

ANNEX 2 - ACCOUNTS MANAGEMENT COMPETENCE FRAMEWORK

Introduction

The entry criteria, learning outcomes and evidence of competency stated in this schedule set out:

- the level of competency, knowledge and understanding required to keep the books of accounts specific to a legal entity and to apply a minimum standard of accountancy for a business
- the elements required to evidence that level of competency, knowledge and understanding
- the level of competency required in the relevant skills for this area of practice – to accurately account for clients' money, run the firm's own accounts, apply CILEx Accounts Rules, bring the accounts from trial balance to profit and loss/balance sheet account position
- the elements required to evidence the required level of competence for these relevant skills
- a statement of the study and work-based experience that demonstrates that an applicant has attained the required level of competence, knowledge and understanding in all the required elements.

Certification of accounts will ensure that the applicant has:

- met the application requirements
- an appropriate level of expertise to manage the firms accounts and finances to an acceptable standard
- an appropriate level of knowledge and appreciation of the key features of protecting client's money, effective billing and efficient financial management
- the appropriate level of knowledge and skill to perform double entry booking, raise a valid invoice and a three way bank reconciliation.

QUALIFICATION CRITERIA	Learning Outcome An applicant must meet the following outcomes:	Supporting Experience The applicant will need to provide evidence of:
<ul style="list-style-type: none"> • KNOWLEDGE • UNDERSTANDING • EXPERIENCE • SKILLS 	Has sufficient practical knowledge, understanding, experience and skills – note these are different depending of the role of the applicant	Demonstrate they meet the outcomes set out below by: <ul style="list-style-type: none"> • attendance on a course, or • practical experience The outcomes are split into the following levels: <ul style="list-style-type: none"> • Level 1 - mandatory for all applicants • Level 2a - mandatory for compliance managers • Level 2b - mandatory for compliance manager undertaking practice management • Level 2c - mandatory for compliance manager undertaking accounts management
Element 1 CILEx ACCOUNTS RULES	Demonstrate knowledge, understanding and where appropriate apply the rules and regulations relating to the handling of client money	LEVEL 1: <ul style="list-style-type: none"> • Knowledge and understanding of the accounts rules • Ability to complete a three way bank reconciliation to accurately account for all client money • Ability to record and account for client money, ensuring it is banked promptly and not left unattended or unsecure • Understand the importance of the audit trail and ensure there is a clear audit trail • Understand the need to keep client money safe and separate from that of the business • Knowledge and understanding of the situations where it is fair and reasonable to account for interest to the client • Knowledge and understanding of money held as an agent/stakeholder • Knowledge, understanding and application of the internal policy on who can withdraw money • Knowledge and understanding of what is meant by trust money and an individual's legal responsibility as a trustee. LEVEL 2a: <ul style="list-style-type: none"> • Ability to apply controls to safeguard client money • Communicate knowledge and understanding of the accounts rules to staff to ensure compliance • Understand the difference between client money and client account. LEVEL 2c: <ul style="list-style-type: none"> • Ability to draft, implement and test robust internal controls, including who can withdraw client money and be able to distinguish between a material and non-material breach • Ability to perform an internal audit • Ability to draft, implement and communicate a fair and reasonable interest policy • Ability to make a calculation of interest • Ensure files are closed in a timely manner and surplus funds are returned promptly

QUALIFICATION CRITERIA	Learning Outcome An applicant must meet the following outcomes:	Supporting Experience The applicant will need to provide evidence of:
		<ul style="list-style-type: none"> • Ability to draft, implement and periodically review a compliance register and maintain complete records of all breaches • Control the release of client bank details outside of the legal entity • Knowledge, understanding and application of time costing and understanding the benefits of this information for reporting purposes.
Element 2 GENERAL BOOKKEEPING	DOUBLE ENTRY BOOKKEEPING Demonstrate knowledge, understanding and application of double entry bookkeeping	LEVEL 1: <ul style="list-style-type: none"> • Knowledge and understanding of posting entries to the client ledger account and appropriate cashbooks of a legal entity • Knowledge and understanding of a bill of costs • Knowledge and understanding of a trial balance. LEVEL 2c: <ul style="list-style-type: none"> • Ability to post entries to client ledger account and cashbooks • Ability to produce bill of costs • Ability to produce trial balance.
	FINANCIAL STATEMENTS Demonstrate knowledge and understanding of the use of financial statements	LEVEL 1: <ul style="list-style-type: none"> • Knowledge and understanding of when it is appropriate to provide the client with a financial statement. LEVEL 2c: <ul style="list-style-type: none"> • Ability to produce clear and informative financial statements which reflect the client's position and which include balances due to the client or to the legal entity • Ability to draft a financial statement • Knowledge, understanding and application of time costing and understanding the benefits of this information for reporting purposes.
Element 3 FINANCES	VALUE ADDED TAX (VAT) Demonstrate knowledge, understanding and appropriate application of VAT	LEVEL 1: <ul style="list-style-type: none"> • Knowledge and understanding as to how to calculate VAT payable • Knowledge and understanding of a vat able disbursement and a re-charge and understand the difference between the two. LEVEL 2c: <ul style="list-style-type: none"> • Ability to post a vat able disbursement and a re-charge to a client ledger • Ability to perform a partial exemption calculation • Ability to complete a UK VAT return.

QUALIFICATION CRITERIA	Learning Outcome An applicant must meet the following outcomes:	Supporting Experience The applicant will need to provide evidence of:
	CREDIT CONTROL AND DEBT COLLECTION Demonstrate knowledge, understanding and appropriate application of the creation of a credit control policy	LEVEL 1: <ul style="list-style-type: none"> • Knowledge and understanding of how credit control including business payment terms and debt collection policies and procedures are created. LEVEL 2: <ul style="list-style-type: none"> • Ability to implement and communicate a credit control policy including business payment terms and debt collection policies and procedures. LEVEL 2c: <ul style="list-style-type: none"> • Ability to create a credit control policy • Ability to create and communicate a set of business terms and conditions relevant to a legal entity • Ability to draft debt collection procedures.
	NOMINAL LEDGERS Demonstrate knowledge, understanding and appropriate application of nominal ledgers for a legal entity	LEVEL 1: <ul style="list-style-type: none"> • Knowledge and understanding of maintaining a nominal ledger • Ability to post a small selection of non-vat able entries to a nominal ledger • Ability to explain what is meant by 'drawings' and the use of the capital and current accounts. LEVEL 2c: <ul style="list-style-type: none"> • Knowledge, understanding and ability to distinguish between profit and loss ledgers and a balance sheet nominal ledger • Ability to post entries to a nominal ledger.
	ACCOUNTS Demonstrate knowledge, understanding and application of information relating to the financial position of a legal entity	LEVEL 1: <ul style="list-style-type: none"> • Ability to read and interpret management reports which include Profit and Loss Accounts and Balance Sheet • Ability to identify significant variations to the accounts from previous years. LEVEL 2a: <ul style="list-style-type: none"> • Ability to determine the general financial position of a legal entity. LEVEL 2c: <ul style="list-style-type: none"> • Ability to produce Profit and Loss Accounts and Balance Sheet • Ability to calculate a liquidity ratio, provide commentary on the findings and provide guidance on what is viewed as a poor liquidity ratio • Ability to understand and explain working capital and how it can be effectively and efficiently managed • Ability to explain different finance options available to each type of legal structure.

QUALIFICATION CRITERIA	Learning Outcome An applicant must meet the following outcomes:	Supporting Experience The applicant will need to provide evidence of:
	<p>TAXATION</p> <p>Demonstrate outline knowledge and understanding of taxation</p>	<p>LEVEL 1:</p> <ul style="list-style-type: none"> • Knowledge and understanding of the taxation system as it applies to individuals and corporations. <p>LEVEL 2c:</p> <ul style="list-style-type: none"> • Ability to apply rules of taxation to individuals and corporations.
	<p>SET OF ACCOUNTS</p> <p>Demonstrate knowledge, understanding and appropriate application of the creation and interpretation of accounts</p>	<p>LEVEL 1:</p> <ul style="list-style-type: none"> • Ability to understand a profit and loss account and balance sheet and relationship with a trial balance • Ability to interpret a profit and loss account and balance sheet. <p>LEVEL 2a:</p> <ul style="list-style-type: none"> • Ability to identify that the business is unlikely to meet its forthcoming liabilities and when it is appropriate to notify ILEX Professional Standards of this. <p>LEVEL 2c:</p> <ul style="list-style-type: none"> • Ability to produce profit and loss account and balance sheet from a trial balance • Ability to make the necessary annual adjustments to produce an accurate set of accounts • Ability to calculate a liquidity ratio • Ability to identify and explain the early indicators of a failing business • Ability to identify the point when a business is no longer a going concern.