

## A look at the books

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### **Ian Frankton details what is expected on the Accounting principles and procedures competency**

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As a coach of APC candidates, I have found that many have difficulty obtaining sufficient experience to demonstrate some of the mandatory competencies.

Candidates often say that the working day is filled with activities that provide them with a good knowledge and experience base for the core and optional competencies. But despite this, sufficient regular exposure to gain the knowledge and experience required by some mandatory competencies is lacking ? [Accounting principles and procedures](#) being one such.

So, let's explore what is expected in the final assessment and what the assessor will be looking to glean from you at interview.

We should be clear we are not expecting you to be professional accountants or bookkeepers. Please remember that, if you are on the [Quantity Surveying and Construction](#) pathway, you are only asked to take the Accounting principles and procedures competency to Level 1, which means that you need to demonstrate to your supervisors, counsellors and interview panel that you generally understand and appreciate its requirements.

*You do not need to provide evidence of being able to do accounts; neither do you have to be able to give advice in this area.*

The APC guidance material states that candidates should be able to demonstrate knowledge and understanding of accounting concepts, the format and preparation of management and company accounts as well as profit and loss, cash-flow statements and balance sheets.

Often candidates ask, 'I don't get involved in any of that, so how am I going to show any knowledge and understanding, seeing as we did not cover any of it at university either?'

If this sounds familiar to you, then you are not alone. I would recommend the following courses of action:

- Identify this as an area or competency of concern to your supervisor and counsellor as soon as possible. Discuss how they may be able to increase your exposure to the areas mentioned above before your final interview.
- Candidates can often arrange a meeting or two with either the company

accountant or finance director to explain the basics of company accounts and see some examples of previous years? books, how they are compiled, what is included and what they say about the financial position of the organisation. If this is not possible, perhaps your employer could provide a set of company accounts for you to review, so you can appreciate the key differences between a balance sheet and a profit-and-loss account, for example. The important point is that a balance sheet shows the value of everything that the company owns, owes or is owed on the last day of the financial year, whereas a profit-and-loss account shows the company sales, running costs, and the profit or loss that it has made over the financial year. But what sort of items or breakdown would you expect to see in each of these documents?

- RICS and other organisations provide regular training and CPD on the Accounting principles and procedures competency; make sure you know when and where such events are being run so you can book to attend. This is also a very good way of demonstrating that you have identified and addressed your needs through targeted training events in your CPD records.
- Structured reading can also be conducted around this competency by researching areas such as:
  - company account requirements and when audit reports are needed;
  - what company taxation and corporation tax are, and how both of these should be calculated;
  - how company cash-flow projections are prepared, what is considered and why they are important;
  - different company ratio analysis, such as gross profit margins, average collection periods, working capital and so on;
  - what insolvency and its effects are; and
  - where to find information if you were looking to evaluate a company from a financial perspective, and what you would consider.

While this list is not exhaustive, it does provide you with a flavour of the types and areas of question that you should expect during your assessment interview.

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### **Further information**

- Related competencies include [Accounting principles and procedures](#)
- This feature is taken from the RICS *Construction journal* (June/July 2017)