



Competence Standard

Learning targets for the European Business Competence* Licence, EBC*L

Level A

- *Business objectives and management ratios*
- *Accounting*
- *Costing and pricing*
- *Business law*

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Module 1:

Business Objectives and Management Ratios

Overall learning objectives

Upon completing this module, you will be able to

- explain the most important objectives of a company
- explain and compute ratios corresponding to those objectives.

Detailed Learning Targets

Topic	Learning Targets
1. Profitability	1.1 Being able to define and explain the term “profitability”
2. Return on equity	2.1 Being able to define and explain the term “return on equity”. 2.2 Being able to compute the return on equity. 2.3 Being able to explain whether generating a profit automatically means that a company is ‘profitable’. 2.4 Being able to evaluate and classify any return on equity achieved.
3. Return on Investment (ROI)	3.1 Being able to define and explain the term “Return on Investment (ROI)”. 3.2 Being able to compute the ROI. 3.3 Being able to evaluate and classify any ROI achieved.
4. Liquidity	4.1 Being able to define and explain the term “liquidity”. 4.2 Being able to define and explain the term “liquid funds” and identify them correctly in the annual financial statements. 4.3 Being able to define and explain the term “liquidity shortage”. 4.4 Being able to explain why the objective of achieving sufficient liquidity is of central importance. 4.5 Being able to compute the cash ratio. 4.6 Being able to state how high the cash ratio should be and give reasons for this. 4.7 Being able to compute the quick ratio. 4.8 Being able to state how high the quick ratio should be and give reasons for this. 4.9 Being able to compute the current ratio. 4.10 Being able to state how high the current ratio should be and give reasons for this. 4.11 Being able to state whether liquidity or profitability is more important and why.
5. Equity ratio, Gearing	5.1 Being able to define and explain the term “equity ratio”. 5.2 Being able to compute the equity ratio. 5.3 Being able to define and explain the term “gearing” . 5.4 Being able to compute the gearing. 5.5 Being able to explain why the equity ratio is of central importance. 5.6 Being able to explain what facts might influence the credit worthiness (credit rating) of the company.
6. Cash Flow	6.1 Being able to define and explain the term “cash flow”. 6.2 Being able to compute the cash flow (using the basic underlying formula)
7. Productivity	7.1 Being able to define and explain the term “productivity”. 7.2 Being able to explain why achieving a high productivity is of central importance.

- 7.3 Being able to define and explain the term “return on sales“.
- 7.4 Being able to compute the return on sales.
- 7.5 Being able to explain why the return on sales is of central importance.

Module 2: Accounting

Overall Learning Objectives

Upon completing this module you will be able to

- Read and understand annual financial statements (balance sheet, profit and loss account) in principle and draw first conclusions
- Explain the most relevant terms found in annual financial statements.

Detailed learning targets

Topic	Learning target
1 Targets of an annual financial statement	1.1 Being able to explain the main targets and the purpose of an annual financial statement (balance sheet, P&L account) 1.2 Being able to define to whom an annual financial statement might be of any interest.
2 Function and Structure of a balance sheet	2.1 Understanding and being able to explain the basic layout of a balance sheet. 2.2 Being able to explain why a balance sheet needs to be “balanced” (total of assets has to be equal to total of equity and liability)
3 Assets	3.1 Being able to define the term “assets side”. 3.2 Being able to define the term “fixed assets” and state examples. 3.3 Being able to define the term “current assets” and state examples.
4 Equity and liabilities	4.1 Being able to define the term “liabilities side”. 4.2 Being able to define “equity capital” (share capital and reserves) and explain its meaning. 4.3 Being able to define the term “borrowed capital” and state examples.
5 Inventory/Stocks	5.1 Being able to explain the purpose of drawing up an inventory (stocktaking). 5.2 Being able to list and explain the steps in drawing up an inventory.
6 Profit and Loss Account (P&L)	6.1 Being able to explain the purpose and define the most important terms of a P&L account 6.2 Being able to define the terms “expenses” and “income”. 6.3 Being able to define and explain the term “sales revenue” and calculate this item. 6.4 Being able to define and explain the term “cost of sales” 6.5 Being able to explain the difference between “sales revenue” and “profit”.
7 Accruals	7.1 Being able to explain why the annual financial statements may contain business transactions that have not yet given rise to an in- or outflow of funds in the business year.
8 Accounts receivable (=Debtors) and Accounts payable	8.1 Being able to define the term “debtors” and identify them correctly in the annual financial statements. 8.2 Being able to define the term “creditors” and identify them correctly in the annual financial statements.

(=Creditors)

- 9 Provisions**
- 9.1 Being able to define the term “provisions” and identify them correctly in the annual financial statements.
 - 9.2 Being able to state reasons for setting up of provisions.
 - 9.3 Being able to explain the differences between “provisions” and “creditors”.
- 10 Reserves**
- 10.1 Being able to define the term “reserves” and identify them correctly in the annual financial statements.
 - 10.2 Being able to state and explain reasons for setting up reserves.
 - 10.3 Being able to explain the differences between “provisions” and “reserves”.
- 11 Depreciation**
- 11.1 Being able to define and explain the term "depreciation".
 - 11.2 Being able to calculate linear depreciation.
 - 11.3 Being able to explain the problems of calculating depreciation.
- 12 Capital expenses**
- 12.1 Being able to define and explain the term “capital expenditure”.
 - 12.2 Being able to differentiate between expenses that must be capitalised in the balance sheet and expenses that can be entered in the P&L account in full.
 - 12.3 Being able to define and explain the term “low-value assets” that can be directly written off.
 - 12.4 Being able to explain the consequences of expenses that must be capitalised and expenses that can be directly written off.
- 13 Steps of the P&L**
- 13.1 Being able to describe , explain and analyse the P&L in report form.
 - 13.2 Being able to define and explain the benefits of P&L in report form compared with P&L in account form
 - 13.3 Being able to define and explain the term “operating profit/loss” / Profit/loss before interest and tax (PBIT)/ Earnings before interest and tax (EBIT)
 - 13.4 Being able to define and explain the term “financial result”.
 - 13.5 Being able to define and explain the term “profit/loss on ordinary activities”.
 - 13.6 Being able to define and explain the term “extraordinary result”.
 - 13.7 Being able to define and explain the term “profit/loss before tax” (PBT) / Earnings before tax (EBT) / Pre-tax-profit.
 - 13.8 Being able to define and explain the term “profit/loss for the year”
 - 13.9 Being able to define and explain the term “allocation of reserves”
 - 13.10 Being able to define and explain the term “distributable profit”.
 - 13.11 Being able to identify and compare the operating profit, the profit/loss on ordinary activities, the extraordinary result, the pre-tax profit/ loss, the profit / loss for the year and the distributable profit using the basic under-lying formula.

- 14 Analysis of the P&L**
 - 14.1 Being able to explain how an operating profit or loss may have been generated.
 - 14.2 Being able to explain how a profit or loss on ordinary activities may have been generated.
 - 14.3 Being able to explain how a pre-tax profit or loss may have been generated.
 - 14.4 Being able to describe and explain the two basic options for using the profit for the year.
- 15 Analysis of financial statements**
 - 15.1 Being able to read a simple financial statement and draw basic conclusions from it (case study/exercise).

Module 3: Costing and Pricing

Overall Learning Objectives

Upon completing this module you will be able to:

- explain the most important objectives, tasks and key terminology of cost accounting.
- explain the general factors for entrepreneurial decisions (markets, customers, competition, cost of sales).
- explain the significance of the contribution margin as a central term in cost accounting, and compute it.
- explain the objectives and basic structure of cost accounting and profit centre accounting, and give reasons why cost awareness and entrepreneurial thinking are necessary.

Detailed Learning Targets

Topic	Learning Target
1 Tasks of cost accounting	<p>1.1 Being able to explain and define the objectives of cost accounting.</p> <p>1.2 Being able to explain the difference between financial accounting and cost accounting.</p> <p>1.3 Being able to explain why figures taken from financial accounting have to be adjusted before they can be used in cost accounting.</p>
2 Terms of cost accounting	<p>2.1 Being able to define and explain the term “cost elements” and give examples.</p> <p>2.2 Being able to define and explain the term “cost centre” and give examples.</p> <p>2.3 Being able to define and explain the term “cost unit” and give examples.</p> <p>2.4 Being able to define and explain the term “direct costs” (also called: prime costs) and give examples.</p> <p>2.5 Being able to define and explain the term “overhead costs” (also called: indirect costs or overheads) and give examples.</p> <p>2.6 Being able to define and explain the term “fixed costs” and give examples.</p> <p>2.7 Being able to define and explain the term “variable costs” and give examples.</p> <p>2.8 Being able to explain the basic difference between full cost accounting and direct cost accounting.</p>
3 Pricing	<p>3.1 Being able to explain which factors significantly influence the price of a product.</p> <p>3.2 Being able to explain the interaction between demand and supply and the concept of a “market price”</p> <p>3.3 Being able to define and explain the various market forms (monopoly, oligopoly, perfect competition).</p> <p>3.4 Being able to attribute various price margins to the respective market forms and give reasons for your decisions.</p> <p>3.5 Being able to explain different possible price strategies.</p> <p>3.6 Being able to explain the term “fixed costs depression” and its influence to the business`strategy.</p> <p>3.7 Being able to define and compute the contribution margin of a product or sale.</p> <p>3.8 Being able to explain the significance of contribution</p>

margin for price calculations.

3.9 Being able to explain the effects of a positive or negative contribution margin on the operating result.

3.10 Being able to explain the effects of capacity (full or spare) for price calculations.

3.11 Being able to explain the basic difference between short-term and long-term break-even price.

3.12 Being able to compute the short-term and the long-term break even price (for one-product-companies),

3.13 Being able to explain "economies of scale".

4 Cost centre accounting

4.1 Being able to explain the purpose of cost centre accounting.

4.2 Being able to explain the purpose of an overhead allocation sheet and reproduce its basic structure.

4.3 Being able to compute costs for a cost centre.

4.4 Being able to explain the purpose of cost allocation for internal and shared services.

5 Profit centre accounting

5.1 Being able to explain the purpose and basic structure of profit centre accounting.

5.2 Being able to compute the contribution of a profit centre.

5.3 Being able to state why a positive "contribution" of a profit centre cannot be equated with "profit".

5.4 Being able to explain basic measures to improve the contribution of a profit centre.

Module 4: Introduction to Business Law

Overall Learning Objectives

Upon completing this module you will be able to

- explain the characteristics, advantages and disadvantages of the principal legal forms of business organisation
- explain the main features of a sales contract
- explain the basics of insolvency law

Detailed Learning Targets

Topic	Learning Target
1 Legal forms of business organisations	1.1 Being able to explain why there are different legal forms of business organisation.
	1.2 Being able to name the principal difference between partnerships and incorporated firms and to classify the individual forms of business organisation.
	1.3 Being able to define and explain what "personal unlimited liability" means.
	1.4 Being able to define and explain what "joint and several liability" means.
	1.5 Being able to explain what "limited liability" means.
	1.6 Being able to name and explain the principal characteristic features, advantages and disadvantages of being a Sole Trader
	1.7 Being able to name and explain the principal characteristic features, advantages and disadvantages of being an Ordinary Partnership.
	1.8 Being able to name and explain the principal characteristic features, advantages and disadvantages of being a Limited Partnership.
	1.9 Being able to name and explain the principal characteristic features, advantages and disadvantages of being a Private Limited Company (Ltd.) / Limited Liability Corporation
	1.10 Being able to name and explain the principal characteristic features, advantages and disadvantages of being a Public Limited Company (Plc.)
	1.11 Being able to name and explain the terms "share" and "shareholder (member)".
	1.12 Being able to name and explain the term "nominal value of a share" (par value).
	1.13 Being able to name and explain the term "share price" (market value).
	1.14 Being able to name and explain the term "dividend".
	1.15 Being able to name and explain the principal characteristic features, advantages and disadvantages of being a "Silent partner" ("dormant partner").
	1.16 Being able to name and explain the principal characteristic features, advantages and disadvantages of being a Civil law association (Partnership under the civil code)
2 Sales Contract	2.1 Being able to name and explain the basic essentials of a sales contract.
	2.2 Being able to name the criteria for a binding signature.
	2.3 Being able to explain the need to check that signatory has authority to sign
	2.4 Being able to name the main features of a "commercial

register" (companies' register) and explain the further information on the business organisations.

- 3 Different kinds of cooperation**
 - 3.1 Being able to describe and explain the term "corporate group".
 - 3.2 Being able to describe and explain the term "cartel" ("trust").
- 4 Insolvency law**
 - 4.1 Being able to explain the term "insolvency"
 - 4.2 Being able to name and explain the most important causes of insolvency.
 - 4.3 Being able to explain the terms "settlement out of court, "composition before bankruptcy" and "bankruptcy".