

Investment Accounting

Syllabus

Diploma



Syllabus key

The detailed learning outcomes and syllabus coverage for each subject are given in the following pages.

Level 1 Knowledge and understanding

Understanding of principles, and knowledge of significant issues.

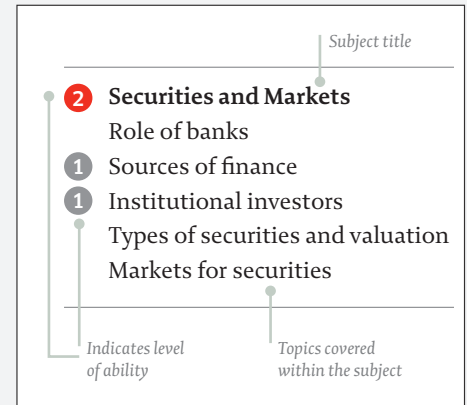
Level 2 Development of knowledge

Develop knowledge in a practical setting to solve straightforward problems.

Level 3 Application of knowledge

Apply comprehensive knowledge in a practical setting to solve most problems.

The level of coverage for each syllabus section is indicated in bold at the beginning of each section. This level applies to all points within that section unless indicated to the contrary.



Financial Accounting

On completion of this course students will be able to:

1. identify the components of primary financial statements
2. record transactions in the books of prime entry using double entry book-keeping
3. explain different business structures
4. prepare business accounts for sole traders, partnerships and companies
5. identify the form and content of private limited company accounts

Syllabus coverage

3 Introduction to financial statements

The reporting entity

The profit and loss account and balance sheet

Elements of financial statements

Measurement and recognition

1 Cash accounting and the cash flow statement

Accounting profit

1 Other primary statements

1 Historical development of accounting

3 Recording Transactions

The accounting equation and double entry

Books of prime entry and the nominal ledger

Recording transactions

2 Computerised accounting packages

Correction of errors and incomplete records

3 Preparation of Business Accounts

Trial balance extraction

Finance

On completion of this course students will be able to:

1. describe the financial environment within which an organisation functions
2. describe the structure of the UK equity and debt markets and its financial and banking system
3. describe the major capital market models
4. calculate and explain ratios used in financial analysis
5. prepare plans and forecasts for an organisation
6. calculate investment returns from competing projects

Syllabus coverage

1 Finance Function and Environment

External financial environment
Internal finance strategies
Macro economic theory

2 Securities and Markets

Role of banks
1 Sources of finance
1 Institutional investors
Types of securities and valuation
Markets for securities

2 Capital Market Models

1 Portfolio theory
1 Capital asset pricing model
Cost of capital
1 Modigliani-Miller theory
1 Efficient markets

2 Financial Forecasting and Planning

Cash flow projections
Profit projections
Preparation of business plans

2 Capital Investment Appraisal

Payback
Accounting rate of return
Internal rate of return
Net present value
Capital rationing
Uncertainty and probability

Fund Accounting

On completion of this course students will be able to:

1. describe the investment vehicle types and their uses
2. describe the client types and their reporting needs
3. describe the asset types used for investment purposes
4. perform basic transactions reporting tasks
5. apply the appropriate reporting practices for different vehicles
6. understand valuation principles for investment vehicles
7. understand the regulatory environment of the sector

Syllabus coverage

3 Investment Vehicles

Unit trusts
Investment trusts
OEICs / ICVCs
Mutual Funds
External Funds
Fund of Funds
Feeder Funds
Umbrella Funds
Unit Linked Funds
Property funds
Life funds
Pensions
Fund launches, In-specie transfers, fund wind-ups

2 Reporting needs of clients

Fund managers
Pension funds
Insurance funds
Depositaries
Trustees

2 Asset types

Equities
Fixed income
Hedge funds and derivatives
Property funds
Money market instruments

Fund Accounting (continued)

2 Accounting and reporting practices (both UK and International)

- 3 Transaction recording (including stock purchase/sale, derivatives, income, expenses, variation margin)
SORPs and best practice in sector
Rules and Regulations
GAAP/IFRS/IAS
Accounting treatment of different instruments under GAAP/IFRS/IAS
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3 Valuation principles

- Basis of valuation
 - Sources of data
 - Pricing mechanisms for securities (equities, bonds, derivatives)
 - Fund pricing (valuation points)
 - Bid/Mid/Middle/Offer
 - NAV production and computational principles (income accruals, expenses (accrued and fixed), Subscriptions/Redemptions/Creations/Cancellations, Box Management (no. of units/shares in issue), Tax (SDRT, corporation tax/CGT/withholding tax, Stamp Duty), dealing (Bid/Offer/Creation/Cancellation)
 - Controls and checks: daily NAV movement, benchmarking/market indices, error reporting, what factors can impact NAV including errors
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2 Reporting regulatory environment

- Regulation of the financial services industry
- Role of the FSA

Technical Accounting

On completion of this course students will be able to:

1. understand the tax principles associated with investment vehicles
2. understand the formation of financial reporting standards
3. understand derivative instruments and their uses to investment vehicles
4. understand the accounting implications of the use of derivatives
5. plan, perform and complete a business risk assessment
6. assess and advise on business systems and controls

Syllabus coverage

2 Tax

Corporation tax: computation principles
Capital gains tax
VAT principles
Withholding taxes
Double taxation relief

2 Generally accepted accounting principles

Accounting principles and IASB framework
Impact on accounting for business transactions and preparation of accounts

1 Accounting policies and changes

1 Current trends in standard formation

1 Derivatives and their uses

Swaps
Forward contracts
Futures
Options
Fixed income
Equity

2 Accounting for derivatives

Risks associated with derivatives
Basic transaction recording procedures
Accounting options
Hedge accounting
Valuations

Technical Accounting (continued)

2 Business risk

Strategic risk

Financial risk

Credit risk

Market risk

Other risks including operational, compliance and environmental

2 Control environment and business systems

Corporate governance: UK

Corporate governance: international issues

Internal and external audit

Systems development and implementation

Systems management and control

2 Roles and Responsibilities

Fund Manager/ACD

Trustee/Depository

Custodian

Broker

Auditors

Regulator

Third Party Administrator:

Back Office Functions:

- Corporate Actions
- Settlements
- Reconciliations (cash and stock)
- Market Data
- Tax/Technology and reporting

Business professionals comment on the Diploma

“The Diploma in Investment Accounting is a great initiative for the Funds Servicing industry in Scotland. BNP Paribas Securities Services employs a number of people in Investment Accounting roles, from newcomers to fully qualified accountants, so each has varying developmental needs. The Diploma should benefit both us as an organisation and our people. It is a relevant, recognised industry qualification that can be achieved whilst working and offers either an end qualification or a stepping stone to further qualification. In my mind, it is a workable solution, filling the gap between the IAQ and fully qualified Accountants.”

Stephen Donnet, Head of Glasgow Operations, BNP Paribas Securities Services

“Scotland’s investment management sector is world-renowned and fund accounting plays a crucial role in supporting this strong sector. The Investment Accounting Diploma marries the leading accounting training of ICAS to the experience and requirements of the investment sector. The result? A qualification that is tailor-made for the demands of leading investment management employers.”

Anton Colella, Chief Executive, The Institute of Chartered Accountants of Scotland

“One of RBS Trustee & Depositary Services’ strategic goals is to employ and retain high calibre people. TDS fully encourages and supports its staff in their personal development activities, one of these being the attainment of industry recognised professional qualifications and we fully endorse the Investment Accounting qualification, which has an excellent and entirely relevant syllabus.”

Morag Mcleod, Business Manager, The Royal Bank of Scotland

“This should prove to be an invaluable addition to the courses available to employers and students alike. The opportunity to acquire a highly relevant qualification will further enhance the professionalism of both financial services businesses and their workforce.”

John Hogg, Chairman, Scottish Investment Operations

“Investment Accounting offers a challenging and rewarding career path within the financial services sector in Scotland. Until now there had been no formal qualification which acknowledges the professional nature of the role. The new Diploma in Investment Accounting fills this gap by offering a qualification which recognises the training, skills and expertise required to succeed in this important sector”.

Barry Muir, Managing Director, State Street Edinburgh



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