



Institute of Financial Accountants

Professional Financial Accountant Syllabi

Qualification structure - six modules to complete:

- P1. Financial Accounting and IFRS for Small & Medium Size Enterprises (SMEs)
- P2. Financial Management
- P3. Management and Control Systems
- P4. Professional Skills for SMEs
- P5. Business and Regulatory Environment
- P6. The Ethical Professional – *not included in this pack*

Purpose and target market

The Financial Accountant Professional qualification develops and tests a wide range of accountancy and finance skills for those who manage or seek to manage the day to day finances and financial needs of an SME. It develops understanding and awareness of technology, systems, legal and regulatory issues, business operations and management; improving skills and developing strategic awareness. The Qualification also promotes positive attitudes and ethical behaviour.

Having passed the Professional FA Qualification you will be entitled to become an Associate IFA member, use the AFA designation and describe yourself as a 'Financial Accountant'.

Level and access

Access to the Financial Accountant Professional is open to those who possess the FA Diploma. Otherwise entrants should ideally have:

- a related degree or HND qualification, or equivalent level 4 qualification
- at least two years' workplace experience in finance or accounting role.

In the interests of open access if entrants do not possess any of these qualifications they will be expected to sit and pass the 'Professional Challenge Module' first, which is P1 Financial Accounting and IFRS.

The Professional FA Qualification syllabus specifications are based upon UK 'Regulatory arrangements for the Qualification and Credit Framework' (QCA/Ofqual, August 2008) guidance. Students pursuing the Professional FA Qualification are tested at Level 5.



Learning commitment

All modules require the following approximate minimum learning commitment:

- At least 72 hours of dedicated learning time
- An additional minimum of 48 hours other set or directed work, such as homework, practise questions, group work, etc
- At least 20 hours revision which may be supported by a study provider but otherwise personal time

Suggested total learning time per module: 140 hours.



Professional Financial Accountant Syllabus

P1. Financial Accounting and International Financial Reporting Standards (IFRS) for Small & Medium Size Enterprises (SMEs)

Module Aim

The aim of this module is to understand the conceptual and regulatory framework for accounting for Small and Medium-Sized Enterprises (SMEs). The concepts and pervasive principles in the International Financial Reporting Standard (IFRS) for SMEs will then be considered.

The module will continue by the consideration of the IFRS for SMEs both in the preparation of financial statements and their presentation. The analysis and interpretation of the business performance from the financial statements will follow concluding with the role of external audit and the associated audit reports.

Modules learning outcomes

- **Understand the conceptual and regulatory framework for financial reporting for SMEs**
7%
 - Understand the position of International Accounting Standards Board (IASB) and its standard setting process
 - Understand who are the users of financial statements and their differing requirements
 - Understand the need for an International Financial Reporting Standard for Small and Medium-Sized Entities and what constitute Small and Medium-Sized Entities
- **Understand concepts and pervasive principles in the IFRS for SMEs** **8%**
 - Understand the objectives of compiling financial statements for SMEs
 - Understand the qualities that make information contained in the financial statements useful to SME stakeholders
 - Be aware of the concepts and basic principles underlying an SME's financial statements
- **Understand the presentation and content of financial statements for SMEs**
10%
 - Statement of financial position
 - Statement of comprehensive income and income statement
 - Statement of changes in equity and statement of income and retained earnings
 - Notes to the accounts
 - Statements of cash flows



- **Understand and apply the IFRs for SME in the preparation of financial statements identified above**
60%
 - Review the preparation of Statement of Comprehensive Income and Statement of Financial Position for limited companies
 - Understand and apply the following components of the International Standard when preparing an SME's financial statements
 - Statement of cash flows
 - Consolidated and separate financial statements
 - Accounting policies, estimates and errors
 - Financial instruments
 - Inventories
 - Investments in Associates
 - Investments in Joint Ventures
 - Investment property
 - Property, plant and equipment
 - Intangible assets other than goodwill
 - Business combinations and goodwill
 - Leases
 - Provisions and contingencies
 - Revenue
 - Government grants
 - Borrowing costs
 - Share-based payments
 - Impairment of assets
 - Employee benefits
 - Income tax
 - Foreign currency translation
 - Events after the end of the reporting period
 - Related party disclosures

- **Analyse and interpret financial statements** **10%**

- **Understand statutory audit requirements** **5%**

Module requirements

Learning outcome	Detailed breakdown of learning outcomes
<p>1. Understand the conceptual and regulatory framework for financial reporting for SMEs</p>	<p>1.1 Understand what IFRS are and the process by which they are set</p> <p>1.2 Understand the need for an IFRS for SMEs and understand the needs of users of those financial statements.</p>
<p>2. Understand concepts and pervasive principles in the IFRS for SMEs</p>	<p>2.1 Understand the objectives of financial statements for SMEs</p> <p>2.2 Understand the qualitative characteristics of information in financial statements</p> <ul style="list-style-type: none"> • Understandability • Relevance • Materiality • Reliability • Substance over form • Prudence • Completeness • Comparability • Timeliness • Balance between benefit and cost <p>2.3 Understand the significance of an SME's financial position as presented in the statement of financial position</p> <p>2.4 Understand the significance of an SME's performance in its statement of comprehensive income</p> <p>2.5 Understand how assets, liabilities, income and expenses are recognised and measured based on pervasive recognition and measurement principles derived from IASB Framework for the Preparation and Presentation of Financial Statements</p> <ul style="list-style-type: none"> • Accruals basis • Recognition in financial statements • Initial recognition and subsequent measurement • Offsetting.
<p>3. Financial statement presentation - the information that should be shown and how it should be presented in the following:</p> <ul style="list-style-type: none"> ○ Statement of financial position ○ Statement of 	<p>3.1 Understand what fair presentation means</p> <p>3.2 Understand that an entity complying with IFRS for SME must state that it has complied with the standard</p> <p>3.3 Understand the requirements of the following</p> <ul style="list-style-type: none"> • Going concern • Frequency of reporting

<p>comprehensive income and income statement</p> <ul style="list-style-type: none"> ○ Statement of changes in equity and statement of income and retained earnings ○ Statement of cash flows ○ Notes to the financial statements 	<ul style="list-style-type: none"> • Consistency of presentation • Comparative information • Materiality and aggregation <p>3.4 Understand the contents of a complete set of financial statements and the identification of each of the financial statements</p> <p>3.5 Understand the information to be presented in the statement of financial position and the information that can be presented either in the statement of financial position or in the notes</p> <p>3.6 Understand the difference between a current and non-current asset</p> <p>3.7 Understand the presentation of the total comprehensive income using single-statement and the two statement approach</p> <p>3.8 Understand that expenses can be analysed either by nature of expense or function of expense</p> <p>3.9 Understand the purpose of the statement of changes in equity and the information to be presented</p> <p>3.10 Understand the purpose of the statement of income and retained earnings and the information to be presented</p> <p>3.11 Understand the information to be presented in the statement of cash flows – operating activities, investing activities, financing activities</p> <p>3.12 Understand that there are two methods of reporting cash flows from operating activities – indirect and direct methods</p> <p>3.13 Understand and apply the treatment and presentation of foreign currency cash flows, interest and dividends, income tax and non-cash transactions in a statement of cash flows</p> <p>3.14 Understand the structure of the notes and the information that should be disclosed therein.</p>
<p>4. Understand and apply IFRS for SMEs in the preparation of their financial statements</p>	<p>4.1 Revise the content of a statement of comprehensive income and statement of financial position to comply with the relevant IFRS</p> <p>4.2 Preparation of statements of cash flow using direct and indirect methods; also interpretation of these statements per section 7 of the IFRS for SMEs</p>

- 4.3 Preparation of consolidated and separate financial statements as per section 9 of the IFRS for SMEs
- 4.4 Understand the use of accounting policies, estimates and treatment of errors as per section 10 of the IFRS for SMEs
- 4.5 Understand and apply section 11 of IFRS for SMEs when an SME has basic financial instruments (*section 12 Other Financial Instruments Issues and Section 22, Liabilities and equity will not be examined*)
- 4.6 Understand and apply section 12 of IFRS for SMEs for recognising and measuring inventories
- 4.7 Understand and apply section 14 of IFRS for SMEs when an SME is required to account for an investment in associates.
- 4.8 Understand and apply section 15 of IFRS for SMEs when an SME is required to account for an investment in joint ventures.
- 4.9 Understand and apply section 16 of IFRS for SMEs when an SME is required to account for an investment that is defined as an investment property.
- 4.10 Understand and apply section 17 of IFRS for SMEs when an SME accounts for property, plant and equipment both in its recognition and future measurement
- 4.11 Understand and apply section 18 of IFRS for SMEs when an SME accounts for intangible assets other than goodwill
- 4.12 Understand and apply section 19 of IFRS for SMEs when the SME carries a business combination and how to treat goodwill.
- 4.13 Understand and apply section 20 of IFRS for SMEs when an SME is required to account for leases
- 4.14 Understand and apply section 21 of IFRS for SMEs when an SME has provisions and contingencies
- 4.15 Understand and apply section 23 of IFRS for SMEs when an SME accounts for its revenue
- 4.16 Understand and apply section 24 of IFRS for SMEs when an SME receives Government grants
- 4.17 Understand and apply section 25 of IFRS for SMEs when an SME is required to account for borrowing costs

	<p>4.18 Obtain an understanding of share-based payments and employee benefits as contained in section 26 and 28 of the IFRS for SMEs</p> <p>4.19 Understand and apply section 14 of IFRS for SMEs when an SME needs to impair an asset</p> <p>4.20 Understand and apply section 29 of IFRS for SMEs to account for income tax payable by an SME</p> <p>4.21 Understand and apply section 30 of IFRS for SMEs when an SME is required to account for foreign currency. <i>Section 31 accounting for hyperinflation will not be examined.</i></p> <p>4.22 Understand and apply section 32 of IFRS for SMEs when an SME accounts for events occurring after the end of the reporting period.</p> <p>4.23 Understand and apply section 33 of IFRS for SMEs for an SME which needs to consider related party disclosures.</p>
<p>5. Analyse and evaluate financial statements</p>	<p>5.1 Calculation of a range of ratios over time, between different businesses and against bench marks</p> <p>5.2 Be able to communicate the limitations of ratio analysis when writing a report to users</p> <p>5.3 Communicate findings and conclusions in a professional written manner.</p>
<p>6. Understand audit requirements for SMEs</p>	<p>6.1 Understand what an external audit involves and understand International Auditing and Assurance Standards</p> <p>6.32 Understand the audit thresholds relating to an SME</p> <p>6.4 Understand the appropriate audit report for an SME.</p>



Study weightings

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

Instructions to candidates

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

This is a closed book examination.

The pass mark is 50%.

The examination paper will consist of

Section A	three compulsory questions, each worth 10 marks	30
Section B	two compulsory questions, each worth 20 marks	40
Section C	one compulsory question, worth 30 marks	<u>30</u>
Total		<u>100</u>

Booklist

Recommended: BPP Study Guide IFA Financial Accounting

Others: *At present there are no other textbooks dealing with IFRS for SMEs*

Useful websites

International Accounting Standards Board
<http://www.iasb.org/IFRS+for+SMEs/IFRS+for+SMEs.htm>

Deloitte
<http://www.iasplus.com/standard/ifrsforsmes.htm>

PWC
http://www.pwc.com.ar/en_GX/gx/ifrs-reporting/pdf/IFRSSME09.pdf



Professional Financial Accountant Qualification

P2. Financial Management

Module aim

The aim of this module - is to develop the knowledge and skills expected of a financial manager, working for small and medium size (SMEs) organisations, to be able to identify and evaluate alternative sources of long-term finance, apply advance investment appraisal techniques to capital projects for decision-making, managing foreign currency risks and to be able to build on 'Working capital, treasury financing and cash management' in the Finance Management module and 'investment appraisal' in the Management & Finance Systems module.

Certain items are included that appear not immediately relevant to or used by SMEs such as models relating to cost of capital, they are however included for those SMEs who may use certain models without being listed. Items are also included to allow for understanding and career progression into larger businesses.

Module learning outcomes

- **Financial planning** **20%**
 - Assess the alternative long-term sources of finance available to an organisation and their impact on the financial structure of an organisation.
- **Capital projects-cost of capital and investment appraisal (advance)** **20%**
 - Apply and evaluate investment appraisal techniques to capital projects for stakeholders and management in making investment decisions.
- **Capital re-organisation/structure impact on cost of capital and financial ratios** **20%**
 - Assess the relationship between a business organisation's value and cost of capital.
- **Managing financial risk** **20%**
 - Describe and evaluate the different types of foreign currency risks: translation risk, economic risk and transaction risk.
- **Working capital, treasury financing and cash management (advance)** **20%**
 - Discuss and apply advance working capital management techniques to enable management to operate efficiently the working capital function of an organisation.

Module requirements

Learning outcome	Detailed breakdown of learning outcomes
1. Financial planning	<p>1.1 Discuss and suggest appropriate methods of raising equity finance for a small or medium size business in a scenario</p> <p>1.2 Critically evaluate the use and management of debt finance, equity, retained earnings and venture capital.</p>
2. Capital projects-cost of capital and Investment appraisal (advance)	<p>2.1 Discuss the effectiveness of a capital budgeting system in an organisation</p> <p>2.2 Identify and calculate relevant cash flows using a scenario</p> <p>2.3 Apply and interpret the outcome of capital projects using advanced investment appraisal techniques in a scenario.</p>
3. Capital re-organisation/structure impact on cost of capital and financial ratios	<p>3.1 Analyse and interpret financial ratios affecting shareholders and long-term creditors: gearing, interest cover, interest yield, dividend cover, dividend per share, dividend yield, earnings per share and price earnings ratios</p> <p>3.2 Assess an organisation's financial position and financial risk using leverage in a scenario</p> <p>3.3 Assess the impact of long-term sources of finance on the financial position and financial risk of an organisation by considering the effect on shareholders wealth</p> <p>3.4 Critically discuss the use of the dividend growth model (DVM) and its application to the share price and cost of</p>

	<p>equity</p> <p>3.5 Identify and discuss the assumptions underlying the capital asset pricing model (CAPM) and its effect on the cost of equity for listed companies</p> <p>3.6 Identify and discuss the assumptions underlying the weighted average cost of capital (WACC) and its effect on the cost of capital of listed/quoted companies.</p>
<p>4. Managing financial risk</p>	<p>4.1 Discuss the causes of the following risks: translation, transaction and economic</p> <p>4.2 Define and use forward rate and spot rate in a scenario</p> <p>4.3 Advise on financial risks.</p>
<p>5. Working capital, treasury financing and cash management (advance)</p>	<p>5.1 Identify and calculate the ratios for the components of the cash operating cycle for manufacturing and the service industries</p> <p>5.2 Explain the factors that may affect the efficiency of working capital</p> <p>5.3 Explain the financial impact for an organisation offering discounts to customers</p> <p>5.4 Discuss the effectiveness of factoring and other instruments in an SME.</p>



Study weightings

Within each module, a percentage weighting is shown against each learning outcome as a guide.

Instructions to candidates

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

The pass mark is 50%

The examination paper will consist of five questions, each worth 25 marks, FOUR questions must be answered.

Booklist

Recommended: BPP Study Guide IFA Financial Management

Others

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

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

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



Professional Financial Accountant Syllabus

P3. Management and Control Systems

Module aim

The aim of this module is to improve the management of the finance function, to develop the knowledge and skills expected of a financial accountant, working for small and medium size entities (SMEs), to be able to provide a specialist service and relevant information for management decision-making. Also to be able to build on other areas such as 'business performance and targets' in the Management & Finance Systems module, 'budgeting' in the Finance Management module, and provide information on cost variances and identify what determines effective controls.

Module learning outcomes

- **Business performance and targets** **20%**
 - Critically evaluate the measures of performance of an organisation against its strategic targets to inform management of future improvements.
- **Budgeting (advance)** **20%**
 - Prepare sensitivity analysis and flexible budgets for the whole organisation or for functional departments in an appropriate format for managers.
- **Standard costing and Variance reporting** **20%**
 - Identify and analyse the main causes of cost variances and report to management in an appropriate manner.
- **Financial systems and controls** **20%**
 - Identify and assess the various financial controls essential to an organisation's continual success.
- **Audit techniques and their impact– internal audit function** **20%**
 - Discuss the nature and purpose of systems and the impact of internal controls.
 - Describe the methods use to report weaknesses internal controls and recommendations to management.

Module requirements

Learning outcome	Detailed breakdown of learning outcomes
1. Business performance and targets	<p>1.1 Compare business targets with actual performance to drive continuous improvement in the provision of products and services</p> <p>1.2 Discuss and assess continuous quality improvement using Total Quality Management (TQM)</p> <p>1.3 Discuss and assess cost reduction using value engineering, value analysis, target costing and life cycle costing</p> <p>1.4 Describe the factors influencing forecast data – political, economic, social and technology (PEST).</p>
2. Budgeting	<p>2.1 Prepare sensitivity analysis and flexible budgets for the whole organisation or for functional departments in an appropriate format using Incremental budgeting, Activity Based Budgeting, Flexed budgets and Sensitivity analysis in budgets</p> <p>2.2 Compare and monitor budgets forecasts with actual and report to management by exception.</p>
3. Standard costing and variance reporting	<p>3.1 Compare budgeting and standard costing.</p> <p>3.2 Identify the main elements of costs in standard costing</p> <p>3.3 Identify the sources of information needed for standard setting for material , labour and sales</p> <p>3.4 Identify standards use to measure performance in service industries</p> <p>3.5 Prepare a basic standard cost for a</p>

	<p>unit from relevant data</p> <p>3.6 Identify and report to management the main causes of variances.</p>
4. Financial systems and controls	<p>4.1 Understand financial controls and apply them to given scenarios</p> <p>4.3 Describe the relationship between management information systems (MIS) and financial controls.</p>
5. Audit techniques and their impact– internal audit function	<p>5.1 Critically discuss the impact of a control environment and its activities on the effective functioning of an organisation</p> <p>5.2 Discuss and evaluate the purpose and limitations of the internal audit function in its management and report of internal controls</p> <p>5.3 Evaluate systems for the detection and prevention of fraud.</p>

Study weightings

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

Instructions to candidates

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

This is a closed book examination.

The pass mark is 50%

The examination paper will consist of five questions, each worth 25 marks, FOUR questions must be answered.



Booklist

Recommended: BPP Study Guide IFA Management and Control Systems

Others

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

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

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

Taylor, J., Osborne, J. (2008), *Implementing Auditing Procedures*, Osborne Books,
ISBN 978 1872962 986



Professional Financial Accountant Syllabus

P4. Professional Skills for SMEs

Module aim

The aim of the module is to equip candidates with a range of professional skills and knowledge beyond that traditionally expected of a Financial Accountant. This is in response to the reality of working in a Small or Medium Enterprise (SME) where senior professionals are required to demonstrate versatility and contribute in areas beyond a focused accountancy remit.

In such circumstances depth of knowledge is not required neither is it expected in the context of this module. Instead a broad grasp of key principles across six professional knowledge areas is covered:

- Managing people
- Project management
- Information systems
- Business strategy and planning
- Operations management
- Sales and marketing

Successful candidates should therefore be able to complement all the core skills and knowledge of the accountancy profession with an understanding of all the main business disciplines that work closely together with accountancy and finance to drive SME success.

A distinctive practical focus will be maintained throughout the module. Where academic theory is covered, it should immediately be evaluated and applied in the context of SME case studies, and this approach will be reinforced in the examination.

Module learning outcomes

- **Evaluate ways to maximise the contribution of employees within an SME business environment.** 17%
- **Apply project management principles to ensure the effective delivery of business projects within the SME sector** 17%
- **Identify opportunities for the exploitation of modern information systems in SMEs.** 17%
- **Analyse SME business strategy and planning to focus on long term success.** 17%
- **Enhance the performance of SME operations, apply concepts of quality and manage relationships with key suppliers.** 17%
- **Evaluate the sales and marketing processes of an SME and develop tactics to increase revenue.** 15%

Module requirements

Learning outcome	Detailed breakdown of learning outcomes
<p>1. Evaluate ways to maximise the contribution of employees within an SME business environment.</p>	<p>1.1 Evaluate the recruitment, selection, induction, training and development of staff policies and practices of an SME</p> <p>1.2 Appreciate key theories on human resource management/staff motivation and how they apply to an SME business environment</p> <p>1.3 Develop a basic human resource plan with emphasis on staff retention, succession planning and supporting growth.</p>
<p>2. Apply project management principles to ensure the effective delivery of business projects within the SME sector</p>	<p>2.1 Master the basic tools and techniques that are applied in the project management process, including:</p> <ul style="list-style-type: none"> • Project definition/initiation • Planning and time analysis • Resourcing and budgeting • Tracking and control • Reporting and completion <p>2.2 Appreciate the importance of key stakeholders in a project and the need to manage them in a professional manner</p> <p>2.3 Analyse options for project organisational structures in an SME, including functional, pure project and matrix structures</p> <p>2.4 Understand established teamwork theories, including team development patterns, behaviours and management in an SME environment.</p>
<p>3. Identify opportunities for the exploitation of modern information systems in SMEs.</p>	<p>3.1 Identify key software systems that SMEs would find useful</p> <p>3.2 Exploit the potential of the internet in SMEs to drive down cost, increase revenue and improve information flows</p> <p>3.3 Be able to analyse and articulate user</p>

	<p>needs to be considered in establishing a new system and identify options for procuring new system applications (bespoke, package and end-user development)</p> <p>3.4 Assess system implementation and changeover methods including aspects of change management.</p>
<p>4. Analyse SME business strategy and planning to focus on long term success</p>	<p>4.1 Explain the general process of strategy formulation, and apply simple tools and techniques for strategic analysis</p> <p>4.2 Distinguish between different approaches to strategy (e.g. rational, adaptive, emergent) and be able to recommend the optimal approach in a given SME scenario</p> <p>4.3 Appreciate the relationship between strategy and the organisational structure of the business.</p> <p>4.4 Evaluate competitive situations and opportunities, and apply this knowledge to the SME sector</p> <p>4.5 Analyse the management of in-house or outsourced vendor solutions, for example for IT, payroll or other services.</p>
<p>5. Enhance the performance of SME operations, apply concepts of quality and manage relationships with key suppliers.</p>	<p>5.1 Assess the basic principles of operations management in the context of an SME</p> <p>5.2 Appraise analytical systems and processes applicable to SME operations management</p> <p>5.3 Contrast approaches to quality assurance, quality management systems and basic statistical methods of quality control.</p> <p>5.4 Understand supply chain management, lean principles and the contribution to SME business performance</p>

	<p>5.5 Develop and maintain relationships with suppliers, SME sourcing strategies and inventory management systems</p> <p>5.6 Appreciate the key skills necessary to negotiate and manage key contracts effectively.</p>
<p>6. Evaluate the sales and marketing processes of an SME and recommend tactics to increase revenues.</p>	<p>6.1 Understand basic marketing concepts in the SME environment and business context (consumer marketing, business-to-business marketing etc.)</p> <p>6.2 Manage the segmentation and targeting of markets, the marketing mix and positioning of products within SME markets</p> <p>6.3 Understand customer behaviour, market research and pricing strategies</p> <p>6.4 Assess options for marketing communications, advertising/promotion and generating sales leads.</p>

Study weightings

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

Instructions to candidates

Time allowed: 3 hours 10 minutes which includes 10 minutes reading time. This is a closed book examination

The pass mark is 50%

The examination paper will consist of:

Section A: ten multiple choice questions, each worth two marks 20 marks

Section B: six questions, one from each module topic. Candidates will be required to answer any four from the six questions provided. Each question is worth 20 marks and will be based on a mini-case to test candidates' abilities to apply skills and knowledge to a particular SME scenario.

80 marks

Total

100 marks



Booklist

Recommended: BPP Study Guide IFA Professional Skills for SMEs

Others

Beaver, G (2002) *Small Business and Enterprise Development*, FT Prentice Hall

Jones, O and Tilley, F (2003) *Competitive Advantage in SME's: Organising for Innovation and Change*, John Wiley & Sons

Levy, M and Powell P (2004) *Strategies for Growth in SMEs: The Role of Information and Information Systems*, Elsevier Butterworth-Heinemann

Maylor, H (2005) *Project Management*, FT Prentice Hall

Patten, D (2001) *Successful Marketing for the Small Business*, Kogan Page

Stokes, D (2006) *Small Business Management and Entrepreneurship*, Thomson Learning

Useful Websites

- www.ifa.org.uk
- www.businesslink.gov.uk
- www.cbi.org.uk
- www.britishchambers.org.uk
- www.smeweb.com
- www.cipd.co.uk
- www.cips.org



Professional Financial Accountant Qualification

P5. Business and Regulatory Environment

Module aim

The aim of this module is to provide learners working in the SME sector with an understanding of the substantive rules of law which affect the conduct of business, and to provide them with rule-handling skills for defined situations.

Module learning outcomes

- **Understand contract law and be able to analyse complex legal problems and apply the relevant rules** 30%
Formation of a contract
Contents of a contract, including common commercial clauses
Misrepresentation
Termination of contract
- **Understand the rules relating to the statutory control of trading transactions and be able to analyse and apply the rules to complex legal problems** 15%
Contracts for the sale of goods
Contracts for the supply of services
Internet and other distance selling
- **Understand the regulation of the employment relationship, and be able to analyse complex legal problems and apply the relevant rules** 10%
Theoretical basis for employment
Express and implied rights and duties arising out of the employment relationship
Termination of employment
- **Understand the theoretical and practical basis of the law of agency, and be able to analyse and apply the rules to complex legal problems** 10%
Formation of the agency relationship
Rights and duties arising from the relationship
Termination of agency
- **Understand the theoretical and practical aspects of corporate law, and be able to analyse complex legal problems and apply the rules to them** 35%

The different types of business organisation
The constitution of a company
The powers and duties of directors
Companies in financial difficulties
The ethical and criminal framework regulating companies

Module requirements

Learning outcome	Detailed breakdown of learning outcomes
1. Understand what a contract is	1.1 Define a contract 1.2 Explain the factors required for the formation of a contract 1.3 Explain who can enforce a contract (Privity of contract and the Contracts (Rights of Third Parties Act 1999), collateral contracts).
2. Understand the rules which establish the validity of offer and acceptance	2.1 Define a binding offer 2.2 Differentiate between an offer and an invitation to treat 2.3 Explain the rules regarding the communication of offers 2.4 Describe how offers come to an end 2.5 Explain the rules regarding the communication of revocation of offer. 2.6 Describe how an offer may be accepted 2.7 Explain the rules regarding the communication of acceptances 2.8 Apply an understanding of the rules of offer and acceptances to a given scenario.
3. Understand the concept of consideration in simple contracts	3.1 Explain the rules on valid consideration (must be sufficient, must be more than already bound to do, part-payment of debts) 3.2 Apply an understanding of the rules of consideration to a given scenario.
4. Understand the rules which underpin an intention to create legal relations in a contract	4.1 Explain the meaning and use of opposing rebuttable presumptions in discovering the parties' intentions 4.2 Explain the presumption in social and domestic situations and how it may be rebutted 4.3 Explain the presumption in commercial contracts and how it may be rebutted 4.4 Apply an understanding of the rules for determining an intention to create legal relations to a given scenario.
5. Understand how terms are incorporated into a	5.1 Explain how representations differ from terms

<p>contract</p>	<p>5.2 Explain the difference between express and implied terms</p> <p>5.3 Explain how express terms are incorporated into contracts through notice</p> <p>5.4 Explain how terms may be implied by statute</p> <p>5.4 Explain how terms may be implied by the courts using the business efficacy test.</p>
<p>6. Understand the classification of terms of a contract</p>	<p>6.1 Define a condition</p> <p>6.2 Define a warranty</p> <p>6.3 Define an innominate term</p> <p>6.4 Apply an understanding of the classification of conditions warranties and innominate terms to a scenario.</p>
<p>7. Understand the rules relating to common clauses in business and other contracts</p>	<p>7.1 Identify exclusion and limitation clauses</p> <p>7.2 Explain the provisions of the Unfair Contract Terms Act 1977</p> <p>7.4 Explain the provisions of the Unfair Terms in Consumer Contracts Regulations</p> <p>7.5 Apply the rules on exclusion and limitation clauses to a given scenario</p> <p>7.6 Identify and define a liquidated (or specific) damages clause</p> <p>7.7 Identify and define a penalty clause</p> <p>7.8 Apply the rules on these clauses to a given scenario.</p>
<p>8. Understand the incidents of statutory control which affect the business contract</p>	<p>8.1 Define a contract for the sale of goods</p> <p>8.2 Explain the implied terms of s12 to 15 Sale of Goods Act 1979 (as amended)</p> <p>8.3 Define a contract for services</p> <p>8.4 Explain the implied terms of the Supply of Goods and Services Act 1982</p> <p>8.5 Explain (in outline) the provisions of the Consumer Protection (Distance Selling) Regulations</p>

	8.6 Apply the various statutory provisions to a given scenario.
9. Understand misrepresentation	<p>9.1 Define misrepresentation</p> <p>9.2 Explain the different types of misrepresentation</p> <p>9.3 Explain the remedies for misrepresentations</p> <p>9.4 Apply the rules to a given scenario.</p>
10. Understand the ways in which a contract can come to an end and the available remedies for breach	<p>10.1 Explain how a contract may be discharged through performance, and the exceptions to the general rule</p> <p>10.2 Explain how a contract may be discharged through frustration</p> <p>10.3 Explain the Law Reform Act (1945) and the effect it has for the consequences of frustration</p> <p>10.4 Apply the rules on the discharge of contract to a given scenario</p> <p>10.5 List the remedies available for breach of contract (Damages, specific performance, injunction)</p> <p>10.6 Explain the purpose of monetary damages in contract</p> <p>10.7 Explain (in outline) how damages for breach of contract are calculated</p> <p>10.8 Explain the equitable remedies of specific performance and injunction</p> <p>10.9 Apply the rules of remedies to a given scenario.</p>
11. Understand the concept of employment	<p>11.1 Identify and apply the tests to distinguish an employee from the self-employed</p> <p>11.2 Explain why the distinctions between employees and the self-employed are important.</p>
12. Understand the constraints on the freedom of contract in the employment situation	<p>12.1 Identify and explain the duties implied by the common law into the employment contract.</p> <p>12.2 Explain how the employment contract is regulated by the following statutes: Employment Rights Act s1-3, Working Time Regulations, National Minimum Wage Act</p>

	12.3 Apply the rules to a given scenario.
13. Understand how the employment contract is terminated	<p>13.1 Explain the following different ways in which the employment contract comes to an end: operation of law (death, dissolution of partnership, appointment of a receiver or liquidator), frustration, agreement, resignation, dismissal</p> <p>13.2 Explain the different types of dismissal (summary, wrongful, constructive, unfair)</p> <p>13.3 Explain the potentially fair reasons for dismissal contained in s98(1) ERA</p> <p>13.4 Explain the requirement of reasonableness imposed on employers</p> <p>13.5 Explain the remedies available for unfair dismissal and redundancy</p> <p>13.6 Apply the rules on unfair dismissal and redundancy to a given scenario.</p>
14. Understand the law of agency	<p>14.1 Explain the importance of the agency relationship in the business context.</p> <p>14.2 Explain how the agency relationship comes into existence</p> <p>14.3 Explain the authority of an agent</p> <p>14.4 Explain the rights, duties, and potential liability of agents and principals</p> <p>14.5 Apply the rules to a given scenario.</p>
15. Understand the different forms of business organisation	<p>15.1 List the different types of organisation (sole trader, partnership, limited liability partnership, private limited company, public limited company) and explain the differences</p> <p>15.2 Analyse the advantages and disadvantages of the different types of business organisation</p> <p>15.3 Apply these to a given scenario.</p>
16. Understand the principles of partnership law	16.1 Explain the liability of partners in the different types of partnership in contract and tort

	<p>16.2 Identify the mechanisms of formation of partnership</p> <p>16.3 Explain the reasons whereby partnerships may be dissolved</p> <p>16.4 Apply the rules to a given scenario.</p>
<p>17. Understand the nature of the company's constitution</p>	<p>17.1 Explain the concept of separate legal personality of a company</p> <p>17.2 Identify those occasions when the veil of incorporation may be lifted</p> <p>17.3 Explain the content and purpose of the memorandum of association</p> <p>17.4 Explain the content and purpose of the articles of association</p> <p>17.5 Detail the contractual nature of the articles under s33 Companies Act 2006</p> <p>17.6 Explain how the articles may be altered and the constraints on alteration</p> <p>17.7 Apply the rules to a given scenario.</p>
<p>18. Understand the legal framework affecting the directors of a company</p>	<p>18.1 Explain the functions of directors</p> <p>18.2 Identify the ways in which directors can be appointed</p> <p>18.3 Identify the ways in which directors can lose office through disqualification and removal by shareholders</p> <p>18.4 List and evaluate the duties imposed on directors by the Companies Act 2006</p> <p>18.5 Apply the rules to a given scenario.</p>
<p>19. Understand the legal framework governing a business in financial difficulties</p>	<p>19.1 Explain the circumstances when compulsory liquidation can occur under the Insolvency Act 1986</p> <p>19.2 Explain the difference between a members' and a creditors' winding up</p> <p>19.3 Identify the circumstances when administration may be an alternative to liquidation</p> <p>19.4 Apply the rules and procedure for insolvency to a given scenario.</p>



20. Understand the legal framework governing the criminal and fraudulent actions of officers and other employees of a company

20.1 Differentiate between fraudulent and wrongful trading

20.2 Explain the categories of money laundering, and any available defences

20.3 Explain the rules (in outline) of the rules in the Criminal Justice Act 1993 that regulate insider dealing

20.4 Apply the rules on criminal and fraudulent behaviour to a given scenario.

Instructions to candidates

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

This is a closed book examination.

The examination paper will consist of a situation candidates need to understand and then answer five compulsory questions which will vary in mark value. Each main question will contain a range of smaller mark questions which vary in value.

The pass mark is 50%

Booklist

Recommended: BPP Study Guide IFA Business and Regulatory Environment

Others

Business Law, James Marson, Oxford University Press, ISBN 978-0-19-954445-5
Contract Law, Ewan Mckendrick, Palgrave Macmillan, ISBN 978-0-230-01883-9