5. Detailed study guide

A Fundamental ethical and professional principles

1. Professional and ethical behaviour in corporate reporting

a) Appraise and discuss the importance of ethical and professional behaviour in complying with accounting and sustainability standards and corporate reporting requirements in contemporary business scenarios.[3]

b) Assess and discuss the consequences of unethical behaviour by management in carrying out their responsibility for the preparation of corporate reports [3]

B The financial reporting framework

1. The applications, strengths and weaknesses of an accounting framework

a) Discuss the importance of the Conceptual Framework for Financial Reporting in underpinning the production of accounting standards.[3]

b) Discuss the objectives, principles and limitations of financial reporting including presentation and disclosure of information.[3]

c) Discuss the qualitative characteristics of useful financial information including disclosure.[3]

d) Evaluate the principles of recognition, derecognition and measurement, including measurement uncertainty and materiality.[3]

e) Critically discuss and apply the definitions of the elements of financial statements and the reporting of items in the statement of profit or loss and other comprehensive income.[3]

C Reporting the financial performance of a range of entities

1. Revenue

a) Discuss and apply the criteria that must be met before an entity can recognise revenue.[3]

b) Discuss and apply the criteria for recognition of contract revenue and contract costs including contract modifications.[3]

c) Evaluate and apply the recognition and measurement of revenue including performance obligations satisfied over time, sale with a right of return, repurchase agreements, consignment arrangements, warranties, variable consideration, principal versus agent considerations and non-refundable up-front fees.[3]

2. Non-current assets

a) Evaluate and apply the recognition, derecognition and measurement of non-current assets including impairments and revaluations.[3]

b) Evaluate and apply the accounting requirements for the classification and measurement of non-current assets held for sale.[3]

c) Evaluate and apply the accounting treatment of investment properties including classification, recognition, measurement and change of use.[3]

d) Evaluate and apply the accounting treatment of intangible assets including the criteria for recognition and measurement subsequent to acquisition.[3]

e) Evaluate and apply the accounting treatment for borrowing costs.[2]

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3. Financial instruments

a) Evaluate and apply the initial recognition and measurement of financial instruments including the business model test.[3]

b) Explain and apply the subsequent measurement of financial assets and financial liabilities including the fair value option and financial liability modifications.[3]

c) Discuss and apply the derecognition of financial assets and financial liabilities.[2]

d) Discuss and apply the reclassification of financial assets.[2]

e) Account for derivative financial instruments.[2]

f) Explain and apply the qualifying criteria for hedge accounting and account for fair value hedges and cash flow hedges including hedge effectiveness[2]

g) Discuss and apply the general approach to impairment of financial instruments including the basis for estimating expected credit losses.[2]

h) Discuss the implications of a significant increase in credit risk.[2]

i) Discuss and apply the treatment of purchased or originated credit impaired financial assets.[2]

4. Leases

a) Evaluate and apply the lessee accounting requirements for leases including the identification of a lease and the measurement of the right-of-use asset and lease liability.[3]

b) Evaluate and apply the accounting for leases by lessors including accounting for subleases.[3]

c) Evaluate and apply the circumstances where there may be re-measurement of the lease liability.[3]

d) Justify and apply the separation of the components of a lease contract into lease and non-lease elements.[3]

e) Evaluate and apply the recognition exemptions under the current leasing standard.[3]

f) Discuss and apply the accounting for sale and leaseback transactions.[3]

5. Employee benefits

a) Evaluate and apply the accounting treatment of short term and long-term employee benefits, termination benefits and defined contribution and defined benefit plans.[3]

b) Account for gains and losses on settlements and curtailments.[2]

c) Account for the “Asset Ceiling” test and the reporting of actuarial gains and losses.[2]

6. Income taxes

a) Evaluate and apply the recognition and measurement of current and deferred tax liabilities and assets.[3]

b) Discuss and apply the treatment of deferred taxation on a business combination.[2]

7. Provisions, contingencies and events after the reporting period

a) Evaluate and apply the recognition, de-recognition and measurement of provisions, contingent liabilities and contingent assets including onerous contracts, environmental provisions and restructuring provisions.[3]

b) Evaluate and apply the accounting for events after the reporting period.[3]

8. Share-based payment

a) Evaluate and apply the recognition and measurement of share-based payment transactions.[3]

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9. Fair Value Measurement

a) Evaluate and apply the principles of 'fair value' measurement and 'active market'.[3]

b) Evaluate and apply the 'fair value hierarchy' including valuation techniques.[3]

c) Justify and apply the principles of highest and best use, most advantageous and principal market.[3]

10. Other reporting issues

a) Evaluate and apply the accounting for, and disclosure of, government grants and other forms of government assistance.[3]

b) Appraise and apply the judgements made in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors.[3]

c) Identify related parties and assess the implications of related party relationships in the preparation of corporate reports.[2]

d) Evaluate and apply the principles relating to the general features and structure and content of financial statements. [3]

e) Discuss the key differences in accounting treatment between full IFRS Accounting Standards and the IFRS for SMEs Standard®, including the simplifications introduced by the IFRS for SMEs Standard.[2]

11. Reporting requirements of UK and Republic of Ireland entities

a) Discuss the financial reporting requirements for UK and Republic of Ireland entities (UK GAAP) and their interaction with the Companies Act requirements.[3]

b) Discuss the reasons why an entity might choose to adopt UK GAAP.[3]

c) Discuss the scope and basis of preparation of financial statements under UK GAAP.[3]

d) Discuss the concepts and pervasive principles set out in UK GAAP.[3]

e) Discuss and apply the principal differences and similarities between UK GAAP and IFRS Accounting Standards.[3]

f) Evaluate and apply the treatment of financial instruments, revenue and leases in accordance with UK GAAP. [3]

g) Discuss the key differences between the IFRS Sustainability Disclosure Standards and the European Sustainability Reporting Standards. [2]

D Financial statements of groups of entities

1. Group accounting including statements of cash flows

a) Evaluate and apply the principles behind determining whether a business combination has occurred including the control principle.[3]

b) Evaluate and apply the acquisition method of accounting for a business combination including identifying an acquirer and the principles in determining the cost of a business combination.[3]

c) Justify the recognition and measurement criteria used for identifying acquired assets and liabilities including contingent amounts and intangible assets.[3]

d) Evaluate and apply the accounting for goodwill and non-controlling interests.[3]

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e) Evaluate and apply the accounting principles relating to a business combination achieved in stages.[3]

f) Determine and apply appropriate procedures to be used in preparing consolidated financial statements.[3]

g) Evaluate and apply the implications of changes in ownership interest and loss of control or significant influence.[3]

h) Appraise the impact on group financial statements where activities have been discontinued.[3]

i) Discuss and apply the treatment of a subsidiary which has been acquired exclusively with a view to subsequent disposal.[2]

j) Discuss and apply accounting for group companies in the separate financial statements of the parent company.[2]

k) Identify and explain the circumstances when a group may claim an exemption from the preparation of consolidated financial statements.[2]

l) Evaluate and apply the principles relating to the preparation of group statements of cash flows.[3]

2. Associates and joint arrangements

a) Discuss and apply the principle of significant influence and apply the equity method
of accounting for associates.[3]

b) Discuss and apply the application of the joint control principle and apply to the classification of joint arrangements.[3]

3. Foreign transactions and entities

a) Evaluate and apply the translation of foreign currency amounts and transactions into the functional currency and the presentational currency.[3]

b) Evaluate and apply the principles relating to the consolidation of foreign operations, including subsidiaries, associates and joint arrangements, and their disposal.[3]

E Interpret financial and non-financial information for different stakeholders

1. Analysis and interpretation of financial and non-financial information and measurement of performance

a) Evaluate the relevant indicators of financial and non-financial performance including earnings per share and additional performance measures.[3]

b) Appraise the impact of environmental, social, and ethical factors on disclosure.[3]

c) Evaluate and explain the principles of reportable segments.[3]

d) Discuss the importance of integrated reporting and segmental information to stakeholders.[2]

e) Appraise the factors which affect the quality of financial and non-financial information for investors, including management commentary and disclosures produced in accordance with IFRS Accounting Standards and IFRS Sustainability Disclosure Standards.[2]

F The impact of changes and potential changes in accounting regulation

1. Discussion of issues in financial reporting

a) Appraise the accounting implications of the adoption of new accounting standards.[2]

b) Discuss issues and deficiencies in IFRS Accounting Standards.[2]

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c) Evaluate and apply one or more existing accounting standards to contemporary issues such as:
- digital assets
- natural disasters
- climate change
- global events
- going concern.[3]

d) Regarding the IFRS Sustainability Disclosure Standards:
- outline the scope, conceptual foundations, objectives and core content; and
- assess the usefulness of corporate disclosures of climate-related risks and opportunities.[2]

G Employability and technology skills

1. Use computer technology to efficiently access and manipulate relevant information.

2. Work on relevant response options, using available functions and technology, as would be required in the workplace.

3. Navigate windows and computer screens to create and amend responses to exam requirements, using the appropriate tools.

4. Present data and information effectively, using the appropriate tools.

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