

Diploma in International Financial Reporting

December 2015 to June 2016

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

AIMS

To provide qualified accountants or graduates, possessing relevant country specific qualifications or work experience with an up to date and relevant conversion course, providing a practical and detailed knowledge of the key international financial reporting standards and how they are interpreted and applied.

OBJECTIVES

On completion of this syllabus, candidates should be able to:

- Understand and explain the structure of the international professional and conceptual framework of accounting
- Apply relevant international financial reporting standards to key elements of financial reports
- Identify and apply disclosure requirements for entities relating to the presentation of financial reports and notes
- Prepare group financial statements (excluding group cash flow statements) including subsidiaries, associates, and joint arrangements.

POSITION OF THE COURSE WITHIN THE OVERALL PORTFOLIO OF ACCA'S QUALIFICATION FRAMEWORK

The Diploma in International Financial Reporting (DiplIFR) builds on the technical and/or practical knowledge acquired from recognised country specific accountancy qualifications or relevant work experience. The syllabus introduces the candidate to the wider international framework of accounting and the system of standard setting. This conversion course concentrates on the application of

conceptual and technical financial reporting knowledge that candidates have already obtained to the specific requirements of financial reporting under international financial reporting standards.

The DiplIFR also provides essential international financial reporting knowledge and principles that will prepare candidates for the increasingly global market place and keep them abreast of international developments and how they might apply to companies and businesses.

The prerequisite knowledge for DiplIFR can either come from a country specific professional qualification, from possessing a relevant degree (giving exemptions from F1, F2, F3 and F4 of the ACCA qualification) and two years' accounting experience, or by having three years' full-time relevant accounting experience, supported by an employer's covering letter.

APPROACH TO EXAMINING THE SYLLABUS

The examination is a three-hour paper. Most questions will contain a mix of computational and discursive elements. Some questions will adopt a scenario/case study approach. All questions are compulsory.

The first question will attract 40 marks. It will involve preparation of one or more of the consolidated financial statements that are examinable within the syllabus. This question will include several issues that will need to be addressed prior to performing the consolidation procedures. Generally these issues will relate to the financial statements of the parent prior to their consolidation.

The other three questions will attract 20 marks each. These will often be related to a scenario in which questions arise regarding the appropriate accounting treatment and or disclosure of a range of issues. In such questions candidates may be expected to comment on management's chosen accounting treatment and determine a more appropriate one, based on circumstances described in the question. Often one of the questions will focus more specifically on the requirements of one specific International Financial Reporting Standard.

Some International Financial Reporting Standards are very detailed and complex. In the DipIFR exam candidates need to be aware of the principles and key elements of these Standards. Candidates will also be expected to have an appreciation of the background and need for international financial reporting standards and issues related to harmonisation of accounting in a global context.

The overall pass mark for the Diploma in International Financial Reporting is 50%.

EXAMINATION STRUCTURE

	No. of marks
1 consolidation question	40
3 scenario questions	<u>60</u>
<i>(20 marks each)</i>	<u>100</u>

LEARNING MATERIALS

ACCA's Approved Content Programme is the programme through which ACCA approves learning materials from high quality content providers designed to support study towards ACCA's qualifications.

ACCA has three Approved Content Providers, Becker Professional Education, BPP Learning Media and Kaplan Publishing. Becker Professional Education, and BPP Learning Media produce learning materials to support this exam.

For information about ACCA's Approved Content Providers, please go to ACCA's Content Provider Directory.

The Directory also lists materials by other publishers, these materials have not been quality assured by ACCA but may be helpful if used in conjunction with approved learning materials or for variant exams where no approved content is available. You will also find details of Additional Reading suggested by the examining teams and this may be a useful supplement to approved learning materials.

ACCA's Content Provider Directory can be found here –

<http://www.accaglobal.com/uk/en/student/accaglobal-student-journey/study-revision/learning-providers/alp-content.html>

Relevant articles are also published on the ACCA website.

SYLLABUS CONTENT

A International sources of authority

- 1) The International Accounting Standards Board (IASB) and the regulatory framework

B Elements of financial statements

- 1) Revenue recognition
- 2) Property, plant and equipment
- 3) Impairment of assets
- 4) Leases
- 5) Intangible assets and goodwill
- 6) Inventories
- 7) Financial instruments
- 8) Liabilities – provisions, contingent assets and liabilities
- 9) Accounting for employment and post-employment benefits
- 10) Tax in financial statements
- 11) The effects of changes in foreign currency exchange rates
- 12) Agriculture
- 13) Share-based payment
- 14) Exploration and evaluation expenditures
- 15) Fair value measurement

C Presentation and additional disclosures

- 1) Presentation of the statement of financial position, and statement of profit or loss and other comprehensive income
- 2) Earnings per share
- 3) Events after the reporting date

- 4) Accounting policies, changes in accounting estimates and errors

- 5) Related party disclosures

- 6) Operating segments

- 7) Reporting requirements of small and medium-sized entities (SMEs)

D Preparation of external financial reports for combined entities, associates and joint arrangements

- 1) Preparation of group consolidated external reports
- 2) Business combinations – intra-group adjustments
- 3) Business combinations – fair value adjustments
- 4) Business combinations – associates and joint arrangements

EXCLUDED TOPICS

The following topics are specifically excluded from the syllabus:

- Partnership and branch financial statements
- Complex group structures, including sub-subsidiaries or mixed groups and foreign subsidiaries
- Piece-meal acquisitions, disposal of subsidiaries and group re-constructions
- Financial statements of banks and similar financial institutions
- Preparation of statements of cash flows (single company and consolidated)
- Schemes of reorganisation/reconstruction
- Company/share valuation
- Accounting for insurance entities
- International financial reporting exposure drafts and discussion papers

- The international public sector perspective
- Multi-employer benefit schemes
- Information reflecting the effects of changing prices and financial reporting in hyperinflationary economies
- Share-based payment transactions with cash alternatives

KEY AREAS OF THE SYLLABUS

The key topic area headings are as follows:

- International sources of authority
- Elements of financial statements
- Presentation of accounts and additional disclosures
- Preparation of external reports for combined entities, associates and joint arrangements.

Study Guide

A INTERNATIONAL SOURCES OF AUTHORITY

1. The International Accounting Standards Board (IASB) and the regulatory framework

- Discuss the need for international financial reporting standards and possible barriers to their development
- Explain the structure and constitution of the IASB and the standard setting process
- Understand and interpret the Financial Reporting Framework
- Explain the progress towards international harmonisation
- Account for the first-time adoption of International Financial Reporting Standards.

B ELEMENTS OF FINANCIAL STATEMENTS

1. Revenue recognition

- Explain and apply the principles of revenue recognition:
 - i. Identification of contracts
 - ii. Identification of performance obligations
 - iii. Determination of transaction price
 - iv. Allocation of the price to the performance obligations
 - v. Recognition of revenue when/as performance obligations are satisfied
- Describe the acceptable methods for measuring progress towards complete satisfaction of performance obligation
- Explain and apply the criteria for the recognition of contract costs ^[2].
- Specifically account for the following types of transactions:
 - (i) Principal versus agent;
 - (ii) Repurchase agreements;
 - (iii) Bill and hold arrangements
 - (iv) Consignment agreements

- Account for different types of consideration including variable consideration and where a significant financing component exists in the contract.

- Prepare financial statements extracts for contracts where performance obligations are satisfied over time.

2. Property, plant and equipment

- Define the initial cost of a non-current asset (including a self-constructed asset) and apply this to various examples of expenditure, distinguishing between capital and revenue items
- Identify pre-conditions for the capitalisation of borrowing costs
- Describe, and be able to identify, subsequent expenditures that should be capitalised
- State and appraise the effects of the IASB's rules for the revaluation of property, plant and equipment
- Account for gains and losses on the disposal of re-valued assets
- Calculate depreciation on:
 - revalued assets, and
 - assets that have two or more major items or significant parts
- Apply the provisions of accounting standards relating to government grants and government assistance
- Describe the criteria that need to be present before non-current assets are classified as held for sale, either individually or in a disposal group
- Account for non-current assets and disposal groups that are held for sale
- Discuss the way in which the treatment of investment properties differs from other properties
- Apply the requirements of international

financial reporting standards to investment properties.

3. Impairment of assets

- Define the recoverable amount of an asset; define impairment losses
- Give examples of, and be able to identify, circumstances that may indicate that the impairment of an asset has occurred
- Describe what is meant by a cash-generating unit
- State the basis on which impairment losses should be allocated, and allocate a given impairment loss to the assets of a cash-generating unit.

4. Leases

- Define the essential characteristics of a lease
- Describe and apply the method of determining a lease type (ie an operating or finance lease)
- Explain the effect on the financial statements of a finance lease being incorrectly treated as an operating lease
- Account for operating leases in the financial statements of the lessor and the lessee
- Account for finance leases in the financial statements of the lessor and lessee
- Outline the principles of accounting standards for leases and the main disclosure requirements.

Note: the net cash investment method will not be examined.

5. Intangible assets and goodwill

- Discuss the nature and possible accounting treatments of both internally generated and purchased goodwill
- Distinguish between goodwill and other intangible assets

- Define the criteria for the initial recognition and measurement of intangible assets
- Explain the subsequent accounting treatment, including the principle of impairment tests in relation to purchased goodwill
- Identify the circumstances in which negative goodwill arises, and its subsequent accounting treatment
- Describe and apply the requirements of international financial reporting standards to internally generated assets other than goodwill (eg research and development)
- Describe the method of accounting specified by the IASB for the exploration for and evaluation of mineral resources

6. Inventories and construction contracts

- Measure and value inventories

7. Financial instruments

- Account for debt instruments, equity instruments and the allocation of finance costs
- Account for fixed interest rate and convertible bonds
- Discuss the definition and classification of a financial instrument
- Discuss the measurement issues relating to financial instruments
- Explain the measurement requirements for financial instruments including the use of current values, hedging and the treatment of gains and losses
- Describe the nature of the presentation and disclosure requirements relating to financial instruments

8. Liabilities – provisions, contingent assets and liabilities

- Explain why an accounting standard on provisions is necessary – give examples of previous abuses in this area

- Define provisions, legal and constructive obligations, past events and the transfer of economic benefits
- State when provisions may and may not be made, and how they should be accounted for
- Explain how provisions should be measured
- Define contingent assets and liabilities – give examples and describe their accounting treatment
- Identify and account for:
 - Onerous contracts
 - Environmental and similar provisions
- Discuss the validity of making provisions for future repairs or renewals.

9. Accounting for employment and post-employment benefit costs

- Describe the nature of defined contribution, multi-employers and defined benefits schemes
- Explain the recognition and measurement of defined benefit schemes under current proposals
- Account for defined benefit schemes including the amounts shown in the financial statements (and notes to the accounts).

10. Tax in financial statements

- Account for current tax liabilities and assets in accordance with international accounting standards
- Describe the general principles of government sales taxes (eg VAT or GST)
- Explain the effect of taxable temporary differences on accounting and taxable profits
- Outline the principles of accounting for deferred tax
- Identify and account for the IASB requirements relating to deferred tax assets and liabilities

- Calculate and record deferred tax amounts in the financial statements.

11. The effects of changes in foreign currency exchange rates

- Discuss the recording of transactions and translation of monetary/non-monetary items at the reporting date for individual entities in accordance with relevant accounting standards
- Distinguish between reporting and functional currencies
- Determine an entity's functional currency

12. Agriculture

- Recognise the scope of international accounting standards for agriculture
- Discuss the recognition and measurement criteria including the treatment of gains and losses, and the inability to measure fair value reliably
- Identify and explain the treatment of government grants, and the presentation and disclosure of information relating to agriculture
- Report on the transformation of biological assets and agricultural produce at the point of harvest and account for agriculture related government grants.

13. Share-based payment

- Understand the term 'share-based payment'
- Discuss the key issue that measurement of the transaction should be based on fair value
- Explain the difference between cash settled share based payment transactions and equity settled share based payment transactions
- Identify the principles applied to measuring both cash and equity settled share-based payment transactions
- Compute the amounts that need to be recorded in the financial statements when an entity

carries out a transaction where the payment is share based.

14. Exploration and evaluation expenditures

- Outline the need for an accounting standard in this area and clarify its scope
- Give examples of elements of cost that might be included in the initial measurement of exploration and evaluation assets
- Describe how exploration and evaluation assets should be classified and reclassified
- Explain when and how exploration and evaluation assets should be tested for impairment

15. Fair value

- Explain the principle under which fair value is measured according to international financial reporting standards
- Identify an appropriate fair value measurement for an asset or liability in a given set of circumstances

C PRESENTATION OF ACCOUNTS AND ADDITIONAL DISCLOSURES

1. Presentation of the statement of financial position, and statement of profit or loss and other comprehensive income

- State the objectives of international financial reporting standards governing the presentation of financial statements
- Describe the structure and content of statements of financial position, statements of profit or loss and other comprehensive income including continuing operations
- Discuss the importance of identifying and reporting the results of discontinued operations.
- Define and account for non-current assets held for sale and discontinued operations
- Discuss 'fair presentation' and the accounting concepts/principles

- Recognise the content and format of interim financial statements.

2. Earnings per share

- Recognise the importance of comparability in relation to the calculation of earnings per share (EPS) and its importance as a stock market indicator
- Explain why the trend of EPS may be a more accurate indicator of performance than a company's profit trend
- Define earnings
- Calculate the EPS in the following circumstances:
 - basic EPS
 - where there has been a bonus issue of shares/stock split during the year, and
 - where there has been a rights issues of shares during the year
- Explain the relevance to existing shareholders of the diluted EPS, and describe the circumstances that will give rise to a future dilution of the EPS
- Compute the diluted EPS in the following circumstances:
 - where convertible debt or preference shares are in issue
 - where share options and warrants exist
- Identify anti-dilutive circumstances.

3. Events after the reporting date

- Distinguish between and account for adjusting and non-adjusting events after the reporting date

4. Accounting policies, changes in accounting estimates and errors

- Identify items requiring separate disclosure, including their accounting treatment and required disclosures
- Recognise the circumstances where a change in accounting policy is justified

- Define prior period adjustments and 'errors' and account for the correction of errors and changes in accounting policies.

5. Related party disclosures

- Define and apply the definition of related parties in accordance with international financial reporting standards
- Describe the potential to mislead users when related party transactions are accounted for
- Explain the disclosure requirements for related party transactions.

6. Operating segments

- Discuss the usefulness and problems associated with the provision of segment information
- Define an operating segment
- Identify reportable segments (including applying the aggregation criteria and quantitative thresholds)

7. Reporting requirements of small and medium-sized entities (SMEs)

- Outline the principal considerations in developing a set of financial reporting standards for SMEs
- Discuss solutions to the problem of differential financial reporting.
- Discuss the reasons why the IFRS for SMEs does not address certain topics.

D PREPARATION OF EXTERNAL REPORTS FOR COMBINED ENTITIES AND JOINT ARRANGEMENTS

1. Preparation of group consolidated external reports

- Explain the concept of a group and the purpose of preparing consolidated financial statements
- Explain and apply the definition of subsidiary companies

- Prepare a consolidated statement of financial position for a simple group (one or more subsidiaries) dealing with pre and post acquisition profits, non-controlling interests and goodwill

- Explain the need for using coterminous year-ends and uniform accounting policies when preparing consolidated financial statements and describe how it is achieved in practice

- Prepare a consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity for a simple group (one or more subsidiaries), including an example where an acquisition occurs during the year where there is a non-controlling interest.

2. Business combinations – intra-group adjustments

- Explain why intra-group transactions should be eliminated on consolidation
- Report the effects of intra-group trading and other transactions including:
 - unrealised profits in inventory and non-current assets
 - intra-group loans and interest and other intra-group charges, and
 - intra-group dividends

3. Business combinations – fair value adjustments

- Explain why it is necessary for both the consideration paid for a subsidiary and the subsidiary's identifiable assets and liabilities to be accounted for at their fair values when preparing consolidated financial statements
- Prepare consolidated financial statements dealing with fair value adjustments (including their effect on consolidated goodwill) in respect of:
 - Depreciating and non-depreciating non-current assets
 - Inventory
 - Deferred tax
 - Monetary liabilities
 - Assets and liabilities (including contingencies), not included in the

subsidiary's own statement of financial position

4. Business combinations – associates and joint arrangements

- Define associates and joint arrangements
- Distinguish between joint operations and joint arrangements
- Prepare consolidated financial statements to include a single subsidiary and an associated company or a joint arrangement.

Summary of changes to Diploma in International Financial Reporting

ACCA periodically reviews its qualification syllabuses so that they meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers.

Note of significant changes to study guide Paper DipIFR

The main areas to be added or deleted from the syllabus are shown in Table 1 and 2 below:

Table 1 – Additions to DipIFR

<p>B1</p>	<ul style="list-style-type: none"> • Explain and apply the principles of revenue recognition: <ol style="list-style-type: none"> i. Identification of contracts ii. Identification of performance obligations iii. Determination of transaction price iv. Allocation of the price to the performance obligations v. Recognition of revenue when/as performance obligations are satisfied • Describe the acceptable methods for measuring progress towards complete satisfaction of performance obligation • Explain and apply the criteria for the recognition of contract costs ^[2]. • Specifically account for the following types of transactions: <ol style="list-style-type: none"> (i) Principal versus agent; (ii) Repurchase agreements; (iii) Bill and hold arrangements (iv) Consignment agreements • Account for different types of consideration including variable consideration and where a significant financing component exists in the contract.. • Prepare financial statements extracts for contracts where performance obligations are satisfied over time. 	<p>This learning outcome has been changed to reflect the requirements of IFRS 15 <i>Revenue from contracts with customers</i>. This standard replaced both IAS 18 Revenue and IAS 11 Construction Contracts.</p>
<p>B15</p>	<ul style="list-style-type: none"> • Explain the principle under which fair value is measured under international financial reporting standards • Identify an appropriate fair value measurement for an asset or liability in a given circumstance 	<p>The principles of fair value accounting have now been made more explicit in this learning outcome to highlight IFRS 13 <i>Fair Value Measurement</i>. The principles of this standard are also applicable to other individual learning outcomes throughout the remainder of the syllabus.</p>

D1	<ul style="list-style-type: none"> • Prepare a consolidated statement of financial position for a simple group (one or more subsidiaries) dealing with pre and post acquisition profits, non-controlling interests and goodwill • Prepare a consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity for a simple group (one or more subsidiaries), including an example where an acquisition occurs during the year where there is a non-controlling interest. 	These learning outcomes have been changed to clarify that groups examined in this syllabus may include more than one subsidiary.
D3	<ul style="list-style-type: none"> • Prepare consolidated financial statements dealing with fair value adjustments (including their effect on consolidated goodwill) in respect of: <ul style="list-style-type: none"> – Depreciating and non-depreciating non-current assets – Inventory - Deferred tax • Monetary liabilities 	This learning outcome has be changed to include the deferred tax effects of fair value adjustments in consolidated financial statements.
D4	<ul style="list-style-type: none"> • Distinguish between joint operations and joint arrangements 	This learning outcome has been added to reflect the requirements of IFRS 11 <i>Joint Arrangements</i> .

Table 2 – Deletions from DipIFR

<p>B1</p>	<ul style="list-style-type: none"> • Outline the principles of the timing of revenue recognition • Explain the concept of substance over form in relation to recognising sales revenue • Discuss the various points in the production and sales cycle where it may, depending on circumstances, be appropriate to recognise gains and losses – give examples of this • Describe the IASB’s approach to revenue recognition. 	<p>This learning outcome has been replaced by a new learning outcome that reflects the requirements of IFRS 15 <i>Revenue from contracts with customers</i>.</p>
<p>B6</p>	<ul style="list-style-type: none"> • Define a construction contract and describe why recognising profit before completion is generally considered to be desirable; discuss if this may be profit smoothing • Describe the ways in which contract revenue and contract cost may be recognised • Calculate and disclose the amounts to be shown in the financial statements for construction contracts. 	<p>As IAS 11 <i>Construction Contracts</i> has been replaced by IFRS 15 <i>Revenue from contracts with customers</i> and so this topic has now been incorporated into learning outcome B1 Revenue Recognition.</p>
<p>B7</p>	<ul style="list-style-type: none"> • Discuss the key areas where consensus is required on the accounting treatment of financial instruments. 	<p>This learning outcome has been deleted because IFRS 9 Financial Instruments now provides detailed guidance on the accounting treatment of financial instruments.</p>
<p>D1</p>	<ul style="list-style-type: none"> • Identify the circumstances and reasoning when subsidiaries should be excluded from consolidated financial statements. 	<p>This learning outcome has been deleted to be in accordance with IFRS 10 <i>Consolidated Financial Statements</i> which now makes the exclusion of a subsidiary from the consolidated financial statements very difficult.</p>