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Strategic Business Reporting
– Stepping up from Financial Reporting (FR)

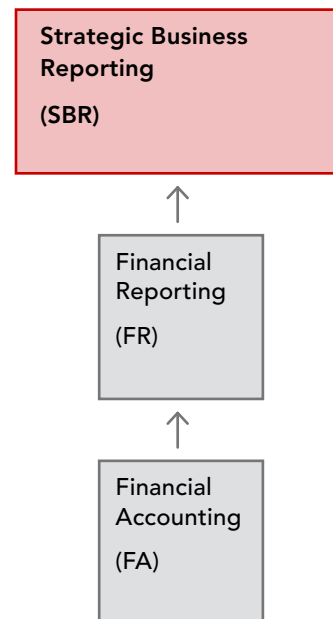
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Stepping up from Financial Reporting (FR)

Before you start studying for Strategic Business Reporting (SBR), it's important to understand how your previous Financial Reporting studies relate to this exam. What knowledge is assumed? How does Strategic Business Reporting differ from previous financial reporting exams that you may have taken?

You may have sat ACCA's Financial Reporting (FR) exam recently, or maybe some time ago. You may have come from a university or another establishment, and been exempted from the FR exam. Your route to this point of your studies doesn't matter; fundamentally you all have the same assumed knowledge – which more or less equates to the content of the Financial Reporting syllabus. The diagram below shows how knowledge from earlier exams in the ACCA qualification flows into the SBR syllabus.



If you attend tuition for SBR, assumed technical knowledge may be revised briefly in class, but the emphasis will be on teaching new technical material and applying existing and new knowledge. Most courses and materials for SBR will build upon this existing knowledge rather than re-teach it. You should think about how to refresh your knowledge before you start studying for SBR. A look through the Financial Reporting syllabus will remind you of its content but, for a more proactive approach, you can also test yourself on what you remember, and refresh your knowledge, using the specimen exams and past exams for Financial Reporting. A large part of these exams takes the form of objective test questions so it's relatively easy for you to fit in a few at a time in a busy schedule.

Let's now move on to look at where that overlap is, and what it means for SBR by taking each FR syllabus area in turn and exploring how it is developed in SBR.

SBR will build upon this existing knowledge.

The FR syllabus and the step to SBR

Conceptual and regulatory framework for financial reporting

You will be familiar with this 'guiding light' of financial reporting from your previous studies, and it is central to the Strategic Business Reporting syllabus. In SBR, you will not be asked to regurgitate the contents of the Conceptual Framework in response to factual questions, but you will instead be required to display a deeper understanding of the concepts within it and be able to discuss and critique them. You should therefore make sure that you understand how given standards do or don't reflect the principles and concepts contained within it.

In SBR you may also be required to apply basic principles or accounting concepts to transactions or events that an existing standard does not cover. This type of question requires a good working knowledge of the Conceptual Framework and the required application skills are best developed through question practice from an early stage of the course.

Accounting for transactions in financial statements

You will already, of course, be familiar with a number of accounting standards, such as those on property, plant and equipment, revenue, tax and leases. At SBR, you need to add to this knowledge and will be expected to know further detail of each standard. For example lessee accounting and simple sale and leaseback formed part of the FR syllabus; at SBR the syllabus is extended to include lessor accounting.

Not only will you be learning the more detailed requirements of the standards that your students have already come across, but you will also be introduced to new standards such as those on pensions, share-based payment and joint arrangements. It doesn't, however, stop there. SBR is not only about the technical content of accounting standards – it is about applying that content to scenarios – possibly complex ones – and being able to talk around the standard, discussing why it exists, the rationale for the required accounting treatment and criticisms of it. In other words, even where a standard is assumed knowledge, you will be required to have a much deeper understanding of it.

You will score very little in this exam for simply regurgitating the requirements of standards. You should start building the skills necessary to analyse scenarios, apply standards, consider the effects of required treatments on stakeholders and discuss wraparound issues such as rationale.

Don't overemphasise the rote learning of technical requirements of standards, as many students have been prone to do historically. You should also attempt exam style questions from an early stage of your studies. It's also very valuable to get feedback on your answers – from a tutor, fellow students or work colleagues. Alternatively, you might join a study group on ACCA's Learning Community and find a study buddy.

Analysing and interpreting financial statements

In your previous exams, questions on 'analysis and interpretation' usually involved calculating ratios and commenting on the performance and position of a company, based on the financial statements and those ratios. This is exactly what analysis and interpretation was in Financial Reporting; however in Strategic Business Reporting it has a very different meaning.

At this level, 'analysis and interpretation' is tested in much more depth.

At this level, 'analysis and interpretation' is tested in much more depth. You will be presented with a scenario, which may include numbers, narrative information on accounting treatments, assumptions, estimates or details of bias. You will be required to apply your technical knowledge in order to assess and question the information provided. In particular, there will often be an aspect of "not taking figures at their face value". You may also be required to empathise with specific stakeholders and explain the impact of issues in the scenario on them. To deal with this type of question you first need to make sure that you have the necessary technical knowledge and then to practise analysing scenarios. As well as practising questions from your study materials, it's useful to read journalists comments on financial statements issued by companies alongside looking at these actual financial statements online. You should also ensure that you practise thinking from the point of view of different stakeholder groups, as the syllabus places a significant emphasis on stakeholder impact.

One area on the Strategic Business Reporting syllabus that is worthy of specific mention is 'additional performance measures'. This area is not examined in the earlier levels of the Qualification. Examples include adjusted revenue or profit and key performance indicators. You need to be able to deal with questions on these measures such as that in question 4 of the specimen exam. You therefore need an understanding of what an additional performance measure is, the advantages and disadvantages of them and how to evaluate them. Once you have covered this area in your study materials, examples from companies' published annual reports will help to bring this area to life.

One area on the Strategic Business Reporting syllabus that is worthy of specific mention is 'additional performance measures'.

Preparation of financial statements

Group accounting is a key part of the Strategic Business Reporting syllabus and there is a great deal of assumed knowledge in terms of consolidation, equity accounting and simple disposals. This is, however, supplemented with extensive additional technical knowledge on joint arrangements, step acquisitions, part disposals, foreign currency consolidations and consolidated statements of cash flows.

There is also a different focus in the type of exam question. In Financial Reporting, questions usually involved the preparation a full statement of financial position or statement of profit or loss and other comprehensive income, either for a single company or a group. SBR questions are extremely unlikely to take this format; the focus is instead on calculating specified amounts or balances and explaining these calculations and amounts. The mark bias in this type of question may tend towards the narrative answer, so meaning that you cannot simply rote learn consolidation techniques and expect to pass the exam.

You do need to have a sound understanding of basic consolidation techniques.

When you start working on the extra areas of group accounting, you will have to practise the numerical techniques, but don't neglect to learn how to explain the principles and calculations, as the written aspects of these questions will often carry the bulk of the marks.

New technical knowledge

In addition to the aspects of the Strategic Business Reporting syllabus that build on the FR syllabus, there are three key new areas – current issues, ethics and non-financial reporting.

Current issues

An aspect of SBR that you are unlikely to have come across in your previous studies is that of current issues. Financial reporting is continuously and rapidly evolving and the IASB amends existing standards and issues new standards relatively frequently.

The SBR syllabus lists those areas examinable as current issues, such as the development of a new Conceptual Framework and issues with IFRS 3, and the focus of your study should be on these. As this is an ever-moving area, it's a good idea to use ACCA articles and the IFRS foundation website to get yourself up to date.

Ethics

Ethics is another area of the SBR syllabus that students did not have to deal with in FR. However, they are likely to have come across the fundamental principles and the Code of Ethics – for example as part of Accountant in Business and Audit and Assurance for those that were not exempt from those exams.

You should complete ACCA's Ethics and Professional Skills module prior to tackling any of the Strategic Professional exams. In the section of the module that deals with ethics, you will find several activities that will help you develop the right approach when faced with ethical dilemmas of the type that are likely to appear in this exam.

For the purposes of SBR, yes, you have to understand ethics and why it is important in financial reporting, and of course you have to be able to identify and understand the ethical principles, but the key focus is on application to scenarios. Yet again, this is an area of SBR that you will best develop through question practice and ideally with feedback on your answers.

Non-financial reporting

A final aspect of the SBR syllabus to touch on is non-financial reporting, which includes sustainability and integrated reporting. This is an area of corporate reporting that you may not have come across before. It is also an evolving area, with developments in sustainability reporting listed as a current issue in the SBR syllabus.

You need to understand the importance of non-financial and narrative reporting, and to be aware of the requirements of existing guidance on it, in particular the Integrated Reporting <IR> Framework. For the purposes of SBR questions, you need to be equipped to discuss these aspects of non-financial reporting. Again, a useful way to build up a good understanding of this area, once you have learned some of the basic principles from your study materials, is to look at some examples of companies' integrated reports. The website of the International Integrated Reporting Council (IIRC) contains many examples of best practice in this area.

SBR exam

Having discussed the various links from assumed knowledge of a topic to SBR required knowledge of the topic, and the new topics covered at SBR, let's finally think about the exam itself and how to best prepare for success in it.

The approach to reporting taken in SBR is designed to reflect 'real life'.

As you'll have gathered, the style of the SBR exam is likely to be different to the FR exams or to university exams. A common misconception is that a reporting exam is largely numerical, however the emphasis in SBR is on written questions. Yes, some calculations are likely to be required, but these will be more likely to support a written answer than vice versa. The specimen exams available on the ACCA website give a good indication of the types of question you can expect to see, and the relative mark allocations, and you should work through these as part of your revision.

All questions in the SBR exam are compulsory so you must ensure that you study all areas of the syllabus and are prepared for all types of question. You should expect to see questions covering group accounting, specific financial reporting issues, ethics, scenario analysis and the appraisal of financial or non-financial information from a given stakeholder's perspective. You may also see unusual concepts tested, which require you to think laterally and apply basic principles.

Overall the approach to reporting taken in SBR is best described as 'holistic' – it is designed to reflect 'real life' as well as an exam can and, as in real life, success is dependent on demonstration of the specific skills of analysis, identification of issues, application of knowledge and empathy with others, as well as general skills such as time management.

As stated a number of times in this article, the very best way to develop these necessary skills and a good exam technique is to attempt exam-style questions throughout your studies. The most important part of question practice is the feedback you get on your answers, either from a tutor or others, or from a careful review of your own answer. The article 'Read the mind of an SBR marker' will give you some insight into what makes a good answer in SBR. The companion article to this one, 'Strategic Business Reporting – exam techniques for success', is a useful resource that will help you build confidence in your approach to this exam.

More SBR resources
for students **here**

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