount - depreciation using the straight-line method - depreciation using the diminishing balance method - accumulated depreciation - carrying value - revalued amounts - revaluation increases and decreases - transfers from revaluation surpluses - gains or losses on disposal <p>3.1.13 process accounting entries for PPE:</p> <ul style="list-style-type: none"> - additions (initial cost or subsequent expenditure) - depreciation - revaluations including post-revaluation entries - disposals <p>3.1.14 prepare a reconciliation of the carrying amount at the beginning and end of a period.</p>
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3.2	IAS 38 Intangible assets	
	Learners need to understand: <ul style="list-style-type: none"> 3.2.1 the meaning of intangible assets 3.2.2 the recognition criteria for intangible assets 3.2.3 measurement of intangible assets after initial recognition: <ul style="list-style-type: none"> - cost model - revaluation model 3.2.4 how to determine the initial cost of intangible assets 3.2.5 the accounting entries for additions of intangible assets 3.2.6 the treatment of: <ul style="list-style-type: none"> - internally generated goodwill - internally generated brands 3.2.7 the treatment of research and development: <ul style="list-style-type: none"> - the meaning of research - the meaning of development - the circumstances in which development costs are capitalised 3.2.8 amortisation of intangible assets <ul style="list-style-type: none"> - the requirement to amortise - useful life - residual value - depreciable amount - amortisation methods - carrying value - accounting entries for amortisation - requirement for review 3.2.9 derecognition/disposals of intangibles: <ul style="list-style-type: none"> - when derecognition occurs - accounting entries for disposals 3.2.10 how intangible assets are reflected in the financial statements 3.2.11 the disclosures required for intangible assets. 	Learners need to be able to: <ul style="list-style-type: none"> 3.2.12 calculate: <ul style="list-style-type: none"> - cost - depreciable amount - amortisation using the straight-line method - amortisation using pattern of consumption of benefits - accumulated amortisation - carrying value - gains or losses on disposal 3.2.13 process accounting entries for intangible assets: <ul style="list-style-type: none"> - additions - amortisation - disposals.

3.3	IAS 36 Impairment of assets	
Learners need to understand: <ul style="list-style-type: none"> 3.3.1 the meaning of: <ul style="list-style-type: none"> - impairment - recoverable amount - fair value - costs to sell - value in use 3.3.2 the requirement to assess whether an asset has been impaired 3.3.3 the indicators of impairment <ul style="list-style-type: none"> - external sources - internal sources 3.3.4 the accounting entries for an impairment loss (including previously revalued assets) 3.3.5 how impairments are reflected in the financial statements 3.3.6 the disclosures required for impairment losses. 		

4. Understand other accounting standards		
4.1	IAS 8 Basis of Preparation of Financial Statements Accounting policies, changes in accounting estimates and errors	

Learners need to **know understand**:

- 4.1.1 the meaning of:
 - accounting policies
 - accounting estimates
 - prior period errors
 - retrospective application
 - retrospective restatement
 - prospective application
- 4.1.2 the requirement to:
 - present fairly the financial position, financial performance and cash flow
 - make a statement of compliance with IFRS
 - assess going concern
 - use the accruals basis of accounting
- 4.1.3 how management develop an accounting policy

Learners need to be able to:

- 4.1.11 calculate the effect of:
 - changes in an accounting policy
 - changes in an accounting estimate
 - prior period errors
- 4.1.12 process accounting entries for:
 - changes in an accounting policy
 - changes in an accounting estimate
 - prior period errors.

	<p>4.1.4 the need for consistency in selecting and applying accounting policies</p> <p>4.1.5 the circumstances in which:</p> <ul style="list-style-type: none"> - an accounting policy may be changed - a change in accounting estimate may be required <p>4.1.6 how to apply:</p> <ul style="list-style-type: none"> - changes in accounting policy - changes in accounting estimates <p>4.1.7 how accounting errors are corrected</p> <p>4.1.8 the accounting entries required for:</p> <ul style="list-style-type: none"> - changes in an accounting policy - changes in an accounting estimate - prior period errors <p>4.1.9 the disclosures required for:</p> <ul style="list-style-type: none"> - changes in an accounting policy - changes in an accounting estimate - prior period errors <p>4.1.10 how changes in an accounting policy, changes in an accounting estimate or a prior period error are reflected in the financial statements.</p>	
4.2 IAS 2 Inventories	<p>Learners need to understand:</p> <p>4.2.1 the meaning of:</p> <ul style="list-style-type: none"> - inventories - net realisable value <p>4.2.2 the measurement of inventories</p> <ul style="list-style-type: none"> - costs included - costs excluded - use of unit cost for identifiable units - formulas that may be used to assign cost for items that are ordinarily interchangeable <ul style="list-style-type: none"> ▪ first in, first out (FIFO) ▪ weighted average cost - requirement to use the same cost formula for inventories having a similar nature and use <p>4.2.3 the circumstances in which the cost of inventories may not be recoverable</p> <p>4.2.4 the basis on which inventory may be</p>	<p>Learners need to be able to:</p> <p>4.2.9 calculate:</p> <ul style="list-style-type: none"> - the amount to be included as cost of inventory using <ul style="list-style-type: none"> ▪ unit cost ▪ FIFO ▪ weighted average cost - the net realisable value of inventory - carrying amounts for inventory - the amounts to be written down <p>4.2.10 process accounting entries for:</p> <ul style="list-style-type: none"> - purchasing inventory - selling inventory - writing inventory down to net realisable value - closing inventory.

	<p>written down to net realisable value</p> <p>4.2.5 the recognition as an expense of:</p> <ul style="list-style-type: none"> - the carrying amounts of inventories which are sold - the amounts of any write-down of inventories to net realisable value <p>4.2.6 the accounting entries for:</p> <ul style="list-style-type: none"> - purchasing inventory - selling inventory - writing inventory down to net realisable value - closing inventory <p>4.2.7 how inventory is reflected in the financial statements</p> <p>4.2.8 the disclosures required for inventory.</p>	
4.3	IAS 10 Events after the reporting period	
	<p>Learners need to understand:</p> <p>4.3.1 the meaning of:</p> <ul style="list-style-type: none"> - events after the reporting period - adjusting events - non-adjusting events - material non-adjusting events <p>4.3.2 the requirement to adjust financial statements for adjusting events</p> <p>4.3.3 the prohibition of adjustments to financial statements for non-adjusting events</p> <p>4.3.4 the prohibition of the recognition of dividends declared after the reporting period as a liability</p> <p>4.3.5 the prohibition of preparing accounts on a going concern basis if there is an intention to liquidate or cease trading</p> <p>4.3.6 the requirement to disclose:</p> <ul style="list-style-type: none"> - the date when financial statements are authorised for issue - material non-adjusting events 	<p>Learners need to be able to:</p> <p>4.3.7 Identify:</p> <ul style="list-style-type: none"> - events after the reporting period - adjusting events - non-adjusting events - material non-adjusting events.
4.4	IAS 37 Provisions, contingent liabilities and contingent assets	
	<p>Learners need to understand:</p> <p>4.4.1 the meaning of:</p> <ul style="list-style-type: none"> - a provision - a liability 	<p>Learners need to be able to:</p> <p>4.4.11 identify amounts to be included as provisions</p> <p>4.4.12 process accounting entries for provisions.</p>

	<ul style="list-style-type: none"> - an obligating event - a legal obligation - a constructive obligation - a contingent liability - a contingent asset - an onerous contract - restructuring <p>4.4.2 the recognition criteria for provisions</p> <p>4.4.3 that provisions cannot be recognised for future operating losses</p> <p>4.4.4 how a constructive obligation to restructure arises</p> <p>4.4.5 the measurement of provisions using best estimate</p> <p>4.4.6 that provisions may only be used for expenditures for which it was originally recognised</p> <p>4.4.7 that contingent liabilities and contingent assets are not recognised</p> <p>4.4.8 the accounting entries for: <ul style="list-style-type: none"> - creating provisions - using provisions when expenditure is incurred - increasing, decreasing or releasing provisions </p> <p>4.4.9 how provisions are reflected in the financial statements</p> <p>4.4.10 the disclosure requirements for: <ul style="list-style-type: none"> - provisions - contingent assets - contingent liabilities. </p>	
4.5 IFRS 16 Leases	<p>Learners need to understand:</p> <p>4.5.1 the meaning of: <ul style="list-style-type: none"> - a lease - the lessor - the lessee - a right of use asset - the lease term - a short-term lease - a lease for which the underlying asset is of low value - the interest rate implicit in a lease </p>	<p>Learners need to be able to:</p> <p>4.5.6 calculate: <ul style="list-style-type: none"> - lease liabilities - right of use assets - depreciation - finance charges </p> <p>4.5.7 identify the amounts to be included in the lessee's financial statements.</p>

	<ul style="list-style-type: none"> - the lessee's incremental borrowing rate <p>4.5.2 the initial measurement of:</p> <ul style="list-style-type: none"> - lease liabilities - right-of-use assets <p>4.5.3 the subsequent measurement of:</p> <ul style="list-style-type: none"> - lease liabilities <ul style="list-style-type: none"> ▪ payments in arrears ▪ payments in advance - right of use assets <p>4.5.4 the accounting entries made by the lessee</p> <p>4.5.5 recognition exemptions.</p>	
4.6	<p>IFRS 15 Revenue from contracts with customers</p> <p>Learners need to understand:</p> <p>4.6.1 the meaning of:</p> <ul style="list-style-type: none"> - a contract - a customer - income - revenue <p>4.6.2 the five step approach:</p> <ul style="list-style-type: none"> - identifying the contract - identify performance obligations - determining the transaction price - allocating the transaction price to performance obligations - satisfaction of performance obligations <p>4.6.3 methods used to estimate variable consideration</p> <p>4.6.4 that estimated variable consideration is only included in the transaction price if it is highly probable that there will be no reversal in cumulative revenue recognised</p> <p>4.6.5 the allocation of discounts</p> <p>4.6.6 how to determine whether performance obligations are satisfied:</p> <ul style="list-style-type: none"> - over time - at a point in time <p>4.6.7 how revenue is recognised when performance obligations are satisfied:</p> <ul style="list-style-type: none"> - over time - at a point in time. 	
	<p>Learners need to be able to:</p> <p>4.6.8 calculate transaction prices</p> <p>4.6.9 allocate transaction prices to performance obligations</p> <p>4.6.10 calculate amounts to be recognised as revenue.</p>	

4.7	IAS 12 Income taxes	
	<p>Learners need to understand:</p> <p>4.7.1 that Corporation Tax is paid by companies on profit</p> <p>4.7.2 that Corporation Tax is estimated at each year-end</p> <p>4.7.3 that the amount eventually agreed with HMRC may be different to the estimate in the accounts</p> <p>4.7.4 the accounting entries for:</p> <ul style="list-style-type: none"> - the current period tax estimate - adjustments relating to prior periods: <ul style="list-style-type: none"> ▪ under provision ▪ over provision <p>4.7.5 how current period estimates or prior period tax adjustments are reflected in the financial statements.</p>	

5 Prepare financial statements	
5.1	IFRS 18 Presentation and Disclosure in Financial Statements IAS 1 Presentation of financial statements

Learners need to understand:

5.1.1 that a complete set of financial statements consists of:

- (a) a statement of financial performance
- (b) a statement of financial position
- (c) a statement of changes in equity
- (d) a statement of cash flows
- (e) notes, and
- (f) comparative information for the preceding period.

5.1.2 the requirement to:

- refer to the items (a) to (d) above and their comparative information as the *primary financial statements*
- present information in the primary financial statements and disclose information in the notes
- present or disclose only material information

5.1.3 the requirement to:

- clearly identify the financial statements, distinguished from other information
- clearly identify each financial statement and the notes
- display prominently the name, reporting period, currency and level of rounding
- complete a set of financial statements at least annually
- maintain consistency in presentation and classification

	<ul style="list-style-type: none"> - provide comparative information for all amounts shown in the current financial statements - classify and aggregate items based on shared characteristics - disaggregate items that are not based on shared characteristics - not offset assets and liabilities or income and expenses. - present fairly the financial position, financial performance and cash flow - make a statement of compliance with IFRS - assess going concern - use the accruals basis of accounting - present separately each material class of similar items 		
5.2	<p>Draft statements of profit or loss and other comprehensive income using IAS 1 IFRS 18</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"> <p>Learners need to understand:</p> <p>5.2.1 the information to be included in the statement of profit or loss and other comprehensive income</p> <p>5.2.2 that expenses may be classified by their nature or by their function.</p> <p>5.2.3 that the totals for each of the following items must also be disclosed in a single note when expenses are classified by function:</p> <ul style="list-style-type: none"> - depreciation - amortisation - impairment losses and reversals of impairment losses - write-downs and reversals of write-downs of inventories. <p>that material items of income or expense should be separately disclosed</p> </td><td style="width: 50%;"> <p>Learners need to be able to:</p> <p>5.2.4 use the expenses classified by function method to prepare:</p> <ul style="list-style-type: none"> - statements of profit or loss and other comprehensive income - extracts from statements of profit or loss and other comprehensive income. </td></tr> </table>	<p>Learners need to understand:</p> <p>5.2.1 the information to be included in the statement of profit or loss and other comprehensive income</p> <p>5.2.2 that expenses may be classified by their nature or by their function.</p> <p>5.2.3 that the totals for each of the following items must also be disclosed in a single note when expenses are classified by function:</p> <ul style="list-style-type: none"> - depreciation - amortisation - impairment losses and reversals of impairment losses - write-downs and reversals of write-downs of inventories. <p>that material items of income or expense should be separately disclosed</p>	<p>Learners need to be able to:</p> <p>5.2.4 use the expenses classified by function method to prepare:</p> <ul style="list-style-type: none"> - statements of profit or loss and other comprehensive income - extracts from statements of profit or loss and other comprehensive income.
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5.3	<p>Draft statements of financial position using IAS 1 IFRS 18</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"> <p>Learners need to understand:</p> <p>5.3.1 the information to be included in the statement of financial position</p> <p>5.3.2 how to classify:</p> <ul style="list-style-type: none"> - assets as current and non-current - liabilities as current and non-current. </td><td style="width: 50%;"> <p>Learners need to be able to:</p> <p>5.3.3 prepare:</p> <ul style="list-style-type: none"> - statements of financial position - extracts from statements of financial position. </td></tr> </table>	<p>Learners need to understand:</p> <p>5.3.1 the information to be included in the statement of financial position</p> <p>5.3.2 how to classify:</p> <ul style="list-style-type: none"> - assets as current and non-current - liabilities as current and non-current. 	<p>Learners need to be able to:</p> <p>5.3.3 prepare:</p> <ul style="list-style-type: none"> - statements of financial position - extracts from statements of financial position.
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5.4	<p>Draft statements of financial position using IAS 1 IFRS 18</p> <table border="1" data-bbox="266 235 1439 489"> <tr> <td data-bbox="266 235 854 489"> <p>Learners need to understand:</p> <p>5.4.1 the information to be included in statements of changes in equity.</p> </td><td data-bbox="854 235 1439 489"> <p>Learners need to be able to:</p> <p>5.4.2 prepare:</p> <ul style="list-style-type: none"> - statements of changes in equity - extracts from statements of changes in equity. </td></tr> </table>		<p>Learners need to understand:</p> <p>5.4.1 the information to be included in statements of changes in equity.</p>	<p>Learners need to be able to:</p> <p>5.4.2 prepare:</p> <ul style="list-style-type: none"> - statements of changes in equity - extracts from statements of changes in equity.
<p>Learners need to understand:</p> <p>5.4.1 the information to be included in statements of changes in equity.</p>	<p>Learners need to be able to:</p> <p>5.4.2 prepare:</p> <ul style="list-style-type: none"> - statements of changes in equity - extracts from statements of changes in equity. 			
5.5	<p>Draft statements of cash flows using IAS 7</p> <table border="1" data-bbox="266 545 1439 1298"> <tr> <td data-bbox="266 545 854 1298"> <p>Learners need to understand:</p> <p>5.5.1 the benefits of cash flow information</p> <p>5.5.2 the meaning of:</p> <ul style="list-style-type: none"> - cash - cash equivalents - cash flows - operating activities - investing activities - financing activities <p>5.5.3 that cash flows should be classified as operating, investing and financing activities</p> <p>5.5.4 that statements of cash flows may be prepared using the direct method or the indirect method</p> <p>5.5.5 the information to be included in statements of cash flows prepared using the indirect method.</p> </td><td data-bbox="854 545 1439 1298"> <p>Learners need to be able to:</p> <p>5.5.6 use the indirect method to prepare:</p> <ul style="list-style-type: none"> - statements of cash flows - extracts from statements of cash flows. </td></tr> </table>		<p>Learners need to understand:</p> <p>5.5.1 the benefits of cash flow information</p> <p>5.5.2 the meaning of:</p> <ul style="list-style-type: none"> - cash - cash equivalents - cash flows - operating activities - investing activities - financing activities <p>5.5.3 that cash flows should be classified as operating, investing and financing activities</p> <p>5.5.4 that statements of cash flows may be prepared using the direct method or the indirect method</p> <p>5.5.5 the information to be included in statements of cash flows prepared using the indirect method.</p>	<p>Learners need to be able to:</p> <p>5.5.6 use the indirect method to prepare:</p> <ul style="list-style-type: none"> - statements of cash flows - extracts from statements of cash flows.
<p>Learners need to understand:</p> <p>5.5.1 the benefits of cash flow information</p> <p>5.5.2 the meaning of:</p> <ul style="list-style-type: none"> - cash - cash equivalents - cash flows - operating activities - investing activities - financing activities <p>5.5.3 that cash flows should be classified as operating, investing and financing activities</p> <p>5.5.4 that statements of cash flows may be prepared using the direct method or the indirect method</p> <p>5.5.5 the information to be included in statements of cash flows prepared using the indirect method.</p>	<p>Learners need to be able to:</p> <p>5.5.6 use the indirect method to prepare:</p> <ul style="list-style-type: none"> - statements of cash flows - extracts from statements of cash flows. 			
<p>6 Interpret financial statements using ratio analysis</p>				
6.1	<p>Calculate ratios relating to profitability, liquidity, efficient use of resources and financial position</p> <p>Learners need to be able to:</p> <p>6.1.1 calculate the following ratios:</p> <ul style="list-style-type: none"> - profitability: <ul style="list-style-type: none"> ▪ Return on capital employed (ROCE)= operating profit profit before financing and income taxes / capital employed x 100 (where capital employed = total equity + non-current liabilities) ▪ Return on shareholders' funds equity = profit after tax income taxes / total equity x 100 ▪ Gross profit margin = gross profit / revenue x 100 ▪ Operating profit margin = operating profit /revenue x 100 ▪ Expense / revenue percentage = specified expense / revenue x 100 - liquidity: <ul style="list-style-type: none"> ▪ Current ratio = current assets / current liabilities (Answer equals X:1) ▪ Quick ratio or 'acid test' ratio = (current assets – inventories) / current liabilities (Answer equals X:1) 			

	<ul style="list-style-type: none"> - efficient use of resources: <ul style="list-style-type: none"> ▪ $\text{Inventory turnover} = \text{cost of sales} / \text{inventories}$ (Answer equals X times) ▪ $\text{Inventory holding period (days)} = \text{inventories} / \text{cost of sales} \times 365$ ▪ $\text{Trade receivables collection period (days)} = \text{trade receivables} / \text{revenue} \times 365$ ▪ $\text{Trade payables payment period (days)} = \text{trade payables} / \text{cost of sales} \times 365$ ▪ $\text{Working capital cycle (days)} = \text{Inventory holding period (days)} + \text{Trade receivables collection period (days)} - \text{Trade payables payment period (days)}$ ▪ $\text{Asset turnover (net assets)} = \text{revenue} / (\text{total assets} - \text{current liabilities})$ (Answer equals X times) ▪ $\text{Asset turnover (non-current assets)} = \text{revenue} / \text{non-current assets}$ (Answer equals X times) - financial position: <ul style="list-style-type: none"> ▪ $\text{Interest cover} = \text{operating profit} / \text{interest expense}$ (Answer equals X times) ▪ $\text{Gearing} = \text{total debt} / (\text{total debt} + \text{total equity}) \times 100$ (where total debt is all non-current liabilities only).
6.2	<p>Interpret and analyse ratios</p> <p>Learners need to understand:</p> <p>6.2.1 the meaning of each ratio 6.2.2 whether a ratio is better or worse as compared to a comparative ratio 6.2.3 the meaning of the changes in ratios 6.2.4 the factors that influence ratios and how they interrelate. 6.2.5 the actions that could be taken to improve the ratios and the impact that these could have 6.2.6 the limitations of ratio analysis.</p> <p>Learners need to be able to:</p> <p>6.2.7 identify reasons for changes in ratios 6.2.8 identify consequences of changes in ratios 6.2.9 identify how to improve ratios.</p>
6.3	<p>Present ratio analysis</p> <p>Learners need to understand:</p> <p>6.3.1 the actions that could be taken to improve the ratios and the impact that these could have 6.3.2 the limitations of ratio analysis.</p> <p>Learners need to be able to:</p> <p>6.3.3 report key findings: <ul style="list-style-type: none"> - analyse business performance - make recommendations for improvements. </p>

Delivering this unit

Students are encouraged to attempt the practice assessments to familiarise themselves with the pro forma statements and the formats of the workings. Tutors could create several variations of practice questions to incorporate a range of adjustments.

In relation to the study of the reporting frameworks and accounting standards, tutors could ask students to write out the key definitions and accounting treatments as bullet points on cards to form a concise set of notes, which could then be used as a quick reference guide. Students could also give presentations on accounting standards, either individually or as part of a group, and be questioned on these by their peers in order to assess their level of understanding.

Tutors could present students with real-life scenarios and facilitate group discussions on how to apply the appropriate accounting standard, or they could require students to prepare a written response that could then be marked, or peer-reviewed by other students. Students who are in employment could also research the accounting treatments used by clients or by the company they are working for and discuss these with other members of the accounting team.

For the analysis and interpretation of financial statements, students could be asked to work in groups or participate in a tutor-led discussion to consider the meaning of each ratio (profitability, liquidity, use of resources and financial position), whether a particular ratio trend is better or worse, and potential causes of ratio movements.

Students could give presentations on the overall performance of a company or certain aspects of this based on case studies. Tutors could encourage students to analyse and interpret financial statements from their own financial environment or industry and discuss their findings with their employer. Students may also find it beneficial to appraise the performance of real-life companies, with PLCs' financial statements readily available on the internet.

Test specification for Financial Accounting unit assessment

Assessment method	Marking type	Duration of assessment
Computer based assessment	Wholly computer marked Partially computer/ partially human-marked	2 hours 30 minutes
Learning outcomes	Weighting	
1. Understand the reporting frameworks that underpin financial reporting	5%	
2. Understand the accounting process	10%	
3. Understand accounting standards for non-current assets	15%	
4. Understand other accounting standards	20%	
5. Prepare financial statements	30%	
6. Interpret financial statements using ratio analysis	20%	
Total	100%	

Management Accounting

Unit level	GLH value	Credit value	Unit reference number	Assessment
4	110	22	H/651/4653	Unit assessment

Introduction

The role of the management accountant is becoming ever more central to the success of an organisation. Delivering relevant and business focused information to support the operational activities of the organisation is vital so that it can meet its objectives. This unit encompasses the key areas of planning, control, decision making and liquidity management.

This unit will allow students to understand how the budgetary process is undertaken. Students will be able to construct budgets and then identify and report both on areas of success and on areas that should be of concern to key stakeholders. Students will also gain the skills required to critically evaluate organisational performance.

Students will be equipped with the knowledge and skills across a range of areas that will help to enhance the control environment of the organisation. Appreciating the range of methods available and understanding how and when it is appropriate to use each of them, will allow them to advise a business in a range of situations.

Students will also gain an appreciation of the methods used to deal with the issues surrounding both short-term and long-term decision making. Understanding the techniques available for both forms of decision making and the fundamental differences between them is key to providing the organisation with appropriate information on which to make decisions.

The success of any organisation is not just reliant on its profitability but also on the effective management of its cashflow. This unit provides students with the skills to both monitor and manage liquidity.

Learning outcomes

1. Understand and implement the organisational planning process
2. Use cost and management accounting techniques to aid control
3. Use techniques to aid short-term and long-term decision making
4. Understand and manage organisational liquidity

Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit. All areas indicated in the table below must be covered in teaching.

Learners may not be assessed on all content, or on the full depth or breadth of a piece of content. Content assessed may change over time to ensure validity of assessment.

1. Understand and implement the organisational planning process					
1.1 The budgetary process	<p>Learners need to understand:</p> <ul style="list-style-type: none">1.1.1 purposes of a budget1.1.2 the budget cycle1.1.3 sources of data for budgeting1.1.4 the role of the budget committee1.1.5 the participatory alternatives:<ul style="list-style-type: none">- top-down- bottom up.				
1.2 Types of budgets and recommendations for their use	<table border="1"><tbody><tr><td>Learners need to understand:</td><td>Learners need to be able to:</td></tr><tr><td><ul style="list-style-type: none">1.2.1 types of budget:<ul style="list-style-type: none">- fixed- flexed- cash1.2.2 the features of the following budget methods:<ul style="list-style-type: none">- incremental- zero-based- rolling1.2.3 the comparative advantages of each budget method1.2.4 the circumstances in which each budget method should be recommended.</td><td><ul style="list-style-type: none">1.2.5 prepare operating budgets incorporating the following costs and revenue:<ul style="list-style-type: none">- direct- indirect- fixed- variable- semi-variable- stepped- capital- revenue1.2.6 prepare production budgets incorporating the following schedules:<ul style="list-style-type: none">- production plan:<ul style="list-style-type: none">▪ inventory▪ sales- material usage- material purchases- labour costs- labour hours- plant utilisation1.2.7 prepare cash flow forecasts/budgets allowing for:<ul style="list-style-type: none">- time lags</td></tr></tbody></table>	Learners need to understand:	Learners need to be able to:	<ul style="list-style-type: none">1.2.1 types of budget:<ul style="list-style-type: none">- fixed- flexed- cash1.2.2 the features of the following budget methods:<ul style="list-style-type: none">- incremental- zero-based- rolling1.2.3 the comparative advantages of each budget method1.2.4 the circumstances in which each budget method should be recommended.	<ul style="list-style-type: none">1.2.5 prepare operating budgets incorporating the following costs and revenue:<ul style="list-style-type: none">- direct- indirect- fixed- variable- semi-variable- stepped- capital- revenue1.2.6 prepare production budgets incorporating the following schedules:<ul style="list-style-type: none">- production plan:<ul style="list-style-type: none">▪ inventory▪ sales- material usage- material purchases- labour costs- labour hours- plant utilisation1.2.7 prepare cash flow forecasts/budgets allowing for:<ul style="list-style-type: none">- time lags
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		<ul style="list-style-type: none"> - changes in receivables - changes in payables - changes in inventory. - prompt payment discounts - irrecoverable debts - exchange rate movements - taxation - non-current assets - loans - profit distributions - inflation.
1.3	Forecasting techniques	<p>Learners need to understand:</p> <p>1.3.1 the elements of a time series 1.3.2 the simple regression equation.</p> <p>Learners need to be able to:</p> <p>1.3.3 use moving averages to calculate the seasonal variations and trend from a time series 1.3.4 use the simple regression equation to calculate total cost 1.3.5 calculate forecasts of future performance based on historical data.</p>
1.4	Budgeting where resource constraints exist	<p>Learners need to understand:</p> <p>1.4.1 the principal budget factor 1.4.2 the concept of scarce resources 1.4.3 the concept of contribution 1.4.4 when contribution should be used as part of the decision-making criteria.</p> <p>Learners need to be able to:</p> <p>1.4.5 identify budget limiting factors: <ul style="list-style-type: none"> - market share - access to finance - shortage of production resources - plant capacity - factory space </p> <p>1.4.6 calculate the maximum level of production where a constraint exists 1.4.7 calculate the contribution per unit of a scarce resource 1.4.8 calculate the optimum production plan where there is one scarce resource 1.4.9 calculate total profit or contribution based on the optimum production plan.</p>

1.5	Impact of internal and external factors	
	<p>Learners need to understand:</p> <p>1.5.1 the key planning assumptions used in the budget</p> <p>1.5.2 the potential threats to budget achievement</p> <ul style="list-style-type: none"> - market trends - competition - external events <p>1.5.3 when a budget revision is appropriate.</p>	<p>Learners need to be able to:</p> <p>1.5.4 advise on the reliability of forecasts</p> <p>1.5.5 calculate the impact of changes to planning assumptions</p> <p>1.5.6 recalculate budgets accordingly.</p>

	2. Use cost and management accounting techniques to aid control	
2.1	Flexed budgets	
	<p>Learners need to understand:</p> <p>2.1.1 the purpose of budget flexing as part of the control process</p> <p>2.1.2 the limitations of budget flexing.</p>	<p>Learners need to be able to:</p> <p>2.1.3 flex budgets, adjusting each element of the budget according to the original budget assumptions about revenue and cost behaviour</p> <p>2.1.4 provide potential reasons for variances (either calculated or given).</p>
2.2	Standard costing	
	<p>Learners need to understand:</p> <p>2.2.1 different types of standards:</p> <ul style="list-style-type: none"> - basic - current - target - ideal <p>2.2.2 the purpose of standard cost cards</p> <p>2.2.3 why variances occur</p> <p>2.2.4 courses of action to be taken to address divergences from standard</p> <p>2.2.5 the interaction of variances</p> <p>2.2.6 how different types of standards can impact the level of the variance</p> <p>2.2.7 how the use of standard costing can complement budgetary control.</p>	<p>Learners need to be able to:</p> <p>2.2.8 calculate the value of items to be included in standard cost cards</p> <p>2.2.9 calculate variances for revenue and costs:</p> <ul style="list-style-type: none"> - sales price - sales volume - total material variance - material price - material usage - total labour variance - labour rate - labour efficiency - labour idle time - total variable overhead variance - variable overhead price - variable overhead efficiency - total fixed overhead variance - fixed overhead expenditure - fixed overhead volume

		2.2.10 provide potential reasons for variances.
2.3	Activity based costing Learners need to understand: 2.3.1 the circumstances where activity based costing would be most appropriate 2.3.2 the benefits of activity based costing over traditional absorption costing 2.3.3 issues surrounding the introduction of activity based costing 2.3.4 the potential implications for unit selling prices and profitability where activity based costing leads to a different unit cost.	Learners need to be able to: 2.3.5 calculate product costs using activity based costing 2.3.6 calculate product costs using traditional absorption costing 2.3.7 compare product costs under activity based costing to those under traditional absorption costing.
2.4	Target costing Learners need to understand: 2.4.1 principles underpinning target costing 2.4.2 the concept of value analysis 2.4.3 actions to take to reduce cost gaps.	Learners need to be able to: 2.4.4 calculate: - target costs - a cost gap.
2.5	Life cycle costing Learners need to understand: 2.5.1 principles underpinning life cycle costing 2.5.2 how the use of life cycle costing can benefit an organisation 2.5.3 the concepts of: - economies of scale - mechanisation - the learning effect.	Learners need to be able to: 2.5.4 identify the components of the life cycle cost of a product 2.5.5 calculate the discounted and non-discounted life cycle cost of a product 2.5.6 interpret the results of calculations of life cycle costs.

3. Use techniques to aid short-term and long-term decision making		
3.1	Comparison of short-term and long-term decisions	
	<p>Learners need to understand:</p> <p>3.1.1 the fundamental differences between short-term and long-term decision making:</p> <ul style="list-style-type: none"> - time frame - capital investment - risk. 	
3.2	Relevant costing	
	<p>Learners need to understand:</p> <p>3.2.1 how to identify relevant costs</p> <p>3.2.2 the concept of opportunity costs</p> <p>3.2.3 factors to be considered when a business decides to:</p> <ul style="list-style-type: none"> - make or buy products - supply or buy-in services - continue or discontinue products - continue or discontinue services. 	<p>Learners need to be able to:</p> <p>3.2.4 calculate relevant:</p> <ul style="list-style-type: none"> - costs - revenues.
3.3	Discount cash flows	
	<p>Learners need to understand:</p> <p>3.3.1 the concept of the time value of money</p> <p>3.3.2 the benefits of discounted cash flows over non-discounted cash flows.</p>	<p>Learners need to be able to:</p> <p>3.3.3 calculate discounted cash flows.</p>
3.4	Appraisal methods for long-term decisions	
	<p>Learners need to understand:</p> <p>3.4.1 long term investment appraisal methods:</p> <ul style="list-style-type: none"> - Net Present Value (NPV) - Internal Rate of Return (IRR) - Accounting Rate of Return (ARR) - payback period: <ul style="list-style-type: none"> ▪ non discounted ▪ discounted <p>3.4.2 strengths and weaknesses of each method.</p>	<p>Learners need to be able to:</p> <p>3.4.3 calculate net present values</p> <p>3.4.4 use the IRR formula</p> <p>3.4.5 calculate the ARR of projects</p> <p>3.4.6 calculate the payback period of projects</p> <p>3.4.7 compare NPV, IRR, ARR and payback period to support decision making.</p>

4. Understand and manage organisational liquidity		
4.1	Liquidity fundamentals Learners need to understand: 4.1.1 the importance of cash budgeting in the management of liquidity 4.1.2 strengths and weakness of cash budgets as a monitoring tool for organisations 4.1.3 the importance of ensuring organisations can meet their financial obligations 4.1.4 impacts of not meeting financial obligations 4.1.5 signs of: - overtrading - overcapitalisation 4.1.6 the difference between liquid and non-liquid assets.	
4.2	Working capital management Learners need to understand: 4.2.1 the working capital cycle.	Learners need to be able to: 4.2.2 calculate: - trade receivables (collection period) days = $\text{trade receivables/revenue} \times 365$ - trade payables (payment period) days = $\text{trade payables/cost of sales} \times 365$ - inventory (holding period) days = $\text{inventories/cost of sales} \times 365$ - working capital cycle (days) = $\text{inventory days} + \text{trade receivable days} - \text{trade payable days}$.
4.3	Financing options Learners need to understand: 4.3.1 the financing options available: - bank loans - bank overdrafts - directors' loans - mortgages - shares 4.3.2 the advantages and disadvantages of each alternative financing option 4.3.3 the typical terms and conditions of financing options 4.3.4 the impact on gearing and liquidity of financing options.	Learners need to be able to: 4.3.5 calculate interest charges 4.3.6 calculate the total cost of financing 4.3.7 identify the most appropriate financing option.

4.4	Investment options
<p>Learners need to understand:</p> <p>4.4.1 the investment options available:</p> <ul style="list-style-type: none"> - bank deposit accounts - bonds - property - shares <p>4.4.2 the advantages and disadvantages of each investment option</p> <p>4.4.3 the typical terms and conditions of investment options</p> <p>4.4.4 the relationship between risk, reward and liquidity</p> <p>4.4.5 the portfolio effect of diversifying investments.</p>	<p>Learners need to be able to:</p> <p>4.4.6 calculate the return on investment</p> <p>4.4.7 calculate the yield</p> <p>4.4.8 identify the most appropriate investment option.</p>

Delivering this unit

To deliver this unit effectively, tutors need to encourage students to appreciate the role that the management accounting function now plays in working in partnership with operational teams within an organisation to drive business improvement. Students need to appreciate that the systems and techniques they are learning have direct application to business performance.

Tutors are encouraged to deliver the unit in the order that the learning outcomes are listed within the specification. Tutors will then be able to build up students' knowledge in a manner that has a logical flow, which should in turn lead to improved understanding and engagement.

Each of the learning outcomes could be delivered through scenarios that have been specifically written to highlight how the techniques aid improved performance but also challenge the systems. For example, a scenario on activity-based costing (ABC) that covered three products showing a significantly higher cost, a significantly lower cost and one relatively unchanged cost would allow a group discussion on the relative merits and demerits of ABC.

Test specification for Management Accounting unit assessment

Assessment method	Marking type	Duration of assessment
Computer based assessment	Wholly computer marked	2 hours
Learning outcomes	Weighting	
1 Understand and implement the organisational planning process	25%	
2 Use cost and management accounting techniques to aid control	35%	
3 Use techniques to aid short-term and long-term decision making	20%	
4 Understand and manage organisational liquidity	20%	
Total	100%	

Audit and Internal Controls

Unit level	GLH value	Credit value	Unit reference number	Assessment
4	75	15	J/651/4654	Unit assessment

Introduction

This unit teaches students about the role and importance of internal controls within an organisation. Students will explore the purpose and components of internal controls and understand how they impact organisations. All organisations must guard against fraud through good internal control systems. A key aim of this unit is to provide students with the tools to identify fraud risks and assess how internal controls can be used to mitigate those risks.

Students will cover the concepts and principles of audit and assurance, gaining a clear understanding of the regulatory environment and the role of corporate governance. The unit distinguishes between internal and external audits and explains the broader context within which audits are conducted and the standards that guide these processes.

The unit will provide students with an awareness of the audit process from planning and risk assessment to the final completion and production of the audit report. Understanding the audit risk model and the concept of materiality will enable students to contribute effectively to the planning of audits.

Students will understand how internal controls influence audit approaches and learn to evaluate and test these controls effectively. This includes determining when to use a combination of tests of controls and substantive procedures, or substantive procedures alone, ensuring that audits are thorough and reliable.

Furthermore, the unit explores various audit assertions and procedures, sampling techniques, and methods for obtaining sufficient and appropriate audit evidence. Students will be able to identify suitable audit procedures and understand the reliability and relevance of different sources of audit evidence, including digital techniques.

Finally, the unit focuses on reviewing and reporting audit findings. Students will learn to assess audit findings, identify deficiencies in internal controls, and report these findings to management and audit committees.

Students will require an understanding of Financial Accounting, as this knowledge will be used during the practical application of audit techniques.

Learning outcomes

1. Understand the role of internal controls within an organisation
2. Understand the audit and assurance framework
3. Understand the planning and risk assessment process for audit engagements
4. Evaluate internal control systems as part of the audit process
5. Understand procedures for obtaining sufficient and appropriate evidence
6. Review and report findings

Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit. All areas indicated in the table below must be covered in teaching.

Learners may not be assessed on all content, or on the full depth or breadth of a piece of content. Content assessed may change over time to ensure validity of assessment.

1. Understand the role of internal controls within an organisation	
1.1 Internal controls and their impact on the organisation	<p>Learners need to understand:</p> <p>1.1.1 the purpose of internal controls:</p> <ul style="list-style-type: none">- facilitate operations- safeguard assets- prevent and detect fraud- ensure quality of internal and external reporting- compliance with laws and regulations <p>1.1.2 the components of internal control:</p> <ul style="list-style-type: none">- the control environment- the entity's risk assessment process- the entity's process to monitor the systems of internal control- the information system and communication- control activities <p>1.1.3 the types of internal controls used in different parts of the accounting function:</p> <ul style="list-style-type: none">- authorisation and approval- general IT controls- information processing controls- organisational- personnel- physical or logical controls- reconciliations- segregation of duties- supervision- verifications <p>1.1.4 the limitations of internal controls</p> <p>1.1.5 how different types of internal controls suit different types of organisations:</p> <ul style="list-style-type: none">- size (small and medium, large)- nature (cash-based, credit-based, online).
1.2 Control objectives, risks and procedures	<p>Learners need to understand:</p> <p>1.2.1 control objectives for accounting systems:</p> <ul style="list-style-type: none">- sales- purchases

	<ul style="list-style-type: none"> - payroll - inventory - non-current assets - bank and cash <p>1.2.2 risks within accounting systems</p> <p>1.2.3 control procedures for accounting systems.</p>		
1.3	<p>Managing fraud risk</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"> <p>Learners need to understand:</p> <p>1.3.1 the common types of fraud within a business:</p> <ul style="list-style-type: none"> - fraudulent financial reporting - misappropriation of assets <p>1.3.2 the fraud risk assessment process:</p> <ul style="list-style-type: none"> - identify the risk - evaluate the risk - respond to the risk <ul style="list-style-type: none"> ▪ manage ▪ mitigate - ensure legal and regulatory compliance - monitor, review and report <p>1.3.3 implications for an organisation if fraud occurs:</p> <ul style="list-style-type: none"> - financial - non-financial. </td><td style="width: 50%;"> <p>Learners need to be able to:</p> <p>1.3.4 identify the circumstances when fraud may occur</p> <p>1.3.5 evaluate the impact of fraud on an organisation:</p> <ul style="list-style-type: none"> - financial - non-financial <p>1.3.6 assess how internal controls can be used in preventing and detecting fraud.</p> </td></tr> </table>	<p>Learners need to understand:</p> <p>1.3.1 the common types of fraud within a business:</p> <ul style="list-style-type: none"> - fraudulent financial reporting - misappropriation of assets <p>1.3.2 the fraud risk assessment process:</p> <ul style="list-style-type: none"> - identify the risk - evaluate the risk - respond to the risk <ul style="list-style-type: none"> ▪ manage ▪ mitigate - ensure legal and regulatory compliance - monitor, review and report <p>1.3.3 implications for an organisation if fraud occurs:</p> <ul style="list-style-type: none"> - financial - non-financial. 	<p>Learners need to be able to:</p> <p>1.3.4 identify the circumstances when fraud may occur</p> <p>1.3.5 evaluate the impact of fraud on an organisation:</p> <ul style="list-style-type: none"> - financial - non-financial <p>1.3.6 assess how internal controls can be used in preventing and detecting fraud.</p>
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2. Understand the audit and assurance framework

2.1	<p>The concepts and principles of audit and assurance</p> <p>Learners need to understand:</p> <p>2.1.1 the meaning of audit</p> <p>2.1.2 the meaning of assurance</p> <p>2.1.3 the audit expectation gap</p> <p>2.1.4 the difference between reasonable and limited assurance</p> <p>2.1.5 the difference between positive and negative expression of assurance</p> <p>2.1.6 the benefits gained from assurance</p> <p>2.1.7 the meaning of:</p> <ul style="list-style-type: none"> - true and fair view - presents fairly - faithful representation as applied to the external audit <p>2.1.8 the importance of professional scepticism and professional judgement</p> <p>2.1.9 that an external audit concludes with an audit report.</p>
2.2	<p>The regulatory environment</p>

	<p>Learners need to understand:</p> <p>2.2.1 the approach to the regulation of audits in the UK</p> <p>2.2.2 the use of audit standards in the UK</p> <p>2.2.3 the role of the:</p> <ul style="list-style-type: none"> - accountancy profession in the regulation of audits - International Auditing and Assurance Standards Board (IAASB) - International Sustainability Standards Board (ISSB) <p>2.2.4 the role of the Companies Act:</p> <ul style="list-style-type: none"> - the requirement for a statutory audit - directors' responsibilities - auditors' responsibilities <p>2.2.5 that negligent misstatement is a form of negligence</p> <p>2.2.6 the auditor's liability to:</p> <ul style="list-style-type: none"> - the company - shareholders - third parties <p>2.2.7 the requirement for professional indemnity insurance.</p> <p>Excluded: references to specific auditing standards</p>
2.3	<p>The role of corporate governance in the audit and assurance process</p> <p>Learners need to understand:</p> <p>2.3.1 that the UK Corporate Governance Code contains the principles of:</p> <ul style="list-style-type: none"> - board leadership and company purpose - division of responsibilities - audit, risk and internal control <p>2.3.2 the comply or explain principle</p> <p>2.3.3 the responsibilities of management in relation to:</p> <ul style="list-style-type: none"> - operational decisions - fraud and error - the financial statements <p>2.3.4 the responsibilities of internal and external auditors in relation to:</p> <ul style="list-style-type: none"> - fraud and error - the financial statements <p>2.3.5 the importance of an effective audit committee.</p>

2.4	<p>The role of internal audit</p> <p>Learners need to understand:</p> <p>2.4.1 the difference between internal and external audit</p> <p>2.4.2 the benefits of internal audit</p> <p>2.4.3 the functions of internal audit:</p> <ul style="list-style-type: none"> - reviewing systems of internal control - conducting special investigations - reviewing compliance with external regulation - reviewing processes for value for money - reviewing the risk management process - reviewing sustainability practices <p>2.4.4 the risks associated with a lack of independence.</p>
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3. Understand the planning and risk assessment process for audit engagements		
3.1	<p>The concept of audit risk</p> <p>Learners need to understand:</p> <p>3.1.1 components of the audit risk model:</p> <ul style="list-style-type: none"> - inherent risk - control risk - detection risk: <ul style="list-style-type: none"> ▪ sampling ▪ non-sampling <p>3.1.2 how auditors manage detection risk</p> <p>3.1.3 the factors that affect inherent risk and control risk</p> <p>3.1.4 how analytical procedures can be used to identify potential understatement or overstatement of items in the financial statements</p> <p>3.1.5 that misstatements in the financial statements can arise from either fraud or error</p> <p>3.1.6 the two types of fraud that are relevant to the auditor:</p> <ul style="list-style-type: none"> - misstatements resulting from fraudulent financial reporting - misstatements resulting from misappropriation of assets. 	<p>Learners need to be able to:</p> <p>3.1.7 identify audit risks</p> <p>3.1.8 identify analytical procedures that could expose understatement or overstatement of items in the financial statements.</p>

3.2	The concept of materiality
Learners need to understand:	
3.2.1 the difference between performance materiality and materiality for the financial statements as a whole	
3.2.2 the role of materiality in planning an audit and evaluating misstatements	
3.2.3 methods used to calculate materiality thresholds	
3.2.4 the difference between material and material and pervasive.	

4.	Evaluate internal control systems as part of the audit process								
4.1	Internal controls and their impact on the audit approach								
	<table border="1"> <tr> <td>Learners need to understand:</td> <td>Learners need to be able to:</td> </tr> <tr> <td>4.1.1 why auditors need to understand the company's internal controls</td> <td>4.1.3 determine when to use a mixture of tests of controls and substantive procedures or substantive procedures only</td> </tr> <tr> <td>4.1.2 the differences between tests of controls and substantive procedures.</td> <td>4.1.4 identify how errors and irregularities can be mitigated by control procedures.</td> </tr> <tr> <td></td> <td>4.1.5 identify suitable tests of control for accounting systems.</td> </tr> </table>	Learners need to understand:	Learners need to be able to:	4.1.1 why auditors need to understand the company's internal controls	4.1.3 determine when to use a mixture of tests of controls and substantive procedures or substantive procedures only	4.1.2 the differences between tests of controls and substantive procedures.	4.1.4 identify how errors and irregularities can be mitigated by control procedures.		4.1.5 identify suitable tests of control for accounting systems.
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5.	Understand procedures for obtaining sufficient and appropriate evidence						
5.1	Audit assertions and audit procedures						
	<table border="1"> <tr> <td>Learners need to understand:</td> <td>Learners need to be able to:</td> </tr> <tr> <td>5.1.1 assertions about transactions: <ul style="list-style-type: none"> - occurrence - completeness - accuracy - cut off - classification - presentation </td> <td>5.1.3 identify suitable audit procedures to test financial statement transactions and balances: <ul style="list-style-type: none"> - non-current assets - inventory - receivables - cash and bank - borrowings - payables - provisions - revenue - purchases - payroll and other expenses. </td> </tr> <tr> <td>5.1.2 assertions about balances: <ul style="list-style-type: none"> - existence - rights and obligations - completeness - accuracy, valuation and allocation - classification - presentation. </td> <td></td> </tr> </table>	Learners need to understand:	Learners need to be able to:	5.1.1 assertions about transactions: <ul style="list-style-type: none"> - occurrence - completeness - accuracy - cut off - classification - presentation 	5.1.3 identify suitable audit procedures to test financial statement transactions and balances: <ul style="list-style-type: none"> - non-current assets - inventory - receivables - cash and bank - borrowings - payables - provisions - revenue - purchases - payroll and other expenses. 	5.1.2 assertions about balances: <ul style="list-style-type: none"> - existence - rights and obligations - completeness - accuracy, valuation and allocation - classification - presentation. 	
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5.2	Sampling techniques	
	Learners need to understand: <p>5.2.1 statistical and non-statistical sampling methods</p> <p>5.2.2 the advantages and disadvantages of different sampling methods:</p> <ul style="list-style-type: none"> - stratification - value-weighted selection - random selection - systematic selection - monetary unit sampling - haphazard selection - block selection. 	Learners need to be able to: <p>5.2.3 distinguish between sampling methods and when they should be used</p> <p>5.2.4 identify factors affecting sample sizes.</p>
5.3	Methods used to obtain audit evidence	
	Learners need to understand: <p>5.3.1 types of verification techniques:</p> <ul style="list-style-type: none"> - inspection - observation - external confirmation - recalculation - reperformance - analytical procedures - enquiry <p>5.3.2 the reliability and relevance of different sources of audit evidence.</p>	Learners need to be able to: <p>5.3.3 identify when it is appropriate to use each type of verification technique.</p>
5.4	Use of digital techniques in auditing	
	Learners need to understand: <p>5.4.1 types of digital techniques:</p> <ul style="list-style-type: none"> - test data - integrated test facilities - audit software - data analytic tools <p>5.4.2 how digital techniques are used to test controls and interrogate the organisation's files</p> <p>5.4.3 the benefits and drawbacks of:</p> <ul style="list-style-type: none"> - digital techniques - remote auditing. 	

6. Review and report findings			
6.1	Matters to be referred to senior colleagues <p>Learners need to be able to:</p> <p>6.1.1 assess misstatements for materiality</p> <p>6.1.2 identify deviations from an organisation's prescribed procedures</p> <p>6.1.3 identify matters:</p> <ul style="list-style-type: none"> - unauthorised transactions - non-routine transactions - related party transactions - transactions above or below market rates - suspected fraud. 		
6.2	Report audit findings <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"> Learners need to understand: <p>6.2.1 elements of a report on deficiencies in internal control</p> <p>6.2.2 that deficiencies in internal control are reported to:</p> <ul style="list-style-type: none"> - management - the audit committee. </td><td style="width: 50%;"> Learners need to be able to: <p>6.2.3 identify the consequences of deficiencies in internal controls and how the deficiencies can be remedied</p> <p>6.2.4 report findings.</p> </td></tr> </table>	Learners need to understand: <p>6.2.1 elements of a report on deficiencies in internal control</p> <p>6.2.2 that deficiencies in internal control are reported to:</p> <ul style="list-style-type: none"> - management - the audit committee. 	Learners need to be able to: <p>6.2.3 identify the consequences of deficiencies in internal controls and how the deficiencies can be remedied</p> <p>6.2.4 report findings.</p>
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Delivering this unit

To deliver this unit effectively, tutors should first ensure that students understand that all organisations are at risk of theft and fraud. This can be done by sharing personal experiences within a group, as well as through media reports. As reports in the national media focus on major cases, it may be appropriate to review local court cases and media to find smaller, more common cases of fraud. Ensuring that students understand that the risk is always present is key to ensuring that they look at controls rigorously.

Tutors also need to help students recognise the importance of audit and assurance to businesses and wider society as an effective part of the governance process. This unit is designed as an introduction to audit, and tutors should be mindful that not all learners will be working in an audit role. Even so, they may have experience of other assurance engagements, or they may have worked for an organisation that was being audited.

Access to accounting systems in the workplace or the learning provider environment may provide students with the opportunity to undertake an audit in a real-world environment, such as a café or shop. Students could be encouraged to undertake an audit and report to management on the issues identified, thereby providing practical experience rather than relying on case studies to facilitate learning. Experience of conducting audit interviews and reporting will also provide students with the opportunity to develop wider communication skills.

The audit topics can be delivered in conjunction with the Level 4 Financial Accounting unit. As the students learn about an accounting adjustment, such as a property revaluation, it would be helpful for them to think about how they would audit that adjustment, considering the available evidence.

Contemporary digital tools have transformed the audit process through the use of artificial intelligence (AI), predictive analytics, and the general automation of the whole audit process from planning through to reporting. Access to data analytics technology and audit software can assist in teaching this unit, as it will help students understand how this is vital in the modern audit.

Test specification for Audit and Internal Controls unit assessment

Assessment method	Marking type	Duration of assessment
Computer based assessment	Wholly computer marked	2 hours
Learning outcomes		Weighting
1. Understand the role of internal controls within an organisation		30%
2. Understand the audit and assurance framework		15%
3. Understand the planning and risk assessment process for audit engagements		10%
4. Evaluate internal control systems as part of the audit process		10%
5. Understand procedures for obtaining sufficient and appropriate evidence		25%
6. Review and report findings		10%
Total		100%

Audit top-up assessment test specification*

Learning outcomes	Weighting
1. Understand the role of internal controls within an organisation	30%
2. Understand the audit and assurance framework	15%
3. Understand the planning and risk assessment process for audit engagements	15%
4. Evaluate internal control systems as part of the audit process	15%
5. Understand procedures for obtaining sufficient and appropriate evidence	35%
6. Review and report findings	20%
Total	100%

*This assessment will **only** be available to some students transitioning between qualifications suites. More details on transitional arrangements will be available in due course.

Principles of Taxation

Unit level	GLH value	Credit value	Unit reference number	Assessment
4	75	15	K/651/4655	Unit assessment

Introduction

This unit introduces students to taxation for taxpayers in the United Kingdom (UK).

It introduces students to the different types of income that a UK taxpayer may have, including income from employment, self-employment, property and investments. Students will be able to calculate each type of income. Students will also be able to identify appropriate use of losses. Deductions and reliefs that apply to Income Tax are covered so that students can compute the Income Tax liability for a UK taxpayer. Students will also be able to calculate National Insurance contributions on relevant types of income. The unit also introduces students to Capital Gains Tax where they will be able to calculate chargeable gains and losses, use losses and the annual exempt amount efficiently and calculate Capital Gains Tax liabilities. Students will also be able to apply the badges of trade and to understand factors that determine whether an individual is employed or self-employed.

Students will calculate Corporation Tax for companies including income from trading, property and interest as well as chargeable gains for companies. They will be able to consider the appropriate use of losses. They will understand the treatment of qualifying charitable donations.

Students will understand the administrative requirements of UK tax law, including the implications of errors in tax returns, late filing of returns, late payment of tax and not retaining records for the required period.

Students will discuss the ethical issues facing UK taxpayers and the responsibilities that an agent has in giving advice on tax issues to business clients. Students will also be able to identify tax planning opportunities, while understanding the importance of maintaining ethical standards.

Learning outcomes

1. Understand the United Kingdom (UK) tax system and ethical behaviour
2. Calculate Income Tax and National Insurance contributions
3. Identify types of income
4. Calculate Capital Gains Tax payable by UK taxpayers
5. Prepare tax computations for trading companies
6. Understand administrative requirements of the UK's tax regime
7. Understand tax planning opportunities

Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit. All areas indicated in the table below must be covered in teaching.

Learners may not be assessed on all content, or on the full depth or breadth of a piece of content. Content assessed may change over time to ensure validity of assessment.

1. Understand the United Kingdom (UK) tax system and ethical behaviour	
1.1	Objectives and functions of taxation Learners need to know: 1.1.1 that HMRC are responsible for administering, collecting, and enforcing taxes in the UK 1.1.2 the sources of UK tax law and guidance 1.1.3 the objectives of tax digitalisation. Learners need to understand: 1.1.4 the objectives of a tax system: <ul style="list-style-type: none">- raise revenue- wealth redistribution- influence behaviour.
1.2	Tax planning, tax avoidance, tax evasion and money laundering Learners need to understand: 1.2.1 the meaning of: <ul style="list-style-type: none">- tax planning- tax avoidance- tax evasion- money laundering 1.2.2 the General Anti-Abuse Rule (GAAR) <ul style="list-style-type: none">- purpose- circumstances for application- consequences of application 1.2.3 the consequences of dishonest conduct by tax agents: <ul style="list-style-type: none">- notice- penalties. Learners need to be able to: 1.2.4 identify: <ul style="list-style-type: none">- tax planning- tax avoidance- tax evasion- money laundering 1.2.5 identify appropriate actions to take when unethical or illegal behaviour is identified.

2. Calculate Income Tax and National Insurance contributions (NICs)	
<p>2.1 Calculate taxable income</p> <p>Learners need to understand:</p> <p>2.1.1 that the tax year is the period from 6 April in one year to the following 5 April</p> <p>2.1.2 that tax years are expressed as the two calendar years included in the tax year; e.g. 2024/25</p> <p>2.1.3 that individuals are assessed on their taxable income for a tax year</p> <p>2.1.4 income included in total/net income</p> <ul style="list-style-type: none"> - employment - pension (including state pension) - trading - property - savings - UK dividends <p>2.1.5 that all income is included gross in the Income Tax computation</p> <p>2.1.6 the classification of income into:</p> <ul style="list-style-type: none"> - non-savings - savings - dividend <p>2.1.7 the treatment of jointly owned income-generating assets</p> <p>2.1.8 exempt income:</p> <ul style="list-style-type: none"> - prizes/lottery wins/betting wins - income from Individual Savings Accounts (ISAs) - interest on National Savings Certificates - income fully covered by the rent a room scheme <p>2.1.9 income that does not need to be included:</p> <ul style="list-style-type: none"> - trading allowance full relief - property allowance full relief <p>2.1.10 that every individual is entitled to a personal allowance each tax year</p> <p>2.1.11 the circumstances under which the personal allowance is abated</p> <p>2.1.12 that adjusted net income is reduced by the gross amount of:</p>	<p>Learners need to be able to:</p> <p>2.1.14 calculate:</p> <ul style="list-style-type: none"> - trading income allocated to a tax year in straddle periods - total/net income - gross personal pension contributions - gross gift aid donations - adjusted net income - the personal allowance - taxable income.

	<ul style="list-style-type: none"> - personal pension contributions - gift aid donations <p>2.1.13 the marriage allowance</p> <ul style="list-style-type: none"> - impact on the personal allowance - conditions that must be met. <p>Exclusions:</p> <ul style="list-style-type: none"> - savings income paid net of tax - government securities/the accrued income scheme - qualifying interest payments - blind person's allowance - married couple's allowance - the income of minor children - Lifetime ISAs - foreign income - taxable and exempt state benefits (unless identified). 	
2.2	<p>Calculate Income Tax payable</p> <p>Learners need to understand:</p> <p>2.2.1 that different rates of tax apply to different types of income:</p> <ul style="list-style-type: none"> - non-savings - savings - dividend <p>2.2.2 that the Income Tax liability must be calculated on non- savings income first, then savings income and lastly dividend income</p> <p>2.2.3 Income Tax nil rate bands</p> <ul style="list-style-type: none"> - personal savings allowance - dividend allowance <p>2.2.4 amounts that reduce the Income Tax liability:</p> <ul style="list-style-type: none"> - marriage allowance received - property business finance costs <p>2.2.5 amounts that increase the Income Tax payable</p> <ul style="list-style-type: none"> - high income child benefit charge <p>2.2.6 amounts that reduce the Income Tax payable:</p> <ul style="list-style-type: none"> - pay as you earn (PAYE) deductions taken at source 	<p>Learners need to be able to:</p> <p>2.2.7 calculate the</p> <ul style="list-style-type: none"> - adjusted tax bands due to gross gift aid donations or personal pension contributions - marriage allowance received - Income Tax liability - high income child benefit charge - Income Tax payable.

	<ul style="list-style-type: none"> - construction industry scheme (CIS) deductions taken at source. <p>Exclusions:</p> <ul style="list-style-type: none"> - annual allowance charge on excess pension contributions - the cap on the property income finance cost tax reducer - calculation of child benefit received. 	
2.3	<p>Calculate National Insurance contributions (NICs) payable</p> <p>Learners need to understand:</p> <p>2.3.1 NICs for category A employees:</p> <ul style="list-style-type: none"> - employee class 1 - employer class 1 - class 1A <p>2.3.2 the circumstances in which the employment allowance can be claimed.</p> <p>2.3.3 class 4 NICs</p> <p>Exclusions:</p> <ul style="list-style-type: none"> - monthly calculations - annual maximum contributions 	<p>Learners need to be able to:</p> <p>2.3.4 calculate NICs</p> <ul style="list-style-type: none"> - employee class 1 - employer class 1 - class 1A - class 4.
2.4	<p>Calculate income from employment</p> <p>Learners need to understand:</p> <p>2.4.1 the receipts basis of assessment</p> <ul style="list-style-type: none"> - receipts basis - rules for directors <p>2.4.2 exempt benefits:</p> <ul style="list-style-type: none"> - beneficial loans - bicycles/safety equipment - counselling - medical/eye tests - mileage payments at the approved mileage rate - mobile phone - overnight expense allowance - parking - pension contributions - pool cars - relocation - staff entertaining - staff suggestion schemes - training - transport to work - trivial benefits 	<p>Learners need to be able to:</p> <p>2.4.6 calculate:</p> <ul style="list-style-type: none"> - salary - bonus - benefits - allowable deductions - employment income.

	<ul style="list-style-type: none"> - workplace childcare - workplace electric vehicle charging points - workplace meals - working from home - workplace sporting/recreational facilities <p>2.4.3 assessable benefits general rules:</p> <ul style="list-style-type: none"> - cost to employer - employee contributions - time apportionment <p>2.4.4 assessable benefits special rules:</p> <ul style="list-style-type: none"> - company cars - private fuel - vans - mileage payments above the approved mileage rate - beneficial loans <ul style="list-style-type: none"> ▪ average ▪ strict <p>2.4.5 allowable deductions:</p> <ul style="list-style-type: none"> - wholly, exclusively and necessarily in performance of duties - pension contributions - charity donations - relevant professional fees and subscriptions - travel expenses - mileage payments below the approved mileage rate. <p>Exclusions:</p> <ul style="list-style-type: none"> - round sum allowances - living accommodation - use/gift of business assets - redundancy payments. 	
2.5	<p>Calculate trading income for sole traders and partners</p> <p>Learners need to understand:</p> <p>2.5.1 that the cash basis is the default basis</p> <p>2.5.2 the circumstances in which the accruals basis may be used</p> <p>2.5.3 how to adjust accounting profit for tax purposes</p>	<p>Learners need to be able to:</p> <p>2.5.18 adjust accounting profit for tax purposes</p> <p>2.5.19 calculate capital allowances for accounting periods:</p> <ul style="list-style-type: none"> - longer than 12 months - shorter than 12 months - equal to 12 months

	<ul style="list-style-type: none"> - wholly and exclusively - capital v revenue expenditure - appropriations of profit by the owner - approved mileage allowance - business expenses paid for by owner - donations - entertaining - fines and penalties - gifts - interest payable - leasing of assets - legal fees - payments to family members - private use - removal of inventory for owner use - trade and non-trade debts written off or recovered <p>2.5.4 when claiming the trading allowance instead of expenses is appropriate</p> <p>2.5.5 the capital allowances applicable to different assets:</p> <ul style="list-style-type: none"> - plant and machinery - structures and buildings <p>2.5.6 the inclusion of gross or net amounts in capital allowance computations, in accordance with:</p> <ul style="list-style-type: none"> - VAT registration status - blocked expenditure for VAT <p>2.5.7 within the capital allowances computation, the availability of:</p> <ul style="list-style-type: none"> - annual investment allowance (AIA) - first year allowance (FYA) <p>2.5.8 the pool within the capital allowances computation in which to include asset addition and disposals:</p> <ul style="list-style-type: none"> - main/general pool - special rate pool <p>2.5.9 that private use assets are included separately in the capital allowances computation</p>	<p>2.5.20 allocate profits between partners</p> <p>2.5.21 identify how losses are allocated, according to:</p> <ul style="list-style-type: none"> - specific instructions - achieve maximum tax benefit.
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	<p>2.5.10 the writing down allowances (WDAs) available on each pool within the capital allowances computation</p> <p>2.5.11 the small pools allowance</p> <p>2.5.12 when balancing adjustments are required for capital allowances</p> <p>2.5.13 the capital allowances available on structures and buildings</p> <p>2.5.14 the impact of capital allowances (including balancing adjustments) on the tax adjusted accounting profit</p> <p>2.5.15 how profits are allocated between partners:</p> <ul style="list-style-type: none"> - salary - interest on capital - profit sharing ratio <p>2.5.16 options available to sole traders and partners to relieve trading losses:</p> <ul style="list-style-type: none"> - carry back - current year - carry forward <p>2.5.17 how to select the relief that gives the maximum tax benefit for losses.</p>	
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Exclusions:

- pre-trading expenditure
- lease premiums
- fixed rate adjustments for premises used as home
- transitioning between cash and accruals basis
- short-life assets
- integral features
- long life assets
- notional profits and losses for partnerships
- limited liability partnerships
- opening years loss relief
- terminal loss relief
- the restriction on relief against non-trading income.

2.6	Calculate income from property	
Learners need to understand:		Learners need to be able to:

2.6.1 that the cash basis is the default basis

2.6.2 the circumstances in which the accruals basis may be used

2.6.3 that income and expenses from all properties are pooled

2.6.4 how to identify allowable and disallowable expenses

- wholly and exclusively
- property available for letting
- interest costs
- replacement furniture
- mileage allowances

2.6.5 when claiming the property allowance instead of expenses is appropriate

2.6.6 how losses on property may be relieved

2.6.7 rent a room relief:

- gross rental income above the threshold
- gross rental income below the threshold
- impact on property income assessment
- impact on losses
- shared property.

2.6.8 calculate profit and losses from property:

- cash basis
- accruals basis
- property allowance
- rent a room relief
- losses.

Exclusions:

- lease premiums
- furnished holiday lets
- capital allowances
- deposits
- transitioning between cash and accruals basis.

3. Identify types of income		
3.1 Employed v self-employed	<p>Learners need to understand:</p> <p>3.1.1 the importance of identifying status</p> <p>3.1.2 the factors used to determine status:</p> <ul style="list-style-type: none"> - degree of control - mutual obligations - provision of equipment - degree of financial risk/ability to profit - ability to provide a substitute - level of integration - the employment rights provided. <p>Exclusions:</p> <ul style="list-style-type: none"> - personal service companies. 	
3.2 Badges of trade	<p>Learners need to understand:</p> <p>3.2.1 the importance of identifying whether a trade exists</p> <ul style="list-style-type: none"> - tax planning - tax avoidance - tax evasion - money laundering <p>3.2.2 the badges of trade:</p> <ul style="list-style-type: none"> - profit-seeking motive - the number of transactions - the nature of the asset - existence of similar trading transactions or interests - changes to the asset - the way the sale was carried out - the source of finance - interval of time between purchase and sale - method of acquisition. 	<p>Learners need to be able to:</p> <p>3.1.3 identify:</p> <ul style="list-style-type: none"> - factors indicating employment - factors indicating self-employment - a valid conclusion on employment or self-employment - the consequences of the conclusion. <p>3.2.3 identify:</p> <ul style="list-style-type: none"> - factors indicating a trade exists - factors indicating a trade does not exist - a valid conclusion on whether or not a trade exists - the consequences of the conclusion.

4. Calculate Capital Gains Tax payable by UK taxpayers		
4.1 Calculate chargeable gains and allowable losses	<p>Learners need to understand</p> <p>4.1.1 that individuals are taxed on their gains in a tax year</p> <p>4.1.2 the meaning of:</p> <ul style="list-style-type: none"> - chargeable assets - chargeable disposals - chargeable persons - connected persons - gross sale proceeds - market value - net sales proceeds - allowable costs <p>4.1.3 that exempt assets include:</p> <ul style="list-style-type: none"> - cars - wasting chattels - gifts to charity - cash - stocks and shares held in an ISA - prizes/lottery wins/betting wins <p>4.1.4 the situations where market value is used instead of sales proceeds</p> <p>4.1.5 transfers between spouses</p> <p>4.1.6 transfers to connected persons</p> <p>4.1.7 part disposals</p> <p>4.1.8 non-wasting chattel disposals</p> <p>4.1.9 plant and machinery disposals.</p> <p>Exclusions:</p> <ul style="list-style-type: none"> - assets that are lost, destroyed or damaged - valuation rules for shares - share identification rules - the share pool - bonus issues - rights issues - rollover relief - gift relief - private residence relief. 	
4.2 Calculate Capital Gains Tax payable	<p>Learners need to understand:</p> <p>4.2.1 the rates applicable to capital gains:</p> <ul style="list-style-type: none"> - residential property - other assets 	
	<p>Learners need to be able to:</p> <p>4.2.6 calculate chargeable gains and allowable losses</p>	

	<p>4.2.2 current year losses</p> <p>4.2.3 brought forward losses</p> <p>4.2.4 the restriction for losses from disposals to connected persons</p> <p>4.2.5 the annual exempt amount.</p>	<ul style="list-style-type: none"> - offset current year losses efficiently - offset brought forward losses efficiently <p>4.2.7 deduct the annual exempt amount efficiently</p> <p>4.2.8 calculate Capital Gains Tax.</p>
<p>Exclusions:</p> <ul style="list-style-type: none"> - the use of trading losses to relieve capital gains - business asset disposal relief - investors relief. 		

5. Prepare tax computations for trading companies		
5.1	Calculate taxable total profits (TTP)	
	<p>Learners need understand:</p> <p>5.1.1 the meaning of an accounting period for Corporation Tax purposes:</p> <ul style="list-style-type: none"> - when an accounting period begins - when an accounting period ends <p>5.1.2 the allocation of components of TTP when a financial accounting period exceeds 12 months</p> <p>5.1.3 trading income:</p> <ul style="list-style-type: none"> - that the accruals basis is used for allocation - allowable and disallowable expenditure - trade interest payable - capital allowances available on plant and machinery - annual investment allowance (AIA) - full expensing - first year allowance (FYA) - additions and disposals in the main/general pool - additions and disposals in the special rate pool - writing down allowances (WDAs) - small pools allowance - balancing adjustments in the pools - balancing adjustments on fully expensed assets - capital allowances available on structures and buildings <p>5.1.4 interest income:</p>	<p>Learners need to be able to:</p> <p>5.1.12 adjust accounting profit for tax purposes</p> <p>5.1.13 calculate capital allowances for accounting periods:</p> <ul style="list-style-type: none"> - longer than 12 months - shorter than 12 months - equal to 12 months <p>5.1.14 calculate:</p> <ul style="list-style-type: none"> - trading income - interest income - property income - chargeable gains - TTP <p>5.1.15 allocate components of TTP in a long accounting period</p> <p>5.1.16 identify how losses are allocated according to:</p> <ul style="list-style-type: none"> - specific instructions - maximum tax benefit.

	<ul style="list-style-type: none"> - that the accruals basis is used for allocation - the meaning of loan relationships - non-trade interest payable - non-trade interest receivable <p>5.1.5 property income:</p> <ul style="list-style-type: none"> - that the accruals basis is used for allocation - allowable and disallowable expenditure <p>5.1.6 chargeable gains:</p> <ul style="list-style-type: none"> - that the date of disposal is used for allocation - identification of net sales proceeds - identification of allowable costs <p>5.1.7 qualifying charitable donations (QCDs):</p> <ul style="list-style-type: none"> - that the date of payment is used for allocation <p>5.1.8 trading losses:</p> <ul style="list-style-type: none"> - current year - current year and carry back - carry forward <p>5.1.9 property losses:</p> <ul style="list-style-type: none"> - current period then carry forward <p>5.1.10 capital losses:</p> <ul style="list-style-type: none"> - current period then carry forward <p>5.1.11 how to select the relief that gives the maximum tax benefit for losses.</p> <p>Exclusions</p> <ul style="list-style-type: none"> - pre-trading expenditure - lease premiums - short-life assets. - integral features - long life assets - trade interest receivable (learners should assume that all interest receivable is non-trade) - non-trading deficits on loan relationships - the disposal of assets on which a super deduction has been claimed - the disposal of assets acquired pre 1 January 2018 - assets that are lost, destroyed or damaged - valuation rules for share disposals - share identification rules for disposals - the share pool - bonus issues for shares - rights issues for shares 	
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	<ul style="list-style-type: none"> - rollover relief - loss relief where relevant accounting periods are not twelve months - terminal loss relief. 	
5.2	<p>Calculate Corporation Tax payable</p> <p>Learners need to understand:</p> <p>5.2.1 that Corporation Tax is calculated for an accounting period</p> <p>5.2.2 how the calculation of Corporation Tax as impacted by:</p> <ul style="list-style-type: none"> - the tax year(s) in which the accounting period falls - the size of the company - the length of the accounting period - the number of associated companies. <p>Exclusions:</p> <ul style="list-style-type: none"> - meaning/identification of associated companies - dividend income. 	<p>Learners need to be able to:</p> <p>5.2.3 calculate Corporation Tax payable.</p>

6. Understand administrative requirements of the UK's tax regime		
6.1	The administrative requirements of UK tax law	
	<p>Learners need to understand:</p> <p>6.1.1 filing deadlines:</p> <ul style="list-style-type: none"> - Income Tax self-assessment - Corporation Tax self-assessment - reporting capital gains on residential property - reporting capital gains on other assets <p>6.1.2 tax payment dates:</p> <ul style="list-style-type: none"> - Income Tax (including payments on account) - Corporation Tax (small and/or large companies) - Capital Gains Tax (residential and/or other property) <p>6.1.3 time limits for notifying chargeability to tax</p> <ul style="list-style-type: none"> - Income Tax - Corporation Tax <p>6.1.4 time limits for loss relief claims</p> <ul style="list-style-type: none"> - individual - company <p>6.1.5 the enquiry window</p>	<p>Learners need to be able to:</p> <p>6.1.8 calculate amounts of tax due on each date:</p> <ul style="list-style-type: none"> - payments on account for individuals - balancing payments for individuals - instalment payments for large companies.

	<p>6.1.6 the time period within which amendments to a tax return can be made</p> <p>6.1.7 what records need to be maintained and for what time period.</p> <p>Exclusions:</p> <ul style="list-style-type: none"> - payment of CGT by instalments - time to pay arrangements - the exceptions to payments by instalment for large companies - instalment payments for very large companies - quarter end dates for enquiries into returns filed late. 	
6.2	<p>Penalties for non-compliance</p> <p>Learners need to understand:</p> <p>6.2.1 penalties for:</p> <ul style="list-style-type: none"> - late filing - late payment - failing to notify chargeability - errors in tax returns - not providing records in an enquiry - not retaining records <p>6.2.2 the meaning of:</p> <ul style="list-style-type: none"> - careless errors - deliberate errors - deliberate and concealed errors - unprompted disclosure - prompted disclosure. <p>Exclusions:</p> <ul style="list-style-type: none"> - interest on late payment and penalties. 	<p>Learners need to be able to:</p> <p>6.2.3 calculate penalties for non-compliance.</p>

7. Understand tax planning opportunities		
7.1	Personal tax planning opportunities	
	<p>Learners need to understand:</p> <p>7.1.1 why an individual may wish to undertake tax planning:</p> <ul style="list-style-type: none"> - make use of tax exemptions and allowances - avoid higher rates of taxes - avoid abatement of the personal allowance 	<p>Learners need to be able to:</p> <p>7.1.3 identify tax planning opportunities</p> <p>7.1.4 calculate tax for different tax planning options</p> <p>7.1.5 calculate after tax income for different tax planning options</p> <p>7.1.6 calculate tax savings from tax planning opportunities.</p>

	<ul style="list-style-type: none"> - avoid the high income child benefit charge - minimise the combined Income Tax liability for a couple <p>7.1.2 opportunities that individuals may have to minimise their tax liability:</p> <ul style="list-style-type: none"> - choice of employment benefits - pension contributions - charity donations - use of ISAs - choice of investment types - marriage allowance - transfer of assets between spouses/civil partners - choosing which partner purchases income generating assets/joint ownership - choosing which partner in a relationship makes charity donations/pension contributions. 	
7.2	Business tax planning opportunities	<p>Learners need to understand:</p> <p>7.2.1 how the choice of business structure may affect:</p> <ul style="list-style-type: none"> - tax due - after tax income <p>7.2.2 how the choice of extraction of profits from a company may affect:</p> <ul style="list-style-type: none"> - tax due - after tax income <p>7.2.3 tax planning opportunities for couples:</p> <ul style="list-style-type: none"> - employment at a reasonable wage - shareholders - partners. <p>Learners need to be able to:</p> <p>7.2.4 identify tax planning opportunities</p> <p>7.2.5 calculate tax for different tax planning options</p> <p>7.2.6 calculate after tax income for different tax planning options</p> <p>7.2.7 calculate tax savings from tax planning opportunities.</p>

Delivering this unit

To deliver this unit effectively, tutors must ensure that they are fully up to date with the latest Finance Act, as every year changes will occur to tax rates, bands, rules and allowances. It is vital that students only study the relevant tax year on which they will be examined.

As students have access to the tax tables in their assessment, it is advisable to ensure they have access to these tables throughout their study. Students are encouraged to always use the tables when completing practice questions in order to fully familiarise themselves with the content.

As taxation is a very practical subject, tutors could provide students with different variations of practice questions, with each variation tackling a slightly different aspect of the topic. By practising a variety of computations on each topic area, students will experience a wide range of scenarios. Students may also find it beneficial to discuss real-life scenarios when studying ethics and tax planning.

Test specification for Principles of Taxation unit assessment

Assessment method	Marking type	Duration of assessment
Computer based assessment	Wholly computer marked	2 hours
Learning outcomes	Weighting	
1. Understand the United Kingdom (UK) tax system and ethical behaviour	5%	
2. Calculate Income Tax and National Insurance contributions	50%	
3. Identify types of income	5%	
4. Calculate Capital Gains Tax payable by UK taxpayers	10%	
5. Prepare tax computations for trading companies	10%	
6. Understand administrative requirements of the UK's tax regime	10%	
7. Understand tax planning opportunities	10%	
Total	100%	

Advanced Business Awareness

Unit level	GLH value	Credit value	Unit reference number	Assessment
4	90 60	20 15	L/651/4656	Unit assessment

Introduction

This unit prepares students for real-world challenges and opportunities in the business environment, enhancing their employability and professional growth. By understanding complex business concepts and practices, students will be able to make informed decisions, improve organisational effectiveness, and contribute to sustainable business practices.

Students will learn how businesses set their goals and strategies, including the use of vision, mission statements, and objectives. They will understand how to make decisions that align with these goals and evaluate the impact of economic factors such as competition, economic growth, government policies, interest rates, inflation, international trade, supply and demand, and unemployment on business performance. This knowledge will enable students to make informed and strategic decisions that contribute to the success of their organisations.

Students will develop skills to improve personal effectiveness through effective time management and enhancing communication skills. They will learn the importance of collaboration, escalation, and delegation. Additionally, students will gain a deeper understanding of promoting equality, diversity, and inclusion (EDI) in the workplace and managing organisational changes effectively. These skills will help students become more efficient and adaptable professionals, capable of fostering a positive and inclusive work environment.

Students will learn the difference between laws and ethics and the importance of professional ethics in handling ethical conflicts and legal issues. They will gain skills to identify and address money laundering, bribery, and whistleblowing, and understand the legal protections for whistleblowers. This knowledge will help students navigate complex ethical and legal challenges in their professional roles, ensuring they act with integrity and uphold the highest standards of professional conduct.

Students will be equipped with the skills to collect, clean, and analyse data, understanding the principles of data protection and the importance of protecting commercially sensitive information. They will learn how a business can use data analytics to make better business decisions. This will enable students to leverage data to drive business performance and make informed decisions that enhance organisational efficiency and effectiveness. Students will also understand the issues arising in the use of social media and other digital platforms.

Students will understand key sustainability concepts and standards, including the United Nations Sustainable Development Goals (UN SDGs) and the importance of sustainability reporting under IFRSs. They will learn how to promote sustainable business practices and recognise the challenges and benefits of implementing sustainability policies. This knowledge will empower students to contribute to the development and implementation of sustainability strategies within their organisations, promoting long-term environmental, social, and economic sustainability.

Learning outcomes

1. Understand business decision making
2. Understand organisational effectiveness
3. Understand ethics and law in an accounting environment
4. Understand the effective use of data in business
5. Understand the importance of sustainability in business

Scope of content

This section illustrates the depth and breadth of content to be delivered for this unit. All areas indicated in the table below must be covered in teaching.

Learners may not be assessed on all content, or on the full depth or breadth of a piece of content. Content assessed may change over time to ensure validity of assessment.

1. Understand business decision making	
1.1	Strategy and objectives
	<p>Learners need to understand:</p> <p>1.1.1 how an organisation sets out and uses:</p> <ul style="list-style-type: none">- vision- mission statement- strategy- objectives <p>1.1.2 that objectives should be:</p> <ul style="list-style-type: none">- Specific- Measurable- Achievable- Realistic- Time-based <p>1.1.3 the importance of non-financial key performance indicators (KPIs)</p> <p>1.1.4 approaches to strategy:</p> <ul style="list-style-type: none">- cost leadership- differentiation- focus <p>1.1.5 Total Quality Management (TQM)</p> <ul style="list-style-type: none">- continuous improvement- right first time- organisation-wide philosophy <p>1.1.6 the costs of quality:</p> <ul style="list-style-type: none">- prevention- appraisal- internal failure- external failure <p>1.1.7 how economic factors affect strategy and performance:</p> <ul style="list-style-type: none">- competition- economic growth- government policy- inflation- interest rates <p>Learners need to be able to:</p> <p>1.1.8 evaluate identify whether decisions align with an organisation's:</p> <ul style="list-style-type: none">- vision- mission statement- strategy- objectives <p>1.1.9 identify:</p> <ul style="list-style-type: none">- effective non-financial KPIs- unintended consequences of non-financial KPIs <p>1.1.10 calculate non-financial KPIs</p> <p>1.1.11 interpret performance using non-financial KPIs</p> <p>1.1.12 identify the ethical implications of decisions.</p>

	<ul style="list-style-type: none"> - international trade - supply and demand - unemployment. 	
1.2	<p>Position analysis</p> <p>Learners need to understand:</p> <p>1.2.1 a SWOT analysis:</p> <ul style="list-style-type: none"> - strengths - weaknesses - opportunities - threats <p>1.2.2 the use of a SWOT analysis</p> <p>1.2.3 a PESTLE analysis:</p> <ul style="list-style-type: none"> - political - economic - social - technological - legal - environmental <p>1.2.4 the use of a PESTLE analysis.</p>	<p>Learners need to be able to:</p> <p>1.2.5 identify:</p> <ul style="list-style-type: none"> - strengths - weaknesses - opportunities - threats <p>1.2.6 identify factors:</p> <ul style="list-style-type: none"> - political - economic - social - technological - legal - environment <p>1.2.7 recommend action to be taken following:</p> <ul style="list-style-type: none"> - a SWOT analysis - a PESTLE analysis. <p><i>Complete a SWOT analysis</i> <i>Complete a PESTLE analysis</i></p>
1.3	<p>Cost-benefit analysis</p> <p>Learners need to understand:</p> <p>1.3.1 cost benefit analysis.</p>	<p>Learners need to be able to:</p> <p>1.3.2 complete a cost-benefit analysis</p> <p>1.3.3 recommend action to be taken following a cost-benefit analysis.</p>

2. Understand organisational effectiveness		
2.1	Personal effectiveness <p>Learners need to understand:</p> <p>2.1.1 effective time management using the Eisenhower matrix</p> <p>2.1.2 the steps that can be taken to ensure communication is accurate and appropriate</p> <p>2.1.3 the consequences of inaccurate or inappropriate communication</p> <p>2.1.4 the importance of:</p> <ul style="list-style-type: none"> - collaboration - escalation - delegation. 	
	<p>Learners need to be able to:</p> <p>2.1.5 identify action to be taken using the Eisenhower matrix</p> <p>2.1.6 recommend when to:</p> <ul style="list-style-type: none"> - collaborate - escalate - delegate <p>2.1.7 prepare appropriate business communications recommend:</p> <ul style="list-style-type: none"> - types of business communication - improvements to existing business communication <p>2.1.8 use reflective practice to enhance effectiveness.</p>	
2.2	Equality Equity, diversity and inclusion (EDI) <p>Learners need to understand:</p> <p>2.2.1 the meaning of:</p> <ul style="list-style-type: none"> —equality equity - diversity - inclusion - unconscious bias <p>2.2.2 the benefits of an inclusive and diverse workforce</p> <p>2.2.3 the challenges to implementing EDI policies</p> <p>2.2.4 actions that can be taken to promote EDI by:</p> <ul style="list-style-type: none"> - organisations - individuals. 	<p>Learners need to be able to:</p> <p>2.2.5 recommend actions to take to promote EDI.</p>
2.3	Change management <p>Learners need to understand:</p> <p>2.3.1 the importance of personal adaptability to changing:</p> <ul style="list-style-type: none"> —priorities —working practices —environments <p>2.3.2 that change needs to be effectively managed within an organisation</p> <p>2.3.3 the consequences of not managing change effectively</p> <p>2.3.4 Lewin's change model</p> <ul style="list-style-type: none"> —unfreeze —change —refreeze 	

	<p>2.3.5 resistance to change</p> <p>2.3.6 how to manage resistance to change</p> <ul style="list-style-type: none"> — pace — manner — scope <p>2.3.7 that organisational policies in relation to sustainability can drive change</p> <p>2.3.8 that changes in technology can drive change.</p>
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3. Understand ethics and law in an accounting environment

3.1 Ethics and professional scepticism	<p>Learners need to understand:</p> <p>3.1.1 the difference between:</p> <ul style="list-style-type: none"> - law and ethics <p>3.1.2 the meaning of:</p> <ul style="list-style-type: none"> - personal ethics - business ethics - professional ethics <p>3.1.3 the interrelationship between:</p> <ul style="list-style-type: none"> - law - ethics - sustainability <p>3.1.4 the importance of ethics to:</p> <ul style="list-style-type: none"> - the accountant - the organisation - society <p>3.1.5 the importance of professional scepticism</p> <p>3.1.6 why it is important to act ethically</p> <p>3.1.7 the five fundamental principles of professional ethics</p> <p>3.1.8 threats to the fundamental principles</p> <p>3.1.9 the safeguards which can mitigate threats to the fundamental ethical principles</p> <p>3.1.10 steps that can be taken to resolve ethical conflict</p> <p>3.1.11 the consequences of unethical behaviour.</p> <p>Learners need to be able to:</p> <p>3.1.12 demonstrate professional scepticism</p> <p>3.1.13 identify breaches of the fundamental principles</p> <p>3.1.14 identify threats to the fundamental principles</p> <p>3.1.15 evaluate identify safeguards used to protect from threats to the fundamental principles</p> <p>3.1.16 recommend safeguards to protect from threats to the fundamental principles</p> <p>3.1.17 recommend action to take when there is ethical conflict</p> <p>3.1.18 identify conflicts of interest</p> <p>3.1.19 recommend actions to take when there is a conflict of interest.</p>	
3.2 Law	<p>Learners need to understand:</p> <p>3.2.1 money laundering offences</p> <p>3.2.2 the consequences for an accountant of failing to act appropriately in response to money laundering</p>	<p>Learners need to be able to:</p> <p>3.2.11 identify money laundering offences</p> <p>3.2.12 identify consequences of money laundering</p>

	<p>3.2.3 the protection given to accountants by protected disclosures and authorised disclosures</p> <p>3.2.4 the requirements for registering for anti-money laundering supervision</p> <p>3.2.5 how to report suspected money laundering</p> <p>3.2.6 the procedures that an accountant should implement to prevent and detect money laundering</p> <p>3.2.7 the meaning of bribery</p> <p>3.2.8 the consequences of bribery</p> <p>3.2.9 the meaning of whistleblowing</p> <p>3.2.10 the legal protection for whistleblowers.</p>	<p>3.2.13 identify weaknesses in money laundering procedures</p> <p>3.2.14 identify steps to report money laundering</p> <p>3.2.15 identify bribery</p> <p>3.2.16 identify when whistleblowing is appropriate.</p>
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4. Understand the effective use of data in business

4.1 Recording data	<p>Learners need to understand:</p> <p>4.1.1 the methods of data collection</p> <ul style="list-style-type: none"> - primary/secondary - internal/external - sample/whole population <p>4.1.2 the process of cleaning data</p> <ul style="list-style-type: none"> - identify omissions - error detection - rectification <p>4.1.3 types of errors in data:</p> <ul style="list-style-type: none"> - systematic errors - random errors - negligent errors. 	<p>Learners need to be able to:</p> <p>4.1.4 identify the most appropriate method of data collection</p> <p>4.1.5 identify situations where there may be errors in data</p> <p>4.1.6 identify errors in data</p> <p>4.1.7 evaluate identify the impact of errors in data</p> <p>4.1.8 clean data.</p>
	<p>Learners need to understand:</p> <p>4.2.1 the benefits that data analytics can provide to an organisation:</p> <ul style="list-style-type: none"> - speed - decision making - risk reduction - efficiency <p>4.2.2 the different types of data analytics:</p> <ul style="list-style-type: none"> - descriptive - diagnostic - predictive - prescriptive <p>4.2.3 the principles of data protection</p>	<p>Learners need to be able to:</p> <p>4.2.8 identify the principles of data protection</p> <p>4.2.9 recommend how to protect data</p> <p>4.2.10 identify the potential consequences of not protecting data.</p>

	<p>4.2.4 the risks to data and organisational operations caused by:</p> <ul style="list-style-type: none"> - cyberattacks <ul style="list-style-type: none"> ▪ phishing ▪ malware ▪ denial of service ▪ ransomware - unauthorised access - physical loss of equipment - data issued in error - data amended or deleted in error <p>4.2.5 the importance of protecting commercially sensitive information</p> <p>4.2.6 the impact of data protection breaches on the individual and business</p> <p>4.2.7 the impact of Artificial Intelligence (AI):</p> <ul style="list-style-type: none"> - data collection - data use - ethics - sustainability - legal compliance. 	
4.3	<p>Presenting data</p> <p>Learners need to understand:</p> <p>4.3.1 the value of a narrative in addition to data and visualisations</p> <p>4.3.2 that interpretation of visualisations can vary</p> <p>4.3.3 the issues arising with the use of:</p> <ul style="list-style-type: none"> - spreadsheets - social media - other digital applications <p>4.3.4 data bias</p> <p>4.3.5 the difference between correlation and causation</p> <p>4.3.6 ethical issues in relation to:</p> <ul style="list-style-type: none"> - data visualisation - data use. 	<p>Learners need to be able to:</p> <p>4.3.7 interpret visualisations</p> <p>4.3.8 identify ways to reduce data bias</p> <p>4.3.9 distinguish between correlation and causation.</p>

5. Understand the importance of sustainability in business											
5.1	<h3>Introduction to sustainability</h3> <p>Learners need to understand:</p> <p>5.1.1 key sustainability concepts:</p> <ul style="list-style-type: none"> - different forms of capital - the circular economy - economic growth and degrowth <p>5.1.2 global sustainability challenges</p> <p>5.1.3 the pillars of sustainability (3 Ps):</p> <ul style="list-style-type: none"> - People - Profit - Planet <p>5.1.4 challenges to the pillars of sustainability.</p>										
5.2	<h3>Sustainability standards and reporting</h3> <p>Learners need to understand:</p> <p>5.2.1 the United Nations Sustainable Development Goals (UN SDGs)</p> <p>5.2.2 the actions governments can take to promote sustainability</p> <p>5.2.3 the standards applicable to organisations reporting under IFRSs:</p> <ul style="list-style-type: none"> - IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information <ul style="list-style-type: none"> ▪ objective to require organisations to disclose sustainability-related risks and opportunities ▪ for reporting periods starting after 1 January 2024 ▪ includes information on governance processes, strategies for risks and opportunities and performance measures for sustainability targets - IFRS S2 Climate-related Disclosures <ul style="list-style-type: none"> ▪ objective to require organisations to disclose information about their climate-related risks and opportunities ▪ for reporting periods starting after 1 January 2024 ▪ includes information on governance processes, strategies for risks and opportunities and performance measures for sustainability targets - IFRS S2 should be used in conjunction with IFRS S1 <p>5.2.4 the movement towards prescriptive sustainability guidance.</p>										
5.3	<h3>Business sustainability</h3> <table border="1"> <tr> <td>Learners need to understand:</td> <td>Learners need to be able to:</td> </tr> <tr> <td>5.3.1 the actions that businesses can take towards sustainability</td> <td>5.3.9 identify actions to promote sustainability.</td> </tr> <tr> <td>5.3.2 that the actions to promote one pillar of sustainability may impact another pillar</td> <td></td> </tr> <tr> <td>5.3.3 the benefits of adopting sustainable business practices</td> <td></td> </tr> <tr> <td>5.3.4 the importance of having a sustainability policy</td> <td></td> </tr> </table>	Learners need to understand:	Learners need to be able to:	5.3.1 the actions that businesses can take towards sustainability	5.3.9 identify actions to promote sustainability.	5.3.2 that the actions to promote one pillar of sustainability may impact another pillar		5.3.3 the benefits of adopting sustainable business practices		5.3.4 the importance of having a sustainability policy	
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5.3.4 the importance of having a sustainability policy											

	<p>5.3.5 the challenges to implementing sustainability policy</p> <p>5.3.6 the meaning of:</p> <ul style="list-style-type: none"> - greenwashing - greenhushing <p>5.3.7 the importance of taking responsibility for sustainability:</p> <ul style="list-style-type: none"> - personal - professional <p>5.3.8 how the accountant can contribute to and help manage sustainability.</p>	
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Delivering this unit

Students will explore how businesses establish their goals and strategies, including the formulation of vision and mission statements. Many well-known businesses publish their vision and mission statements, so tutors should use real-world examples to illustrate these concepts. Students should be encouraged to find these for their workplace and consider how they are used.

Students will assess the influence of various economic factors such as competition, economic growth, government policies, interest rates, inflation, international trade, supply and demand, and unemployment on business performance. Case studies and current events can be utilised to bring these concepts to life. Where students are employed, they can research how these factors impact their business and apply SWOT and PESTLE models to their organisation.

A significant focus will be on enhancing personal effectiveness. Students will learn to manage their time efficiently using tools like the Eisenhower matrix. Effective communication, along with the importance of collaboration, escalation, and delegation can be emphasised through role-playing and group activities. Promoting equality, diversity, and inclusion (EDI) in the workplace should be supported by case studies showcasing best practices. ~~Change management will be addressed using models such as Lewin's change model to help students navigate organisational changes effectively.~~

Ethics and legal issues are integral to this unit. Practical examples of ethical conflicts should be provided, along with strategies for addressing them. Topics such as money laundering, bribery, and whistleblowing will be covered, including the legal protections available for whistleblowers. Case studies may be used to illustrate these issues.

Students will learn to collect, clean, and analyse data, with a focus on data protection principles and safeguarding commercially sensitive information. This can be demonstrated using spreadsheets and other software tools and activities set for students to practice these skills.

Sustainability will also be a key area of study. Students will be introduced to essential sustainability concepts and standards, including the United Nations Sustainable Development Goals (UN SDGs) and sustainability reporting under IFRSs. The challenges and benefits of implementing sustainability policies will be discussed, with case studies highlighting successful strategies. Some businesses will publish their reports and policies which can be used to highlight real-world examples.

A variety of teaching methods may be employed throughout the unit. Case studies and real-world examples should be used to illustrate key concepts. Group work and projects will foster collaboration and practical application of knowledge. Role-playing and simulations will help students practise decision-making and problem-solving skills.

The pre seen scenario for the Advanced Business Awareness assessment can be used throughout the learning stage to apply the concepts and models to and familiarise the student with the business. During the revision phase group activities can be used to investigate the industry of the business in the pre-seen and identify approaches, policies and strategies for similar real-world businesses.

Test specification for Advanced Business Awareness

Assessment method	Marking type	Duration of assessment
Computer based assessment	Wholly computer marked	2 hours 30 minutes
	Partially computer/ partially human marked	

Learning outcomes	Weighting
1. Understand business decision making	25%
2. Understand organisational effectiveness	15%
3. Understand ethics and law in an accounting environment	30%
4. Understand the effective use of data in business	10%
5. Understand the importance of sustainability in business	20%
Total	100%

12. Delivering AAT qualifications

12.1. Staff requirements

AAT requires that all staff who deliver AAT qualifications, including tutors, assessors and verifiers, are professionally competent to do so.

If a training provider wishes to claim recognition of prior learning (RPL) for a student, the staff must hold the relevant assessor and/or Internal Verifier (IV) qualifications.

For more information on assessing RPL and the role and qualifications required for assessors and/or IVs, please refer to the *AAT Code of practice for approved training providers* and *AAT Guidance for training providers* documents available through MyAAT at aat.org.uk/support/quality-assurance/resources

12.2. Training provider and assessment venue approval

Training providers must be approved by AAT to offer these qualifications. To apply to become an AAT Approved training provider, email trainingproviders@aat.org.uk with the following information:

- full name of organisation
- full postal address, including postcode
- landline telephone number
- website address – this must be a live, fully functioning website
- other awarding bodies with which the organisation is accredited.

When AAT has received this information, an account manager will set up a meeting and discuss the criteria needed for approval. Only applications that meet AAT's high standards will be approved.

Existing training providers who wish to offer the qualification(s) should apply through the qualification approval section under online centre services, which can be found under the MyAAT login. Please note that only the training provider's main contact can apply for qualification approval.

Some organisations will not wish to become AAT Approved training providers but may be interested in administering AAT assessments by becoming an approved assessment venue. To apply to become an AAT Approved assessment venue, email assessment.venues@aat.org.uk with the following information:

- the full address of the proposed venue
- any experience in administering computer based assessments.

AAT will evaluate whether a venue meets the minimum hardware and software requirements, is a suitable environment for delivering assessments and has the staff to run assessments successfully. A representative from AAT will conduct a visit before approval is granted.

12.3. Quality assurance

AAT monitors training providers to ensure their continued compliance with the AAT approval criteria, the *AAT Code of practice for approved training providers* and appropriate regulatory requirements.

All training providers have an allocated point of contact and will be subject to a range

of quality assurance activities (including visits, remote activities, self-assessment and thematic reviews) to ensure that quality standards are being met. The frequency of quality assurance activities will depend on a number of factors, including the level of risk associated with the provider's experience in delivering AAT qualifications and/or the outcomes of previous quality assurance activities. If a centre has been delivering assessments using RPL, AAT may also ask for particular information and/or documents to be made available so that sampling can be carried out.

Training providers will receive a report following on from any quality assurance activity from AAT, which will identify any actions that are to be addressed.

AAT may apply an action plan with deadlines and/or a sanction where training providers do not meet the requirements set out in the [AAT Code of practice for approved training providers](#), which may be accessed via MyAAT

Sanctions will be applied at training provider level and will take the following form:

- Level 1: Action plan imposed
- Level 2: Suspension of the right to claim certification
- Level 3: Suspension of the right to register students, schedule assessments and claim certification.

Where AAT considers that there is an irretrievable breakdown in the management and quality assurance of the delivery of specified qualifications, AAT will withdraw training provider approval.

13. Equity, Diversity, Inclusion, Belonging (EDIB) and accessibility

At AAT, we are committed to embedding Equity, Diversity, Inclusion, Belonging (EDIB) and accessibility throughout the design, development and delivery of all qualifications and assessments. We aim to ensure that all students, regardless of background, identify or circumstance, can access and fairly demonstrate real-world ready competencies.

By integrating EDIB principles with a proactive approach to accessibility, we aim to reduce barriers, promote inclusion, foster a genuine sense of belonging throughout the apprentice journey, and outlines AATs continuing commitment to our [responsible business strategy](#).

Our principles enable our commitment to:

- **enhance equity, diversity and inclusion** – we will build an assessment model that proactively supports underrepresented groups and reduces barriers to progression, reinforcing AAT's commitment to breaking down structural inequalities across the accountancy profession;
- **make AAT more accessible and inclusive** – we will ensure our assessments are accessible by design, underpinned by robust and consistent processes for reasonable adjustments, and designed to meet the needs of all apprentices, including those learning and working remotely;
- **reflect the changing world of work** – we will embed inclusive design principles to ensure assessments reflect real-world, inclusive scenarios that resonate with a broad and diverse apprentice base, better preparing them for a modern, global workforce;
- **champion digital by design** – our approach to accessibility includes digital accessibility and inclusion, ensuring all online assessment platforms and content meet high standards for usability and fairness, supporting AAT's goal of a seamless, apprentice-focused digital experience.

13.1. Reasonable adjustments and special considerations

A reasonable adjustment is an arrangement that can be put in place by AAT or the assessment centre prior to an assessment to help students with a long-term disability, such as dyslexia, or who are temporarily impaired, such as a student who has broken their arm, to not be disadvantaged. For example, this could mean applying extra time for dyslexic students or allowing the use of a scribe for a student with a broken arm.

In most cases, it should be possible for the assessment centre to make the decision to grant adjustments and notify AAT before scheduling the assessment: for example, granting extra time up to and including one-third of the available time as published for that assessment. However, if a more significant adjustment is needed, assessment centres may need to obtain approval from AAT first.

Special consideration is the term used to describe the process by which a student's script is reassessed after it has been taken, due to the student suffering an illness, traumatic accident or major and unpredictable life event at, or shortly before, the time of assessment.

More detailed information about what is eligible for reasonable adjustments or special consideration, and the forms and procedures that should be used by training providers and assessment venues, are given in the [Guidance on the Application of Reasonable Adjustments and Special Consideration in AAT Assessments](#), document which is available on the [reasonable adjustments and special considerations webpage](#).

14. Support for training providers

14.1. Partner Support team

The Partner Support team is dedicated to helping training providers with the daily running of AAT qualifications. The team also offers one-to-one support for new training providers to help them get their AAT qualifications up and running.

Phone: +44 (0)203 3735 2443

Email: partner.support@aat.org.uk

14.2. Partner Account Manager (PAM)

Each training provider has their own Regional Account Manager (RAM) assigned to support them once they have been approved as an AAT training provider. RAMs help provide links to local employers and visit regularly to keep training providers up to date on qualification developments, apprenticeships and possible commercial opportunities.

14.3. Weekly email update from AAT – *SummingUp*

Every Friday, *SummingUp* shares all the latest news from AAT with AAT Approved training providers, including:

- technical updates
- qualification developments
- upcoming events
- new e-learning materials
- the latest marketing materials.

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