



Examiner's approach

Paper P2

Paper P2, *Corporate Reporting* will examine technical issues and practices. Professional and ethical issues will be thematic, and students will be expected to evaluate proposed accounting practices and utilise their professional judgement within differing scenarios.

The exam for Paper P2 will comprise two sections. Section A will be a compulsory question worth 50 marks. Section B will consist of three 25-mark questions of which students must attempt two. Section A will be based on a scenario, and will deal with the preparation of consolidated financial statements, including group cash flow statements and issues in financial reporting. Section B will normally comprise two questions based on a scenario or case study, and usually one essay-style question. The questions in this section will deal with all aspects of the syllabus.

Students will be examined on concepts, theories, principles, and practices including proposed accounting treatments. Students should be capable of critically evaluating, identifying, and prioritising issues. Professional judgement will be needed as well as the ability to demonstrate technical knowledge. Global issues will be addressed via the 'current issues' questions on the paper.

Students will be expected to appraise ethical and professional issues and situations when advising clients. This element of the syllabus could be examined in any question on the paper and could include social responsibility issues. An understanding of the financial reporting framework is an important aspect of the paper, and students will be asked to evaluate the consistency and clarity of corporate reports, and comment on the move towards a global accounting framework. Students should be able to produce reports relating to corporate performance and to evaluate proposed changes to reporting financial performance. Exposure drafts will be examined but only in terms of the key areas of change, and there will not be a complete question on a single exposure draft.

Discussion papers will be examined on a principles basis, and detailed knowledge of such will not be required. Students will have to identify the issues and deficiencies which have led to proposed change to accounting standard.

Group accounting – including cash flow statements – will be an important aspect of the syllabus, and will be examined at every exam session in Question 1. If group cash flow statements are examined, then the principles of group accounting may or may not be examined in Section B. Financial reporting in specialised, not-for-profit and public sector entities will be examined in general terms; students will be expected to apply their knowledge of the syllabus to straightforward transactions and events arising in these entities. Detailed knowledge of the industry, or specialised accounting knowledge, will not be required but students will have to apply their accounting knowledge to the scenario set out in the question.

The application of accounting standards will be an extremely important element of this paper, both in Section A and B. Students will have to advise a client on suitable accounting practices, based on existing accounting standards, as well as analysing and interpreting financial information and performance. Current issues will always be foremost in the mind of the examiner when writing the paper. These questions will often be driven by convergence issues and the work programme of the International Accounting Standards Board (IASB). New accounting standards will be examined as soon as is feasibly possible – but not within six months of their issue. In the past, students have tended to spend a disproportionate amount of time on Question 1, with the result that they become short of time when answering the remaining questions. Paper P2 will attempt to ensure that students do not experience time pressure on either Question 1 or in the paper in general. Question 1 will normally comprise a technical and a discursive element which could be based on professional, social, or ethical issues.

There will be an increasing emphasis on the conceptual framework which underpins the standards, and the examiner's approach will be to examine several standards at each diet. The key standards are those related to group accounting, cash flow, impairment, provisioning, non-current assets, taxation, employee benefits, leases, foreign exchange, intangibles, financial instruments, and reporting financial performance (including discontinued

operations). The other standards are also important and will figure in exam questions. Environmental, social, and cultural considerations are important, although questions on these issues will not be as frequent as those on other topics. Financial instruments will be dealt with at a relatively simple level.

Students will be expected to read more widely than just their tutor's manuals. Such manuals are often very good but students need to supplement their reading in order to consolidate their knowledge. Reading accountancy journals, if only on a selective basis, will enhance students' chances of success.

The same topic can appear in more than one question. For example, impairment of assets or financial instruments can be issues to consider in several questions in the paper. Thus, the subject matter can be examined in a number of contexts, rather than in just a single question on the subject. For example, many questions will contain elements relating to financial instruments and therefore the standards in this area become very important.

Questions will also be based on specific subjects or particular themes. For example, deferred tax and pensions would be a subject-based question; a theme-based question could consider a liquidity problem within an entity. If an area is generating consistently poor answers then it may also become the subject of a question. In this context, it is important to look at examiner's feedback and the reports from the teachers' conferences in order to identify such problem areas, but also to understand the examiner's views on various issues.

Corporate governance has been taken out of the syllabus because of overlap with other papers, but general governance issues will still appear in the paper. Similarly, share valuations have been eliminated from the syllabus.

Marks (between four and six) will be awarded for professional skills in this paper. These skills encompass the creation, analysis, evaluation and synthesis of information, problem solving, decision making, and communication skills.

Graham Holt is examiner for Paper P2