

Knowledge, skills and understanding

Content

The following content must be covered to prepare students for the final assessment of this qualification.

1. The Regulatory Framework and Governance Responsibilities

Subject content	What students need to learn:
1.1 The principles applied when undertaking accounting responsibilities in business	a) How the main financial statements contribute towards meeting the needs of different stakeholders and users
	b) The principles incorporated into the International Federation of Accountants (IFAC) Code of Ethics (International Ethics Standards Board for Accountants – IESBA [®])
	c) The responsibilities of governance and management in supporting the accounting function
	d) The difference between the respective roles and responsibilities of executive directors and non-executive directors
1.2 The role of financial audits and the regulatory system governing financial reporting	a) The purpose of external audits
	b) The responsibilities of an external auditor
	c) The implications of not submitting the required financial statements to the relevant statutory bodies
	d) The reporting responsibilities of the external auditor
	e) The need for independence by the external auditor
	f) Fraud and the external auditor
	g) The impact of risk on the audit
	h) The regulatory framework relating to financial reporting
	i) The roles of: <ul style="list-style-type: none"> • International Financial Reporting Standards (IFRS) Foundation • IFRS Advisory Council • IFRS Interpretations Committee • International Accounting Standards Board (IASB)

2. Accounting Systems

Subject content	What students need to learn:
2.1 The recording of regular transactions and necessary adjustments for the year end	a) Recording financial transactions
	b) Make adjustments for accruals and prepayments

3. The Principles of Financial Statements for Single Entities, Partnerships and Groups

Subject content	What students need to learn:
3.1 The accounting treatment of tangible and intangible non-current assets	a) Acquisitions, disposals, depreciation
	b) The revaluation of non-current assets
	c) The principles incorporated into the following: <ul style="list-style-type: none"> • Straight line and reducing (diminishing) balance • Intangible assets (IAS 38)
	d) The impairment of assets
	e) Preparation of a schedule of non-current assets
3.2 Account for depreciation	a) Revaluation of a non-current asset and subsequent depreciation (IAS 16)
3.3 The treatment of provisions, contingent liabilities and contingent assets	a) The difference between provisions, contingent liabilities and contingent assets (IAS 37)
	b) The accounting treatment for provisions, contingent liabilities and contingent assets in different business scenarios
3.4 The treatment of events after the reporting date	a) The difference between an adjusting and non-adjusting event after reporting period date (IAS 10)
	b) Correct accounting treatment for an adjusting and non-adjusting event in the financial statements

Subject content	What students need to learn:
3.5 Accounting policies	a) The principles incorporated into the following International Accounting Standards (IAS): <ul style="list-style-type: none"> • Impact of accounting policies (IAS 8) • Changes in accounting policies (IAS 8) • Changes in accounting estimates (IAS 8)
3.6 Revenue recognition	a) The principles incorporated into the following International Accounting Standards (IAS): <ul style="list-style-type: none"> • Revenue recognition for goods and services • General principles of revenue recognition (IAS 18)
3.7 The accounting treatment of shares and dividends	a) The characteristics and calculation of ordinary shares and preference shares
	b) The characteristics and calculation of first and subsequent share issue, bonus issue and rights issue

4. Financial Statements

Subject content	What students need to learn:
4.1 Prepare the main financial statements for single entities and partnerships	a) The purpose of the main financial statements
	b) Preparation of a statement of profit or loss from a given data set for single entities and partnerships
	c) Preparation of a statement of financial position from a given data set for single entities and partnerships
	d) Preparation of a statement of changes in equity for a single entity from a given data set for single entities
	e) Preparation of a statement of cash flows from a given data set
	f) The purpose of disclosure notes in financial statements
	g) Preparation of a statement of adjustment of profit from a given data set, following the clearance of a suspense account
4.2 Prepare consolidated financial statements	a) Understanding of the following terms: <ul style="list-style-type: none"> • parent • subsidiary • non-controlling interest • goodwill • fair values • pre- and post-acquisition profits
	b) Understanding the nature and purpose of consolidated financial statements (parent, subsidiary and associate) (IFRS 10)
	c) Calculation of goodwill using the full goodwill method from a given data set
	d) Accounting for an impairment of goodwill
	e) Preparation of a consolidated statement of profit or loss (acquisition taking place at the beginning of the financial year) (IFRS 10)
	f) Preparation of a consolidated statement of financial position (acquisition taking place at the beginning of the financial year) (IFRS 10)

5. The Analysis of Business Performance Using Financial Statements

Subject content	What students need to learn:
5.1 The measurement of business performance	a) The importance of measuring business performance
	b) The elements of business performance that can be measured by the main financial statements
	c) Ratios used to measure financial performance
5.2 The analysis of financial statements	a) Ratios extracted from financial statements: <ul style="list-style-type: none"> • gross profit margin • operating profit margin • asset turnover ratio • return on capital employed (ROCE) • return on equity • current ratio • quick ratio (acid test) • inventory turnover (days and months) • trade receivables collection period (days and months) • trade payables payment period (days and months)
	b) Calculate the use of the following ratios extracted from financial statements: <ul style="list-style-type: none"> • interest cover • dividend yield • dividend cover • earnings per share • price/earnings ratio • gearing
	c) Interpretations and recommendations of financial analysis
	d) The limitations of financial analysis

The following skills should be developed throughout the course of study.

Skills	Students should:
	a) Understand the importance of financial reporting
	b) Understand the regulatory framework and governance responsibilities
	c) Prepare financial statements in accordance with the relevant accounting standards for single entities, partnerships, and groups, including statements of: <ul style="list-style-type: none">• profit or loss• financial position• changes in equity• cash flows
	d) Analyse the financial statements to assess the performance and position of an entity, making appropriate recommendations