

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]

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]

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]

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]
- 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]

- 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;
 - assess the usefulness of corporate disclosures of climate-related risks and opportunities; and
 - discuss the key differences between the IFRS Sustainability Disclosure Standards and the European Sustainability Reporting Standards.^[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.**