

# TODOS CONTAM

## Core Competencies for Financial Training



### Micro, Small and Medium

Sized Enterprises



PLANO NACIONAL DE FORMAÇÃO FINANCEIRA

**TODOS CONTAM**

**CORE COMPETENCIES  
FOR FINANCIAL TRAINING  
Micro, Small and Medium-Sized Enterprises**

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# Contents

5	1. Introduction
7	2. Core competencies' goals and organisation
9	3. Topics, subtopics, goals and content
11	1. Economic and financial system
13	2. The company: establishment and development
15	3. Accounting and economic and financial analysis
17	4. Business plan and financial planning
19	5. Accounts and payment services
20	6. Bank financing, characteristics and main products
24	7. Market financing, financial investments and market risk management
26	8. Insurance, functions and main characteristics
29	9. Pension funds, functions and main characteristics
31	10. Fraud prevention
33	4. Proposed training sessions
34	1. "From the business idea to the company"
35	2. "How to finance my business"
36	3. "Accounting in corporate management"
37	4. "Cash in budget management"
38	5. "Financing solutions in the capital market"
39	6. "Risk mitigation and fraud prevention"
40	7. "Insurance in corporate management"
41	8. "Risk capital as a financing option"
42	9. "Internationalisation of the company"



# Introduction

## 1



Portugal's corporate landscape is largely made up of micro, small and medium-sized enterprises, which together highly contribute to the economic development, while wealth and employment generators.

As their businesses develop, these companies are constantly faced with the need to make financial decisions. These decisions become progressively more complex, not only due to the diversity and greater sophistication of the financial products and services available, but also due to the challenges of the market, the changes inherent to globalisation and digitalisation. Therefore it is crucial for entrepreneurs, business-owners and managers to acquire and develop economic and financial skills, in order to make the most suitable choices for their situation and needs.

According to the Organisation for Economic Co-operation and Development (OECD)<sup>1</sup>, financial training is the process by which financial consumers improve their understanding of financial products and concepts and develop the skills and confidence to become more aware of financial risks and opportunities, make informed choices, know where to go for help and adopt a behaviour that improves their financial well-being.

Like consumers, entrepreneurs, business-owners and managers of companies should understand financial products, services and concepts, in order to respond to the challenges of corporate management, by adopting appropriate attitudes and behaviours in this area. However, as each company faces different economic and corporate contexts, this group's needs are broader, requiring wider knowledge of the economic and financial system, combined with the development of management skills.

**In the context of these core competencies, financial training is the process by which entrepreneurs, business-owners and managers of micro, small and medium-sized enterprises acquire and develop economic and financial knowledge and match management behaviours and attitudes to economic needs and constraints.**

<sup>1</sup> Policy Brief: *The Importance of Financial Education (2006)*, OECD.

In recognition of the importance of financial training for this target group, the G20 and the OECD's International Network on Financial Education (INFE) have made this area a priority. According to the INFE<sup>2</sup>, financial training for entrepreneurs, business-owners and managers of micro, small and medium-sized companies is the process by which they:

- Recognise the interaction between personal and business finance;
- Know where to go for help;
- Improve their understanding of the financial landscape, products and concepts of relevance;
- Develop the skills, knowledge, attitudes and confidence to:
  - Become more aware of financing opportunities and financial risks and opportunities;
  - Make informed business plans and related choices;
  - Manage their financial records, planning and risks efficiently over the short and long term;
  - Take other effective actions to maximising the potential of their business for the benefit of their enterprise and that of the wider economy.

Financial training helps entrepreneurs, business-owners and managers of micro, small and medium-sized enterprises to access and use financial products and services, by developing their ability to make informed choices and adequate decisions in the financial management of their businesses, promoting sustainable economic growth and the financial system stability.

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<sup>2</sup> Group of experts created by INFE / OECD in 2014 to reflect on the financial training of business-owners and managers of micro, small and medium-sized enterprises.

# Core competencies' goals and organisation

## 2



The Core Competencies for Financial Training of entrepreneurs, business-owners and managers of micro, small and medium-sized enterprises were developed as part of the National Plan for Financial Education and result from a cooperation agreement between the Ministry of Economy through IAPMEI – Agência para a Competitividade e Inovação, I.P. (Public Agency for Competitiveness and Innovation) and Turismo de Portugal, I.P. (Portugal's Tourism Authority) and the National Council of Financial Supervisors (Banco de Portugal, the Portuguese Securities Market Commission (Portuguese abbreviation: CMVM) and the Insurance and Pension Funds Supervisory Authority Portuguese abbreviation: ASF)).

Companies operate in a more informed way when developing technical capabilities and changing attitudes, thereby alleviating financial problems and increasing their businesses' resilience and growth, which are key factors for a vibrant corporate sector that drives sustainable economic growth. Financial training, by reducing asymmetries of information, also creates confidence, thus bringing companies closer to the different financial agents.

Following the publication of the “Core Competencies of Financial Education for kindergarten, primary and secondary education and for the education and training of adults”, developed in conjunction with the Ministry of Education, these Core Competencies are a new strategic pillar of the National Plan for Financial Education. With these Core Competencies, the Plan recognises that financial training for entrepreneurs, business owners and managers of micro, small and medium-sized enterprises has specific requirements, which involve the deepening of horizontal management skills, to be developed in parallel with knowledge of financial products and services.

The Core Competencies are intended to be a useful tool for trainers with proven technical knowledge and experience in the financial area, holding a Teacher Training Certificate (Portuguese abbreviation: CCP) or a trainer's Teaching Aptitude Certificate (Portuguese abbreviation: CAP), who are interested in offering training for the identified target group. Those with a professional teaching qualification and higher education teachers are exempt from this type of certification. Under the Core Competencies, the trainers should also possess sound knowledge of the topic they propose to teach and mastery of working methods in adult training, which will allow them to use the Core Competencies to provide differentiated and flexible approaches to financial training.

These Core Competencies identify content considered relevant for the target group, entrepreneurs, business-owners and managers of micro, small and medium-sized enterprises, who want to develop their training and / or complement their professional experience in the financial area. The goal is to help design and draw up financial training programmes and teaching materials.

It should be emphasised that these Core Competencies do not aim to cover all the areas of corporate management, aiming instead to cover those areas with greater weight on the financial performance of a company or business project. Therefore, it is recognised that there are a number of competencies which are also important to be acted upon by the business-owner, manager, or entrepreneur, and which can complement the training options offered by the trainers resulting from using these Core Competencies.

## Core competencies' organisation and structure

The Core Competencies were drawn up as a guiding document for carrying out financial training, the trainers being responsible for its implementation.

Trainers are expected to use the Core Competencies as a support for developing training activities, which should meet the Principles for Financial Education Initiatives<sup>3</sup>.

Designed to be flexible, the Core Competencies serve as a benchmark for implementing financial training in the corporate sector, and may be used in various contexts, namely in terms of the activity sector, company size, business developmental stage or geography.

In terms of organisation, the Core Competencies identify relevant topics in the economic and financial areas for developing specific skills, which each trainer is able to use in order to develop a programme, teaching methodology, planning and assessment. The topics considered relevant by the trainer but not included in the Core Competencies may be incorporated, adjusting the training programme to the actual needs of the target audience.

Training within the scope of the Core Competencies should include practical examples suited to the reality of the trainees, thus contributing to an improvement in financial performance and producing real results in the enterprises' day-to-day business.

The trainer, as user of the Core Competencies, should consider that the training made available resulting from their application ought to, on the one hand, raise awareness of the importance of managing financial information and encourage the understanding and interpretation of that information and, on the other hand, further the adoption of more transparent and responsible financial management practices, contributing to a change in mind-sets and behaviours. However, it is not the aim of the Core Competencies to train people to specialist level in the financial area.

The structure of the Core Competencies identifies distinct topics that comprise various subtopics. Objectives are defined and content is specified for each subtopic. Presenting it in topics, subtopics and their respective content allows the trainer to choose the topics that he/she aims to communicate with the depth and detail that he/she deems adequate.

Taking into account the diversity of situations to be covered, the topics can be organised into various modules, to be combined and adapted to each training session, according to the specific needs of the target group identified.

In this vein, at the end of the Core Competencies there are some proposed training sessions, with suggestions for goals, content and duration. These proposals are merely a suggestion for approaching some of the contents included in the Core Competencies and may be adjusted in accordance with the objectives to be achieved.

<sup>3</sup> *Principles for Financial Education Initiatives* (2012), National Council of Financial Supervisors (Banco de Portugal, Portuguese Securities Market Commission and the Insurance and Pension Funds Supervisory Authority).

# Topics, subtopics, goals and content

## 3



### Definition of topics and knowledge to be acquired

TOPICS	KNOWLEDGE
<b>1. Economic and financial system</b>	The trainees will learn the main concepts related to the functioning of the economic and financial system, recognising the main participants and the interactions between them.
<b>2. The company: establishment and development</b>	The trainees will learn the characteristics of the various kinds of companies and the main steps in their life cycle. They will also be able to identify the various ways to integrate the company into society and its interactions with the other agents. They will also learn about the different public financing solutions and capital incentives.
<b>3. Accounting and economic and financial analysis</b>	The trainees will be able to understand basic accounting principles and their contribution when analysing the company's performance and management, by acquiring skills to assess economic performance and financial robustness and be able to identify risk situations in their companies.
<b>4. Business plan and financial planning</b>	The trainees will develop how to write a business plan that sets out their company's strategy and can be used as a tool for dialogue and negotiation with the various stakeholders, in particular when formalising requests for financing. They will also learn to recognise the importance of financial planning in the company's management, identifying the financial resources available and those needed to develop the business, thus assessing the associated risk and uncertainty.
<b>5. Accounts and payment services</b>	The trainees will get to know the characteristics of the various types of accounts and understand how payment methods available to companies work.
<b>6. Bank financing, characteristics and main products</b>	The trainees will gain an understanding of the importance and impact of borrowing on the company's activity, in the short, medium and long terms. They will also become familiar with the various credit products and their characteristics, and will also be able to identify which is more appropriate for their activity's needs.



TOPICS	KNOWLEDGE
<b>7. Market financing, financial investments and market risk management</b>	The trainees will gain an understanding of the structure of the capital market and its importance for the company's growth and development. They will also discover the impact of the different financing types through the capital market and assess the most appropriate for the company's specific situation. They should understand and know the characteristics and risks associated with the various investment products and assess which are better suited to the company's specific objectives. They will also understand how derivatives work and their uses in hedging risks taken on by the company as part of its activity.
<b>8. Insurance, functions and main characteristics</b>	The trainees will gain an understanding of the importance of insurance in developing economic activity, as a risk mitigation instrument. They should also be able to identify the most important insurance for corporate activity, distinguishing between the categories of compulsory insurance, financial protection insurance and insurance as a benefit, and to understand how insurance works in human resources management.
<b>9. Pension funds, functions and main characteristics</b>	The trainees will understand the relevance of long-term saving and the role of pension funds in preparing for retirement. They will also distinguish between pension funds and pension plans and be able to understand the main characteristics, goals and types of existing pension fund. They should also be able to distinguish between the different types of pension plans available and to understand their role in the framework of human resources management.
<b>10. Fraud prevention</b>	The trainees will be able to recognise the most common kinds of financial fraud and to identify the precautions needed to avoid it.

# Topics, subtopics, goals and content

## TOPIC 1. Economic and financial system

SUBTOPICS	GOALS
<b>1.1. Economic system</b>	<ul style="list-style-type: none"><li>• Know the various participants in the economic system and the relationships between them: households, the State, companies and financial institutions.</li><li>• Know the key macroeconomic variables: gross domestic product, inflation and unemployment.</li><li>• Understand the relationships within the scope of external trade.</li></ul>
<b>1.2. Financial system</b>	<ul style="list-style-type: none"><li>• Know the role of the financial system's participants and the relationships between them: the banking system, the capital market, the insurance companies and the pension funds.</li></ul>

### CONTENTS

#### 1. Economic and financial system

##### 1.1. Economic system

- 1.1.1. The main agents and their role
  - Households, the State, companies and financial institutions
- 1.1.2. Economic activity
  - Gross Domestic Product and its drivers
  - Inflation
  - Unemployment rate
- 1.1.3. Tax policy
  - Main types of tax
  - Social security contributions
- 1.1.4. External trade
  - Productivity and competitiveness
  - Competition and price-setting
  - Exchange rates



## 1.2. Financial system

### 1.2.1. The main agents and their role

- Financial institutions, financial supervisors and the European Central Bank

### 1.2.2. Banking system

- The European Central Bank and monetary policy
- The role of Banco de Portugal in overseeing the payment systems and supervising the financial system
- The interbank market and the derivation of Euribor

### 1.2.3. The capital market

- Regulated and unregulated markets
- The role of the Portuguese Securities Market Commission in financial supervision

### 1.2.4. Insurance and pension funds sector

- How the insurance and pension funds sector works
- The role of the Insurance and Pension Funds Supervisory Authority in financial supervision

# Topics, subtopics, goals and content

## TOPIC 2. The company: establishment and development

SUBTOPICS	GOALS
<b>2.1. The company</b>	<ul style="list-style-type: none"><li>• Recognise the role of the company in the economy and in the creation and distribution of value.</li><li>• Identify the characteristics of the most common company types.</li><li>• Recognise the responsibility taken on in acts of management, distinguishing between patrimonial, corporate and personal responsibility.</li></ul>
<b>2.2. Life cycle of the company</b>	<ul style="list-style-type: none"><li>• Identify the steps to establishing a company and the mandatory items in the articles of association.</li><li>• Recognise the various ways to restructure and recover the company.</li></ul>
<b>2.3. The role of the company in society</b>	<ul style="list-style-type: none"><li>• Identify the advantages of ethical and responsible behaviours in corporate governance.</li></ul>
<b>2.4. Public risk sharing finance facility</b>	<ul style="list-style-type: none"><li>• Identify the different public financing solutions and capital incentives available for companies and entrepreneurs, enabling identification of the advantages applicable to each specific situation.</li></ul>

### CONTENTS

## 2. The company: establishment and development

### 2.1. The company

#### 2.1.1. Relevance of companies in the economy

- The role of the company in the economy
- The company's contribution to economic objectives
- Companies as drivers of economic growth and development

#### 2.1.2. Types of company, governance and responsibilities

- Identification and description of the most common company types
- The main rights and duties of the shareholders
- Shareholders' agreements
- Main governance structures, their advantages and drawbacks
- Responsibility taken on in acts of management, patrimonial, corporate and personal responsibility

#### 2.1.3. Forms of financing

- The role of equity capital
- Equity capital, debt capital and quasi-capital
- Equity raising: risk capital, business angels, among others
- Supplementary and additional capital

## 2.2. Life cycle of the company

### 2.2.1. Establishment, start-up and development

- Key steps in establishing a company
- Mandatory items in the articles of association
- Life cycle of the company

### 2.2.2. Revitalisation

- Restructuring processes and negotiations with creditors (*PER – Processo Especial de Revitalização* (special revitalisation process), *SIREVE – Sistema de Recuperação de Empresas por Via Extrajudicial* (Out-of-court business recovery system), *PIRE – Processo de Insolvência e de Recuperação de Empresas* (Company insolvency and recovery process))
- Insolvency versus recovery
- Stress situations and solutions designed to recover the company

### 2.2.3. Growth and recovery through transmission processes

- The need for transmission and transmission types: mergers, acquisitions and corporate succession

## 2.3. The role of the company in society

### 2.3.1. Companies in society and social responsibility

- The role of the company in society
- Commitments to society (shareholders, employees, suppliers, financial services providers, customers, competitors, the State and other stakeholders)
- Main anti-competitive practices and their consequences over the short, medium and long term
- Ethical and responsible behaviours in corporate governance
- Contribution of the company to sustainable development

### 2.3.2. Ethics and conflict management

- Identification and prevention of conflict of interest situations
- Formalisation and control mechanisms of ethical commitments

### 2.3.3. Relationship with financial services providers

- Negotiation and application of best practices in the relationship with financial services providers

## 2.4. Public risk sharing finance facility

### 2.4.1. Public incentives

- Support measures within the scope of incentive programmes (Portugal 2020, Horizonte 2020 and others)

### 2.4.2. Credit and capital solutions

- Access to risk capital, business angels and other capital solutions
- Credit lines and quasi-capital solutions

# Topics, subtopics, goals and content

## TOPIC 3. Accounting and economic and financial analysis

SUBTOPICS	GOALS
<b>3.1. Accounting</b>	<ul style="list-style-type: none"><li>• Recognise the basic accounting principles.</li><li>• Construct the main accounting documents and statements.</li><li>• Interpret accounting documents, their meaning and use.</li></ul>
<b>3.2. Economic and financial analysis</b>	<ul style="list-style-type: none"><li>• Identify the key aspects when analysing financial reports and their importance in managing a company.</li><li>• Apply techniques and methodologies to analyse balance and financial return.</li></ul>

### CONTENTS

#### 3. Accounting and economic and financial analysis

##### 3.1. Accounting

- 3.1.1. Accounting – Overview and key concepts
  - Overview
  - Key concepts
- 3.1.2. Financial accounting and management / analytical accounting
  - Accounting as a management support tool
  - Financial accounting versus management / analytical accounting (key characteristics and use criteria)
- 3.1.3. Financial reports
  - Balance sheet
  - Income statement
  - Cash flow statement
  - Variation of capital statement
  - Annex
- 3.1.4. Types of transactions
  - Financial approach
  - Economic approach
  - Cash flow approach
- 3.1.5. Recording of transactions and classification of accounts
  - Accounting procedures and impact on the financial reports
- 3.1.6. Constructing and interpreting the financial reports
  - Interpretation and summary of the financial reports

- Asset, liability and equity capital
- Expenses and income
- The different levels of results
- The annex as a tool to interpret financial reports
- Identification of the company's key aspects in / through the financial reports

### 3.2. Economic and financial analysis

#### 3.2.1. Context

#### 3.2.2. Economic and financial analysis

- The financial function in the company
- Economic versus financial analysis

#### 3.2.3. Financial calculations

- Capitalisation and updating values
- Simple and compound interest rates
- Nominal, effective and real rates
- Net present value and internal rate of return

#### 3.2.4. Integrated view of the company's economic and financial situation

- Techniques and methodologies for analysing the company's economic and financial situation

#### 3.2.5. Calculation and interpretation of key ratios

- Financial ratios
- Economic ratios
- Economic and financial ratios
- Operating ratios

#### 3.2.6. Cash flow control

- Operating activities
- Investing activities
- Financing activities

#### 3.2.7. Financial balance

- Sources and investment of funds
- Working capital and necessary working capital
- Net cashflow

#### 3.2.8. Analysis of costs, sales and income

- Contribution margin
- Operating break-even
- Safety margin

#### 3.2.9. Business development risk assessment

- Types of risk
- Analysis and assessment of economic and financial risk

# Topics, subtopics, goals and content

## TOPIC 4. Business plan and financial planning

SUBTOPICS	GOALS
<b>4.1. Business plan</b>	<ul style="list-style-type: none"><li>• Identify and define the main components of a business plan.</li><li>• Plan, assess and simulate profitability and economic and financial risk using various scenarios.</li><li>• Use the business plan as a tool to negotiate financing.</li></ul>
<b>4.2. Financial planning</b>	<ul style="list-style-type: none"><li>• Draw up short, medium and long-term budgets.</li><li>• Identify the financial resources needed to develop the business.</li></ul>

### CONTENTS

#### 4. Business plan and financial planning

##### 4.1. Business plan

###### 4.1.1. The company's development strategy

- Vision, mission, goals, targets, activities and actions
- Short, medium and long-term view

###### 4.1.2. Relevance of the business plan

- The business plan as a reflection of the company's strategy
- Importance of the business plan in planning and control
- The business plan as a tool for dialogue and negotiation with entities in the corporate environment

###### 4.1.3. Business plan components

- Description of the project and / or company
- Market analysis: customers, suppliers, competition
- Operational plan
- Marketing plan
- Organisational and human resources structure
- Financial plan

###### 4.1.4. Investment plan

- Investment concept
- Phases of an investment project
- Investment expenses
- Investment in fixed capital, working capital and residual value



#### 4.1.5. Operating plan

- Income and cash flow from operations

#### 4.1.6. Analysis of viability

- Operational and financial viability
- Analysis of sensitivity to significant variables

### 4.2. Financial planning

#### 4.2.1. Budget management

- Short, medium and long-term budget (how to draw up)
- Financial resources: requirements and investments
- Budget control: analysis, assessment and reaction to deviations

#### 4.2.2. Financing plan

- Analysis of the best sources of financing, medium and long term (programming sources of financing and financial costs)

# Topics, subtopics, goals and content

## TOPIC 5. Accounts and payment services

SUBTOPICS	GOALS
<b>5.1. Deposit accounts</b>	<ul style="list-style-type: none"><li>• Understand the importance of the demand deposit.</li><li>• Understand the importance of the time deposit as a management support tool.</li><li>• Distinguish between the demand deposit and credit on account.</li><li>• Know the main differences between demand and time deposits.</li></ul>
<b>5.2. Payment services</b>	<ul style="list-style-type: none"><li>• Understand the company's various payment options.</li></ul>

### CONTENTS

#### 5. Accounts and payment services

##### 5.1. Deposit accounts

###### 5.1.1. Demand deposit accounts

- Account characteristics
- Account opening (duties of pre-contractual information, documentation, account-holding and transacting)
- Account management (fees, statements, balances, overdraft facilities, over-running, contractual changes)
- Closure

###### 5.1.2. Time deposits

- Remuneration, maturity and withdrawal before maturity

##### 5.2. Payment services

- Cash
- Credit transfers
- Direct debits
- Payment cards (Automatic payment terminals)
- Cheques
- Digital payment services

## TOPIC 6. Bank financing, characteristics and main products

SUBTOPICS	GOALS
<b>6.1. Choosing a financing solution</b>	<ul style="list-style-type: none"> <li>• Understand the role and impact of credit use on the company's day-to-day management and on financing medium and long-term investment.</li> <li>• Distinguish between different credit products, assessing their suitability for the company's business and understanding what criteria are used to compare / choose credit proposals.</li> <li>• Know the main characteristics of the credit agreement.</li> <li>• Understand the concept of credit risk, knowing the process for creditworthiness assessment and the types of collateral that may be required.</li> <li>• Understand the key elements of a loan's financial plan.</li> </ul>
<b>6.2. Investment credit (medium and long-term)</b>	<ul style="list-style-type: none"> <li>• Distinguish between different medium and long-term financing options.</li> <li>• Understand the characteristics and functioning of classic credit and financial leasing.</li> <li>• Understand the role of microcredit in financing small-scale companies or projects.</li> </ul>
<b>6.3. Complementary credit</b>	<ul style="list-style-type: none"> <li>• Know the advantages of using complementary credit.</li> <li>• Understand the role of complementary credit in developing economic activity.</li> </ul>
<b>6.4. Credit for cash management (short term)</b>	<ul style="list-style-type: none"> <li>• Understand the characteristics and functioning of short-term financing products, recognising their importance in cash management support.</li> <li>• Know how to use and repay revolving credit products.</li> </ul>
<b>6.5. Non-compliance with the credit agreement</b>	<ul style="list-style-type: none"> <li>• Know the consequences of failure to comply with credit agreements.</li> <li>• Understand the phases of the non-compliance process.</li> <li>• Understand the revitalization process, collateral and the judicial execution, process and insolvency proceedings.</li> </ul>

# Topics, subtopics, goals and content

## CONTENTS

### 6. Bank financing, characteristics and main products

#### 6.1. Choosing a financing solution

##### 6.1.1. Goals and risks of using credit

- Day-to-day management and financing of the investment
- Financial impact

##### 6.1.2. Main characteristics of the credit agreement

- Interest rate, types and components
- Other costs of credit: commissions, expenses and insurance
- Effective Annual Rate
- Types of disbursement
- Maturity and repayment options

##### 6.1.3. Credit repayment plan

- Elements of the repayment plan for credit and its uses as a source of information

##### 6.1.4. Collateral

- Types of collateral
- Mutual guarantee system
- Requirements for providing a mutual guarantee

##### 6.1.5. Creditworthiness assessment

- Main elements and indicators of creditworthiness
- Relevant databases (Central Credit Register, List of Cheque Defaulters, Central Balance Sheet)

##### 6.1.6. Assessing credit risk

##### 6.1.7. Choice of financing and its characteristics

- Suitability of the product
- Comparative analysis

## 6.2. Investment credit (medium and long-term)

### 6.2.1. Classic medium and long-term credit

- Main purposes
- Interest and other charges
- Maturity and repayment type
- Collateral

### 6.2.2. Financial leasing

- The leasing operation, participants and characteristics
- Equipment and property financial leasing
- Maturity and repayment type
- Collateral

### 6.2.3. Microcredit

- The role of microcredit in supporting entrepreneurship
- Key target groups and purposes
- Sums, maturities and collateral

## 6.3. Complementary credit

### 6.3.1. Complementary credit lines

- Main characteristics
- Advantages of complementary credit for the company

## 6.4. Credit for cash management (short term)

### 6.4.1. Classic short-term credit

- Main purposes
- Interest and other charges
- Repayment type
- Collateral

### 6.4.2. Current account, Overdraft facility, Credit cards

- Revolving credit and different ways of using it
- Interest and other charges
- Maturity and repayment type
- Collateral

# Topics, subtopics, goals and content

## 6.4.3. Stock lending

- Main purposes
- Maturity and repayment type
- Collateral

## 6.4.4. Factoring and Confirming

- How the products work
- Disbursement and repayment
- Interest and other charges
- Collateral

## 6.4.5. Bills of exchange and Promissory notes

- Participants and functioning
- Discounting and reform

## 6.4.6. Bank guarantees

- Types of bank guarantees provided
- Characteristics and functioning

## 6.4.7. Documentary credit

- Participants and functioning

## 6.5. Non-compliance with the credit agreement

### 6.5.1. Consequences of non-compliance

- Phases of the non-compliance process
- Charges associated with non-compliance: interest on arrears, commissions and expenses
- Judicial execution proceedings
- Revitalisation process
- Insolvency proceedings and their consequences

## TOPIC 7. Market financing, financial investments and market risk management

SUBTOPICS	GOALS
<b>7.1. Capital market financing and how it works</b>	<ul style="list-style-type: none"> <li>• Identify capital market's functions.</li> <li>• Identify how to access the capital market.</li> <li>• Know the legal requirements for accessing the Portuguese capital market.</li> <li>• Understand the impact that capital market financing has on the company's capital structure.</li> <li>• Identify the risks to the company of capital market financing.</li> </ul>
<b>7.2. Offering of investment and hedging products by the capital market</b>	<ul style="list-style-type: none"> <li>• Understand the types of financial investment services and activities in financial instruments.</li> <li>• Identify the characteristics of certain investment products.</li> <li>• Relate risk to return, using this relationship as a tool to support the company's decisions over investment products.</li> <li>• Compare investment products according to the company's goals.</li> <li>• Understand the basic characteristics of derivatives.</li> <li>• Understand the use of derivatives as a tool for hedging the company's risk.</li> </ul>

### CONTENTS

#### 7. Market financing, financial investments and market risk management

##### 7.1. Capital market financing and how it works

###### 7.1.1. How the capital market works

- Capital market functions
- The structure of the Portuguese capital market
- Capital market agents
- Ways to access the capital market

###### 7.1.2. Regulation and supervision of the capital market

- Legal requirements for accessing the Portuguese capital market
- Role of the Portuguese Securities Market Commission as regulator of the capital market

# Topics, subtopics, goals and content

## 7.1.3. The capital market as a financing option

- Shares as a form of financing
- Bonds as a form of financing
- Risk capital as a form of financing
- Crowdfunding as a form of financing
- Impact on the company's capital structure
- Risks for the company

## 7.2. Offering of investment and hedging products by the capital market

### 7.2.1. Types of investment services and activities

- Receipt and execution of orders
- Securities registration and deposit
- Investment advice
- Portfolio management

### 7.2.2. Investment products

- Shares, Bonds, Investment Funds, Complex Financial Products
- Costs associated with investment products
- Things to remember when acquiring investment products
- Relationship between risk and return as a tool to support the company's decisions over investment products
- Choosing investment products according to the company's goals

### 7.2.3. Hedging products

- Derivatives: Swaps, Futures and Options
- Derivatives as a hedging instrument for the company



## TOPIC 8. Insurance, functions and main characteristics

SUBTOPICS	GOALS
<b>8.1. Function of insurance for the company</b>	<ul style="list-style-type: none"> <li>Understand the role of insurance as a risk mitigation instrument.</li> </ul>
<b>8.2. Insurance contract</b>	<ul style="list-style-type: none"> <li>Understand the main characteristics of the insurance contract.</li> </ul>
<b>8.3. Insurance distribution channels</b>	<ul style="list-style-type: none"> <li>Know the different insurance distribution channels.</li> <li>Distinguish between the direct sale of insurance and brokerage.</li> <li>Understand the role of insurance brokers in forming and executing the insurance contract.</li> </ul>
<b>8.4. Compulsory insurance</b>	<ul style="list-style-type: none"> <li>Recognise the reason for compulsory insurance.</li> <li>Identify the main compulsory insurance from the point of view of corporate activity.</li> </ul>
<b>8.5. Insurance as a benefit</b>	<ul style="list-style-type: none"> <li>Understand the role of insurance in human resources management.</li> </ul>
<b>8.6. Financial protection insurance</b>	<ul style="list-style-type: none"> <li>Understand how financial protection insurance works, its main characteristics and its importance for management.</li> </ul>
<b>8.7. Multi-risk insurance</b>	<ul style="list-style-type: none"> <li>Understand the importance of multi-risk insurance, identifying the main coverage and its exclusions.</li> </ul>

# Topics, subtopics, goals and content

## CONTENTS

### 8. Insurance, functions and main characteristics

#### 8.1. Function of insurance for the company

- 8.1.1. The role of insurance in risk management and mitigation

#### 8.2. Insurance contract

- 8.2.1. General aspects of the insurance contract
  - Contract formation
  - Insurance premium
  - Claims
  - Plurality of insurance
  - Termination of the contract
  - Individual insurance versus group insurance

#### 8.3. Insurance distribution channels

- 8.3.1. Direct sale
  - Insurer's legal authorisation
  - Insurer's duties of information
  - Special duty of clarification
- 8.3.2. Insurance brokerage
  - General duties of the insurance broker
  - Specific duties of information
  - Apparent representation
  - Efficacy of the communications undertaken through the broker

#### 8.4. Compulsory insurance

- 8.4.1. Motor vehicle insurance
  - Civil liability versus own damage
- 8.4.2. Insurance against accidents at work
  - Insurance against accidents at work for employees: scope, coverage types, risk, income protection insurance
  - Insurance against accidents at work for the self-employed: scope, risk, insurance premium, income protection insurance, simultaneity of systems
- 8.4.3. Civil liability insurance
  - General aspects of civil liability insurance
  - Compulsory versus optional insurance
  - Types of civil liability insurance
- 8.4.4. Other compulsory insurance
  - Identify other compulsory activity-specific insurance



## 8.5. Insurance as a benefit

### 8.5.1. Life insurance

- Scope of the guarantee
- Risk
- Duties of information
- Payment of the premium

### 8.5.2. Health insurance

- Risks covered
- Duration and termination of the contract
- Plurality of insurance

## 8.6. Financial protection insurance

### 8.6.1. Credit insurance

- Territorial scope
- Types of credit insurance: export credit insurance, domestic market credit insurance, financial credit insurance
- Risks covered
- Insurance premium
- Main exclusions

### 8.6.2. Insurer's guarantee

- Direct and indirect guarantee
- Risks covered

## 8.7. Multi-risk insurance

### 8.7.1. Relevance for companies

### 8.7.2. Main coverage and exclusions

### 8.7.3. Insured sum

# Topics, subtopics, goals and content

## TOPIC 9. Pension funds, functions and main characteristics

SUBTOPICS	GOALS
<b>9.1. The role of pension funds</b>	<ul style="list-style-type: none"><li>• Understand the importance of long-term saving.</li><li>• Understand the role of pension funds in preparing for retirement and their complementarity.</li><li>• Distinguish between pension funds and pension plans, identifying their main characteristics and goals.</li></ul>
<b>9.2. Pension funds</b>	<ul style="list-style-type: none"><li>• Know the main characteristics of pension funds.</li><li>• Identify the main participants in a pension fund.</li><li>• Distinguish between closed and open pension funds.</li><li>• Identify the general duties of the managing entity.</li></ul>
<b>9.3. Pension plans</b>	<ul style="list-style-type: none"><li>• Understand the different types of existing pension plans and identify these in terms of benefit type and form of financing.</li><li>• Understand the ways benefits are paid.</li><li>• Understand the concepts of acquired rights and benefits' portability.</li><li>• Understand the role of pension plans in the context of human resources management.</li></ul>

### CONTENTS

#### 9. Pension funds, functions and main characteristics

##### 9.1. The role of pension funds

9.1.1. Importance of pension funds in the current context

9.1.2. The role of pension funds in preparing for retirement and their complementarity

9.1.3. Pension funds versus pension plans

##### 9.2. Pension funds

9.2.1. Main characteristics of pension funds

9.2.2. Main participants of a pension fund

- Participant, contributor, member, beneficiary, subscriber, managing company

9.2.3. Classification of pension funds

- Distinction between closed and open pension funds

#### 9.2.4. Open pension funds

- Distinction between collective membership and individual membership

#### 9.2.5. General duties of the managing entity

- Duties of information (closed funds and collective membership of open funds)

### 9.3. Pension plans

#### 9.3.1. Main characteristics of pension plans

#### 9.3.2. Pension plan types

- In relation to benefit type: defined benefit, defined contribution, mixed
- In relation to financing type: contribution-based versus non-contribution-based

#### 9.3.3. Situations covered, benefits and ways of payment (pension versus capital)

#### 9.3.4. Understand the concepts of acquired rights and benefits' portability

#### 9.3.5. The role of pension plans in the context of human resources management

- From the company's perspective
- From the staff's perspective

# Topics, subtopics, goals and content

## TOPIC 10. Fraud prevention

SUBTOPIC	GOALS
<b>10.1. Institutions not authorised to carry on activity</b>	<ul style="list-style-type: none"><li>• Know the risks associated with the provision of financial services by institutions which carry on activity without being authorised to do so.</li></ul>
<b>10.2. Fraud with banking products and services</b>	<ul style="list-style-type: none"><li>• Know the most common types of financial fraud with banking products and services.</li><li>• Know the main risks and necessary precautions to prevent fraud with banking products and services.</li><li>• Know what to do and whom to contact in the event of actual or suspected fraud with banking products and services.</li></ul>
<b>10.3. Fraud with financial instruments</b>	<ul style="list-style-type: none"><li>• Know the most common types of financial fraud with financial instruments.</li><li>• Know the main risks and necessary precautions to prevent fraud with financial instruments.</li><li>• Know what to do and whom to contact in the event of actual or suspected fraud with financial instruments.</li></ul>
<b>10.3. Fraud with insurance</b>	<ul style="list-style-type: none"><li>• Know the most common types of fraud with insurance.</li><li>• Know the main risks and necessary measures to prevent fraud with insurance.</li><li>• Know what to do and whom to contact in the event of actual or suspected fraud with insurance.</li></ul>

### CONTENTS

#### 10. Fraud prevention

##### 10.1. Institutions not authorised to carry on activity

##### 10.2. Fraud with banking products and services

###### 10.2.1. Most common types of fraud with banking products and services

- Counterfeit banknotes
- Unlawful use of cards
- Unlawful use of cheques
- Fraud in a digital environment (through the internet and mobile devices)

###### 10.2.2. Main precautions to prevent fraud with banking products and services

###### 10.2.3. What to do in case of fraud or suspected fraud with banking products and services

### 10.3. Fraud with financial instruments

#### 10.3.1. Most common types of financial fraud with financial instruments

- Market manipulation
- Insider trading
- Money laundering in operations with financial instruments

#### 10.3.2. Main precautions to prevent fraud with financial instruments

#### 10.3.3. What to do in case of fraud or suspected fraud with financial instruments

### 10.4. Insurance fraud

#### 10.4.1. Most common types of insurance fraud

- Types of insurance most exposed to fraud
- The importance of the initial risk declaration

#### 10.4.2. Main precautions to prevent situations of insurance fraud

#### 10.4.3. What to do in case of fraud or suspected insurance fraud

# Proposed training sessions

## 4



### **Proposed training sessions based on the Core Competencies**

The proposed training sessions presented below aim to meet the specific needs of certain target groups, in terms of content, duration and goals to be achieved.

These sessions are merely indicative, considering that all the content defined in the Core Competencies may be combined to meet the specific needs of the companies, in terms of activity sector, size, developmental stage of the business or geography and also in terms of the trainees' knowledge and availability.

The examples may also be adjusted according to the trainees' characteristics and the training goals; therefore the development level and duration may be conditioned.

The Core Competencies do not aim to cover all the areas necessary to undertake the role of business-owner, manager, or entrepreneur of micro, small or medium-sized enterprises, but instead deal with the themes considered to be most relevant in accessing and using financial services and products.



## Example 1

### “From the business idea to the company”

<b>General goal</b>	In this training session, the trainees will recognise the company’s role in society and in the economy and learn how to transform a business idea into a company.
<b>Target group</b>	Entrepreneurs who have a business idea but not an established company.
<b>Total</b>	28 hrs

Content		Duration
<b>Introduction to the economic and financial system</b>		
• The economic system and the financial system	1	1 hr
<b>The company in society</b>		
• Companies in society and social responsibility	2.3.1	1 hr
<b>First steps</b>		
• Establishment, start-up and development	2.2.1	3 hrs
• Types of company, governance and responsibilities	2.1.2	
• Types of financing	2.1.3	
<b>Planning</b>		
• Business plan and financial planning	4	12 hrs
<b>Bank financing</b>		
• Bank financing, characteristics and main products	6	5 hrs
<b>Capital market</b>		
• Capital market financing and how it works	7.1	3 hrs
<b>Insurance in companies</b>		
• Insurance, functions and main characteristics	8	3 hrs

# Proposed training sessions

## Example 2

### “How to finance my business”

**General goal** In this training session, the business-owners and managers of micro and small enterprises will identify the most appropriate sources of financing for their business and recognise the importance of the business plan when discussing and negotiating financing. They will also understand the role of the different agents in the economic and financial system.

**Target group** Business-owners and managers of micro and small enterprises.

**Total** 7 hrs

Content		Duration
<b>Financing solutions</b>		
• Types of financing	2.1.3	
• Public risk sharing finance facility	2.4	
• Goals and risks of using credit	6.1.1	
• Investment credit	6.2	5.5 hrs
• Complementary credit	6.3	
• Credit for cash management	6.4	
• The capital market as a financing option	7.1.3	
<b>Business plan and financing plan</b>		
• Investment plan	4.1.4	
• Financing plan	4.2.2	1.5 hrs



### Example 3

#### “Accounting in corporate management”

**General goal** In this training session, the business-owners and managers of micro and small enterprises recognise the role of accounting in the management of the company and interpret the main accounting statements, understanding what they mean and how they are used for the economic and financial analysis of the company.

**Target group** Business-owners and managers of micro and small companies.

**Total** 7 hrs

Content		Duration
<b>Accounting</b>		
• Financial accounting and management / analytical accounting	3.1.2	1 hr
<b>Presentation and analysis of the main financial statements</b>		
• Financial reports	3.1.3	6 hrs
• Constructing and interpreting the financial reports (including practical exercises)	3.1.6	

# Proposed training sessions

## Example 4

### “Cash in budget management”

General goal	In this training session, the trainees will gain skills to manage cash efficiently in their companies, as part of budget management.
Target group	Business-owners, managers and entrepreneurs.
Total	7 hrs

Content		Duration
<b>Main financial statements in cash management</b>		
• Financial reports	3.1.2	2.5 hrs
• Types of transactions	3.1.3	
<b>The budget</b>		
• Budget management	4.2.1	1.5 hrs
<b>Short-term credit</b>		
• Main characteristics of credit	6.1.2	3 hrs
• Choice of financing and its characteristics	6.1.7	
• Credit for cash management	6.4	



## Example 5

### “Financing solutions in the capital market”

<b>General goal</b>	In this training session, the trainees understand how the capital market works, its importance for the company’s growth and development and the characteristics and risks of investment products.
<b>Target group</b>	Business-owners, managers and entrepreneurs (those who have or are thinking about having a company).
<b>Total</b>	6 hrs

Content		Duration
<b>The capital market</b>		
• How the capital market works	7.1.1	1.5 hrs
<b>Access to the capital market</b>		
• The capital market as a financing option	7.1.3	2.5 hrs
<b>Capital market products</b>		
• Investment and hedging products	7.2.2	2 hrs

# Proposed training sessions

## Example 6

### “Risk mitigation and fraud prevention”

<b>General goal</b>	In this training session, the trainees recognise the potential risks to their business and identify measures to prevent and mitigate such risks.
<b>Target group</b>	Business-owners, managers and entrepreneurs.
<b>Total</b>	9 hrs

Content		Duration
<b>Assessment of financial and non-financial risks</b>		
• Business development risk assessment	3.2.9	2.5 hrs
• Ethics and conflict management	2.3.2	
• Robustness and return: key ratios	3.2.5	
<b>Financial instruments for hedging</b>		
• Hedging products	7.2.3	1 hr
<b>Insurance and risk mitigation</b>		
• Function of insurance for the company	8.1	3.5 hrs
• Insurance contract	8.2	
• Compulsory insurance	8.4	
• Financial protection insurance	8.6	
• Multi-risk insurance	8.7	
<b>Fraud prevention</b>	10	2 hrs

## Example 7

### “Insurance in corporate management”

**General goal** In this training session, the trainees understand the importance and role of insurance in developing their business, as a risk mitigation instrument. They also learn their responsibilities and the best options for their business.

**Target group** Business-owners, managers and entrepreneurs (those who have or are thinking about having a company).

**Total** 4 hrs

Content		Duration
<b>Context / introduction</b>		
<ul style="list-style-type: none"> <li>The role of insurance in risk management and mitigation</li> </ul>	8.1.1	0.5 hrs
<b>Compulsory insurance</b>		
<ul style="list-style-type: none"> <li>Motor vehicle insurance</li> <li>Insurance against accidents at work</li> <li>Civil liability insurance</li> <li>Other compulsory insurance</li> </ul>	8.4	1.5 hrs
<b>Financial protection insurance</b>		
<ul style="list-style-type: none"> <li>Credit insurance</li> <li>Insurer’s guarantee</li> </ul>	8.6	1 hr
<b>Multi-risk insurance</b>	8.7	1 hr

## Example 8

### “Risk capital as a financing option”

**General goal** In this training session, the trainees are expected to identify risk capital as an additional form of financing, and to acquire knowledge to develop a business plan aiming to obtain financing through risk capital.

**Target group** Business-owners, managers and entrepreneurs.

**Total** 6 hrs

Content		Duration
<b>Business Plan</b>		
• Relevance of the business plan	4.1.2	3.5 hrs
• Business plan components	4.1.3	
• Investment plan	4.1.4	
<b>Risk Capital Financing</b>		
• How the capital market works	7.1.1	2.5 hrs
• The capital market as a financing option Start-up capital and venture capital	7.1.3	



## Example 9

### “Internationalisation of the company”

**General goal** In this training session, the trainees are expected to take the most appropriate decisions in relation to the export activity of their enterprise, in terms of available financial support, credit solutions and insurance.

**Target group** Business-owners, managers and entrepreneurs.

**Total** 6 hrs

Content		Duration
<b>Public incentives to internationalisation</b>	2.4.1	1 hr
<b>Export support credit lines</b>		
• Stock lending	6.4.3	
• Factoring and Confirming	6.4.4	
• Bills of exchange and Promissory notes	6.4.5	1.5 hrs
• Bank guarantees	6.4.6	
• Documentary credit	6.4.7	
<b>Complementary credit for export support</b>		
• Complementary credit lines	6.3.1	1 hr
<b>Export credit insurance</b>		
• Types of credit insurance		
• Risks covered	8.6.1	2.5 hrs
• Insurance premium		
• Main exclusions		

