

Advanced Corporate Reporting (INT)

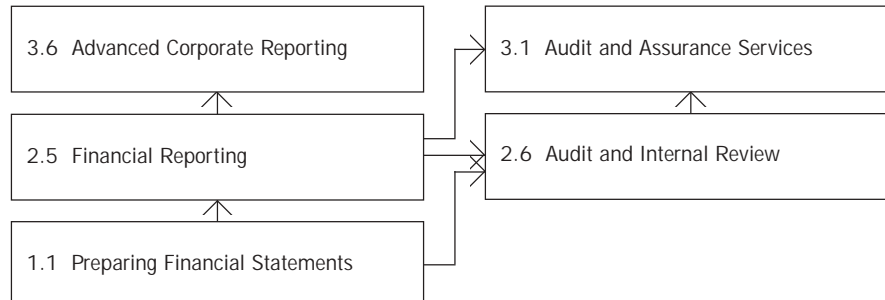
AIM

To ensure that candidates can exercise judgement and technique in corporate reporting matters encountered by accountants and can react to current developments or new practice.

OBJECTIVES

On completion of this paper candidates should be able to:

- explain and evaluate the implications of an accounting standard or proposed accounting standard for the content of published financial information
- explain and evaluate the impact on the financial statements of business decisions
- explain the legitimacy and acceptability of an accounting practice proposed by a company
- prepare financial statements for complex business situations
- analyse financial statements and prepare a report suitable for presentation to a variety of users
- evaluate current practice in the context of the needs of users and the objectives of financial reporting
- evaluate current developments in corporate reporting in the context of their practical application, implications for corporate reporting, and the underlying conceptual issues and
- demonstrate the skills expected in Part 3.



POSITION OF THE PAPER IN THE OVERALL SYLLABUS

This paper is the final assessment of the candidates' skills in the area of corporate reporting. The paper builds on the technical skills studied in Paper 1.1 Preparing Financial Statements and Paper 2.5 Financial Reporting by requiring candidates to demonstrate the high level technical and evaluatory skills expected of an accountant.

The paper complements the skills acquired in studying the other core papers in Part 3 of the ACCA examination structure.

SYLLABUS CONTENT

1 The International Accounting Standard Board's (IASB) regulatory framework

- (a) International Financial Reporting Standards, International Accounting Standards, Exposure Drafts, Discussion Papers, Standard Interpretations Committee and International Financial Reporting

- Interpretations Committee pronouncements, including accounting for equity and liabilities, assets, provisions and contingencies, segments, related parties, financial instruments, taxes, leases, retirement benefit costs.
- (b) The content of the IASB's regulatory framework in a given range of practical situations.
 - (c) The problems associated with the IASB's regulatory framework including measurement and recognition issues.
 - (d) The impact of current and proposed regulations on the financial statements of an entity.
 - (e) The effect of business decisions and proposed changes in accounting practice by the entity on the financial statements.
 - (f) The legitimacy of current accounting practice and its relevance to users of corporate financial statements.

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2 Preparation of the financial statements of complex business entities

- (a) The financial statements of complex groups including vertical and mixed groups.
- (b) Group cash flow statements.
- (c) Accounting for group reorganisations and restructuring including demergers, take-overs and group schemes.
- (d) Accounting for foreign currency transactions and entities.

3 Preparation of reports for external and internal users

- (a) Appraisal of financial and related information, the purchase of a business entity, the valuation of shares and the reorganisation of an entity.
- (b) Appraisal of the impact of changes in accounting policies and the regulatory framework on shareholder value.
- (c) Appraisal of the business performance of the entity including quantitative and qualitative measures of performance and the potential for corporate failure.
- (d) The assessment of the impact of price level changes and available methods of valuation on business decisions and performance.
- (e) The effectiveness of corporate governance within an entity.

4 Current issues and developments

- (a) The accounting impact of environmental, cultural and social

factors on the entity.

- (b) The impact of the content of financial statements on users including changes in design and content of interim and year-end financial statements and alternate ways of communicating results to users.
- (c) Proposed changes in the structure of national and international regulation and the impact on global harmonisation and standardisation.
- (d) The applicability of the IASB's regulatory framework to small and medium sized entities.
- (e) Current developments in corporate reporting.

5 Ethical considerations

- (a) Ethics and business conduct.

EXCLUDED TOPICS

The syllabus content outlines the areas of assessment. No areas of knowledge are specifically excluded from the syllabus.

Please refer to the list of examinable documents set out in the exam notes.

KEY AREAS OF THE SYLLABUS

Key topic areas are as follows:

- group accounting, group cash flow statements and foreign currency translation
- discussion papers, exposure drafts, International Accounting Standards and

International Financial Reporting Standards

- problems with current International Accounting Standards and International Financial Reporting Standards and the impact of changes therein on the entity
- preparation of reports in an advisory capacity including share valuation, and purchase of a business
- changes in organisational structure, reconstructions, demergers, etc.
- problems with the business including financial analysis and measurement of corporate performance
- environmental and social accounting and the impact of culture
- statements in financial reports concerning operating performance (management discussion and analysis)
- the move to the use of International Financial Reporting Standards
- current issues.

The main thrust of the syllabus will be the preparation of a set of group financial statements, advising clients on current standards and changes therein, reporting business performance including environmental and social reporting and appraising current issues. It is important to realise that other areas of the syllabus will be also examined.

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APPROACH TO EXAMINING THE SYLLABUS

The examination is a three hour paper divided into two sections.

Section A will normally comprise one compulsory question on group financial statements including group cash flows and foreign currency translation. This question will be technically demanding and could have a discursive element in it.

Section B will comprise four questions out of which candidates should select three questions. These questions will involve advising, discussing and reporting on issues and topics in corporate financial reporting. The questions will view the subject matter from the perspective of the preparer of financial statements and from the perspective of the accountant as an advisor. Invariably a technical understanding of the subject matter will be required and candidates will have to apply their knowledge to given cases and scenarios.

Advice as to current and future reporting requirements and their impact on reported corporate performance will be an important element of these questions. Additionally current issues and developments in financial reporting will be examined on a discursive basis.

	Number of marks
Section A: One compulsory question	25

Section B: Choice of 3 from 4 questions (25 marks each)	75
	<hr/> 100 <hr/>

ADDITIONAL INFORMATION

Candidates need to be aware that questions involving knowledge of new examinable regulations will not be set until at least six months after the last day of the month in which the regulation was issued.

The Study Guide provides more detailed guidance on the syllabus. Examinable documents are listed in the 'Exam Notes' section of *student accountant*.

RELEVANT TEXTS

There are a number of sources from which you can obtain a series of materials written for the ACCA examinations. These are listed below:

ACCA's approved publishers:

BPP Professional Education

Contact number: +44(0)20 8740 2222

Website: www.bpp.com

Kaplan Publishing Foulks Lynch

Contact number: +44(0)118 989 0629

Website: www.kaplanfoulkslynch.com

Additional reading:

Accountancy Tuition Centre (ATC)
International

Contact number: +44(0)141 880 6469

Website: www.atc-global.com

Candidates may also find the following text useful:

Abbas Ali Mirza, Graham Holt, Magnus Orrell, Liesel Knorr **International Financial Reporting Standards (IFRS) Workbook: Standard Outlines, Multiple-Choice Questions and Case Studies with Solutions (2005)** John Wiley & Sons Inc, UK (ISBN: 0-4716-9742-7)

Wider reading is also desirable, especially regular study of relevant articles in ACCA's *student accountant*.

The web site of the International Accounting Standards Board is a useful source of information (www.iasb.org).

STUDY SESSIONS

1 Overview of the role of the International Accounting Standards Board (IASB)

(a) Discuss the nature of the changing role of the IASB

(b) Describe the applicability of International Accounting Standards and International Financial Reporting Standards for small companies

(c) Discuss the solutions to differential financial reporting both nationally and internationally

2 Management Discussion and Analysis

(a) Prepare reports relating to corporate performance for external shareholders

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3 Group financial statements I

- (a) Review the basic principles of acquisition accounting
- (b) Explain and illustrate the principles of measurement relating to the fair value of the consideration and the net assets acquired
- (c) Discuss the nature of acquisitions achieved in stages
- (d) Prepare consolidated financial statements where control is established by an acquisition in stages
- (e) Account for complex group structures

4 Group financial statements II

- (a) Explain and illustrate the basic principles relating to the disposal of group companies
- (b) Discuss and illustrate the treatment of goodwill
- (c) Apply the principles of accounting for partial and deemed disposals

5 Group re-organisations and restructuring

- (a) Discuss the creation of a new holding company
- (b) Explain changes in the ownership of companies within a group
- (c) Discuss the nature of demergers and divisionalisation
- (d) Prepare group financial statements after re-organisation and reconstruction
- (e) Appraise the benefits of re-organisation and restructuring

6 Associates and joint ventures

- (a) Account for associates and joint ventures
- (b) Apply the equity and proportionate consolidation methods of accounting
- (c) Prepare group financial statements including accounting for associates and joint ventures
- (d) Evaluate current standards for reporting interests in joint ventures and similar arrangements

7 Foreign currency

- (a) Discuss the recording of transactions and retranslation of monetary/non-monetary items at the balance sheet date for individual entities
- (b) Account for the treatment of exchange differences re the above
- (c) Discuss the nature of the accounting for foreign entities
- (d) Account for a net investment in a foreign entity
- (e) Prepare group financial statements incorporating a foreign subsidiary/associate
- (f) Discuss problem areas in foreign currency transactions for individual and group companies
- (g) Discuss the nature of financial reporting in hyperinflationary economics

8 Group cash flow statements

- (a) Discuss the usefulness of cash flow information
- (b) Prepare group cash flow statements

- classifying cash flows by standard headings and including acquisition and disposal of subsidiaries
- (c) Deal with associates, joint ventures and foreign currencies

9 Non current assets I

- (a) Discuss the nature of impairment and the impairment review
- (b) Apply the impairment review and deal with losses on assets
- (c) Discuss and apply the principle of 'held for sale' non-current assets and 'disposal groups'

10 Non current assets II

- (a) Account for revaluation gains and losses and the depreciation of revalued assets
- (b) Account for the disposal of revalued assets
- (c) Discuss the effect of revaluations on realised profits
- (d) Account for investment properties including fair value and cost models, and definitional issues

11 Financial instruments I

- (a) Account for debt instruments, equity instruments and the allocation of finance costs
- (b) Account for fixed interest rate and convertible bonds
- (c) Discuss the definition and classification of a financial instrument

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12 Financial instruments II

- (a) Discuss the measurement issues relating to financial instruments
- (b) Explain and the recognition and measurement rules for financial instruments including the use of current values, hedging, the treatment of gains and losses and derivatives
- (c) Describe the nature of the disclosure requirements relating to financial instruments
- (d) Discuss the key areas where consensus is required on the accounting treatment of financial instruments

13 'Off balance sheet' transactions

- (a) Explain the nature of the 'off balance sheet' problem and the principle of substance over form
- (b) Discuss common forms of 'off balance sheet' finance and current regulation in the area
- (c) Discuss the perceived problems of current requirements including measurement and recognition issues

14 Leases

- (a) Discuss problem areas in lease accounting including classification, termination and tax variation clauses
- (b) Account for sale and leaseback transactions and recognition of income by lessors

- (c) Discuss and account for proposed changes in lease accounting and its impact on corporate financial statements

15 Segmental Reporting

- (a) Discuss the problem areas in segmental reporting including definition of segments, common costs, inter segment sales etc
- (b) Discuss the different approaches used to disclose segmental information
- (c) Discuss the importance of segmental information to users of financial statements

16 Accounting for retirement benefit costs

- (a) Describe the nature of defined contribution, multi-employer and defined benefit schemes
- (b) Explain the recognition of defined benefit schemes
- (c) Discuss the measurement issues relating to defined benefit schemes
- (d) Account for defined benefit schemes including the amounts shown in the balance sheet, income statement and notes to the financial statements
- (e) Discuss perceived problems relating to accounting for retirement benefit costs

17 Agriculture

- (a) Demonstrate knowledge of the scope of the current standard
- (b) Discuss the recognition and measurement criteria including treatment of gains and losses, and the inability to measure fair value reliably
- (c) Demonstrate knowledge of the treatment of government grants, and the presentation and disclosure of information relating to agriculture
- (d) Account for biological assets, agricultural produce at the point of harvest and government grants

18 Taxation

- (a) Discuss the different approaches to accounting for deferred taxation
- (b) Discuss the recognition of deferred taxation in the balance sheet and performance statements including revaluations, unremitted earnings of group companies and deferred tax assets
- (c) Explain the nature of the measurement of deferred taxation including tax rates and discounting
- (d) Calculate deferred tax amounts in financial statements

19 Reporting financial performance and earnings per share

- (a) Discuss proposed changes to reporting financial performance
- (b) Explain the rationale behind the proposed changes in reporting financial performance
- (c) Calculate diluted earnings per share

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by reference to dilutive potential ordinary shares, loss per share and particular types of dilutive instruments including partly paid shares, employee incentive schemes and contingently issuable shares

20 Events after the balance sheet date, provisions and contingencies

- (a) Discuss the problems of accounting for events after the balance sheet date including reclassification, window dressing etc
- (b) Discuss the issues relating to recognition and measurement of provisions including "best estimates", discounting, future events
- (c) Explain the use of restructuring provisions and other practical uses of provisioning
- (d) Discuss the problems with current standards on provisions and contingencies including definitional and discounting problems

21 Related parties and share based payment

- (a) Discuss the related party issue
- (b) Identify related parties (including deemed and presumed) and the disclosure of related party transactions
- (c) Discuss the effectiveness of current regulations on disclosure of related party transactions
- (d) Describe and apply the current standard for the recognition and

measurement of share-based payment

- (e) Show the impact of the share-based payment standard on the performance statements of the entity and discuss the problems of applying the standard

22 Preparation of reports I

- (a) Calculate and appraise a range of acceptable values for shares in an unquoted company
- (b) Advise a client on the purchase of a business entity
- (c) Analyse the impact of accounting policy changes on the value and performance on an entity

23 Preparation of reports II

- (a) Discuss the financial and non-financial measures of performance
- (b) Describe the procedures in designing an accounting based performance measurement system
- (c) Appraise the different performance measures including return on investment, residual income and economic value added
- (d) Compare target levels of performance with actual performance

24 Preparation of reports III

- (a) Discuss alternative definitions of capital employed and measurement bases for assets
- (b) Discuss the impact of price level

changes on business performance

25 The impact of environmental, social and cultural factors on corporate reporting

- (a) Appraise the impact of environmental, social and ethical factors on performance measurement
- (b) Describe current reporting requirements and guidelines for environmental reporting
- (c) Discuss the effect of culture on accounting and the cultural relativity of accounting
- (d) Discuss why entities might include socially orientated disclosures in performance statements
- (e) Evaluate ethical conduct in the context of corporate reporting

26 International issues

- (a) Evaluate the developments and the impact on companies of global harmonisation and standardisation
- (b) Assess proposed changes to international regulation
- (c) Identify the reasons for major differences in accounting practices
- (d) Restate overseas financial statements in line with International Accounting Standards and International Financial Reporting Standards

27 Current issues and developments

- (a) Identify ways of improving

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communication of corporate performance, current proposals relating to year end financial reports and business reporting on the internet

- (b) Identify problem areas in interim reporting
- (c) Discuss current issues in corporate reporting
- (d) Discuss current proposals to amend International Accounting Standards / International Financial Reporting Standards
- e) Discuss the standard on accounting for insurance contracts
- (f) Outline the current standard on 'Exploration for and Evaluation of Mineral Resources'

28 First-time adoption

- (a) Apply the accounting standard on first-time adoption of IFRSs, including:
 - (i) definitions
 - (ii) adjustments
 - (iii) exceptions
 - (iv) estimates
 - (v) adoption dates
 - (vi) disclosure