

Advanced Corporate Reporting (GBR)

AIM

To ensure that candidates can exercise judgement and technique in corporate reporting matters encountered by accountants and can react to current developments or new practice.

OBJECTIVES

On completion of this paper candidates should be able to:

- explain and evaluate the implications of an accounting standard or proposed accounting standard for the content of published financial information
- explain and evaluate the impact on the financial statements of business decisions
- explain the legitimacy and acceptability of an accounting practice proposed by a company
- prepare financial statements for complex business situations
- analyse financial statements and prepare a report suitable for presentation to a variety of users
- evaluate current practice in the context of the needs of users and the objectives of financial reporting
- evaluate current developments in corporate reporting in the context of their practical application, implications for corporate reporting, and the underlying conceptual issues and
- demonstrate the skills expected in Part 3.

3.6 Advanced Corporate Reporting

2.5 Financial Reporting

1.1 Preparing Financial Statements

3.1 Audit and Assurance Services

2.6 Audit and Internal Review

POSITION OF THE PAPER IN THE OVERALL SYLLABUS

This paper is the final assessment of the candidates' skills in the area of corporate reporting. The paper builds on the technical skills studied in Paper 1.1 Preparing Financial Statements and Paper 2.5 Financial Reporting by requiring candidates to demonstrate the high level technical and evaluatory skills expected of an accountant.

The paper complements the skills acquired in studying the other core papers in Part 3 of the ACCA examination structure.

SYLLABUS CONTENT

1 The UK regulatory framework

- (a) Financial Reporting Standards, Financial Reporting Exposure Drafts, Discussion Papers, Urgent Issues Task Force pronouncements

including accounting for equity and liabilities, assets, provisions and contingencies, segments, related parties, financial instruments, taxes, leases, retirement benefits.

- (b) The content of the UK regulatory framework in a given range of practical situations.
- (c) The problems with the current and proposed changes to the UK regulatory framework including measurement and recognition issues.
- (d) The impact of current and proposed regulations on the financial statements of the entity.
- (e) The effect of business decisions and proposed changes in accounting practice by the entity on the financial statements.
- (f) The legitimacy of current accounting practice and its relevance to users of corporate financial statements.

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2 Preparation of the financial statements of complex business entities

- (a) The financial statements of complex groups including vertical and mixed groups.
- (b) Group cash flow statements.
- (c) Accounting for group reorganisations and restructuring including demergers, take-overs and group schemes.
- (d) Accounting for foreign currency transactions and entities.

3 Preparation of reports for external and internal users

- (a) Appraisal of financial and related information, the purchase of a business entity, the valuation of shares and the reorganisation of an entity.
- (b) Appraisal of the impact of changes in accounting policies and the regulatory framework on shareholder value.
- (c) Appraisal of the business performance of the entity including quantitative and qualitative measures of performance and the potential for corporate failure.
- (d) The assessment of the impact of price level changes and available methods of valuation on business decisions and performance.
- (e) The effectiveness of corporate governance within an entity.

4 Current issues and developments

- (a) The accounting impact of environmental, cultural and social factors on the entity.

- (b) The impact of the content of financial statements on users including changes in design and content of interim and year-end financial statements and alternate ways of communicating results to users.
- (c) Proposed changes in the structure of national and international regulation and the impact on global harmonisation and standardisation.
- (d) The applicability of the regulatory framework to small and medium sized entities.
- (e) Current developments in corporate reporting.

5 Ethical considerations

- (a) Ethics and business conduct.

EXCLUDED TOPICS

The syllabus content outlines the areas for assessment. No areas of knowledge are specifically excluded from the syllabus.

KEY AREAS OF THE SYLLABUS

Key topic areas are as follows:

- group accounting, group cash flow statements and foreign currency translation
- discussion papers, financial reporting exposure drafts and recent financial reporting standards
- problems with current accounting standards and the impact of changes therein on the entity
- preparation of reports in an advisory

capacity including share valuation, and purchase of a business

- changes in organisational structure, reconstructions, demergers, etc
- the potential for business failure and problems with the business including financial analysis, corporate failure prediction and measurement of corporate performance
- environmental and social accounting and the impact of culture
- corporate governance and the dissemination of information to users
- the move to the use of International Financial Reporting Standards
- current issues.

The main thrust of the syllabus will be the preparation of a set of group financial statements, advising clients on current standards and changes therein, reporting business performance including environmental and social reporting and corporate governance, and appraising current issues. It is important to realise that other areas of the syllabus will be also examined.

APPROACH TO EXAMINING THE SYLLABUS

The examination is a three hour paper divided into two sections.

Section A will normally comprise one compulsory question on group financial statements including group cash flows and foreign currency translation. This question

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will be technically demanding and could have a discursive element in it.

Section B will comprise four questions out of which candidates should select three questions. These questions will involve advising, discussing and reporting on issues and topics in corporate financial reporting. The questions will view the subject matter from the perspective of the preparer of financial statements and from the perspective of the accountant as an advisor. Invariably a technical understanding of the subject matter will be required and candidates will have to apply their knowledge to given cases and scenarios.

Advice as to current and future reporting requirements and their impact on reported corporate performance will be an important element of these questions. Additionally current issues and developments in financial reporting will be examined on a discursive basis.

	Number of marks
Section A: One compulsory question	25
Section B: Choice of 3 from 4 questions (25 marks each)	75
	100

ADDITIONAL INFORMATION

Candidates need to be aware that questions involving knowledge of new examinable regulations will not be set until at least six months after the last day of the month in which the regulation was issued.

The Study Guide provides more detailed guidance on the syllabus. Examinable documents are listed in the 'Exam Notes' section of *student accountant*.

RELEVANT TEXTS

There are a number of sources from which you can obtain a series of materials written for the ACCA examinations. These are listed below:

FTC Foulks Lynch – ACCA's official publisher

Contact number: +44 (0)118 989 0629.
Website: www.financial-training.com/new/foulkslynch

Accountancy Tuition Centre (ATC) International

Contact number: +44 (0)141 880 6469.
Website: www.ptc-global.com

BPP

Contact number: +44 (0)20 8740 2211.
Website: www.bpp.com

Wider reading is also desirable, especially regular study of relevant articles in ACCA's *student accountant*.

The websites of the Accounting Standards Board (www.asb.org.uk) and the International Accounting Standards Board (www.iasb.org.uk) are also useful sources of information.

STUDY SESSIONS

1 Overview of UK GAAP

- (a) Discuss the nature of UK GAAP
- (b) Describe the applicability of UK GAAP for small companies
- (c) Outline the Financial Reporting Standard for Smaller Entities (FRSSE)
- (d) Discuss the solutions to differential financial reporting

2 Corporate governance

- (a) Discuss the role and need for the reform of corporate governance
- (b) Describe the nature of reporting under the combined code
- (c) Discuss the need for corporate governance in small companies
- (d) Describe the nature and content of the Operating and Financial Review (OFR)

3 Group financial statements I

- (a) Review the basic principles of acquisition accounting
- (b) Explain and illustrate the principles of measurement relating to the fair value of the consideration and the net assets acquired
- (c) Discuss the nature of step by step acquisitions

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- (d) Prepare consolidated financial statements where control is established by a step by step acquisition
- (e) Account for complex group structures

4 Group financial statements II

- (a) Explain and illustrate the basic principles relating to the disposal of group companies
- (b) Discuss and illustrate the treatment of goodwill on disposal
- (c) Apply the principles of accounting for partial and deemed disposals

5 Mergers

- (a) Explain the basic principles and philosophy of merger accounting
- (b) Discuss the relative merits of different methods of accounting for business combinations

6 Group re-organisations and restructuring

- (a) Discuss of the creation of a new holding company
- (b) Explain changes in the ownership of companies within a group
- (c) Discuss the nature of demergers and divisionalisation
- (d) Prepare group financial statements after re-organisation and reconstruction
- (e) Appraise the benefits of the re-organisation and restructuring

7 Associates, joint ventures and joint arrangements that are not entities (JANE)

- (a) Account for associates, joint ventures and jane's
- (b) Apply the equity and gross equity methods of accounting
- (c) Prepare group financial statements including accounting for associates, joint ventures and jane's

8 Foreign Currency

- (a) Discuss the recording of transactions and retranslation of monetary/non-monetary items at the balance sheet date for individual entities
- (b) Account for the treatment of exchange differences re the above
- (c) Account for foreign equity investments financed by borrowings
- (d) Prepare group financial statements incorporating a foreign subsidiary/ associate
- (e) Discuss problem areas in foreign currency transactions for individual and group companies

9 Group cash flow statements

- (a) Discuss the usefulness of cash flow information
- (b) Prepare group cash flow statements classifying cash flows by standard headings and including acquisition and disposal of subsidiaries
- (c) Deal with associates, joint ventures, joint arrangements and foreign currencies

10 Fixed assets I

- (a) Discuss the nature of impairment and the impairment review
- (b) Apply the impairment review and deal with losses on assets
- (c) Account for the amortisation of goodwill and intangible assets including impairment

11 Fixed assets II

- (a) Account for revaluation gains and losses and the depreciation of revalued assets
- (b) Account for the disposal of revalued assets
- (c) Discuss the effect of revaluations on distributable profits
- (d) Discuss and apply the principle of 'held for sale' non-current assets

12 Capital instruments

- (a) Account for debt instruments, share capital and the allocation of finance costs
- (b) Account for fixed interest rate and convertible bonds
- (c) Discuss the measurement issues relating to complex instruments

13 Financial instruments

- (a) Discuss the definition and classification of a financial instrument
- (b) Explain and apply the current measurement proposals for financial instruments including the use of current values, hedging, the

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treatment of gains and losses and derivatives

- (c) Describe the nature of the disclosure requirements relating to financial instruments
- (d) Discuss the key areas where consensus is required on the accounting treatment of financial instruments

14 'Off balance sheet' transactions

- (a) Explain the nature of the 'off balance sheet' problem and the principle of substance over form
- (b) Discuss common forms of 'off balance sheet' finance and current regulatory requirements
- (c) Discuss the perceived problems of current regulatory requirements including measurement and recognition issues

15 Leases

- (a) Discuss problem areas in lease accounting including classification, termination, tax variation clauses
- (b) Account for sale and leaseback transactions and recognition of income by lessors
- (c) Discuss and account for proposed changes in lease accounting and its impact on corporate financial statements

16 Segmental reporting

- (a) Discuss the problem areas in segmental reporting including definition of segments, common costs, inter segment sales etc
- (b) Discuss the different approaches used to disclose segmental information
- (c) Discuss the importance of segmental information to users of financial statements

17 Accounting for Retirement Benefits

- (a) Describe the nature of defined contribution, multi-employers and defined benefits schemes
- (b) Explain the recognition of defined benefit schemes under current proposals
- (c) Discuss the measurement of defined benefit schemes under current proposals
- (d) Account for defined benefit schemes including the amounts shown in the balance sheet, statement of total recognised gains and losses, profit and loss account and notes to the account
- (e) Discuss perceived problems with current proposals on accounting for retirement benefits

18 Taxation

- (a) Discuss the different approaches to accounting for deferred taxation
- (b) Discuss the recognition of deferred taxation in the balance sheet and

performance statements under current proposals including revaluations, unremitted earnings of group companies and deferred tax assets

- (c) Explain the nature of the measurement of deferred taxation under current proposals including tax rates and discounting
- (d) Calculate deferred tax amounts in financial statements under current proposals

19 Reporting financial performance and earnings per share

- (a) Discuss proposed changes to reporting financial performance
- (b) Explain the rationale behind the proposed changes in reporting financial performance
- (c) Calculate diluted earnings per share by reference to dilutive potential ordinary shares, loss per share and particular types of dilutive instruments including partly paid shares, employee incentive schemes and contingently issuable shares

20 Events after the balance sheet date, provisions and contingencies

- (a) Discuss the problems of accounting for events after the balance sheet date including reclassification, window dressing etc
- (b) Discuss the issues relating to recognition and measurement of provisions including "best

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estimates", discounting, future events

- (c) Explain the use of restructuring provisions and other practical uses of provisioning
- (d) Discuss the problems with current standards on provisions and contingencies including definitional and discounting problems

21 Related parties and share based payment

- (a) Discuss the related party issue
- (b) Identify related parties (including deemed and presumed) and the disclosure of related party transactions
- (c) Discuss the effectiveness of current regulations on disclosure of related party transactions
- (d) Describe and apply the accounting standard for the recognition and measurement of share-based payment
- (e) Show the impact of the standard on the performance statements of the entity and discuss the problems of applying the standard

22 Preparation of reports I

- (a) Calculate and appraise a range of acceptable values for shares in an unquoted company
- (b) Advise a client on the purchase of a business entity
- (c) Analyse the impact of accounting policy changes on the value and performance on an entity

23 Preparation of reports II

- (a) Discuss the financial and non-financial measures of performance
- (b) Describe the procedures in designing an accounting based performance measurement system
- (c) Appraise the different performance measures including return on investment, residual income and economic value added
- (d) Compare target levels of performance with actual performance

24 Preparation of reports III

- (a) Discuss alternative definitions of capital employed and measurement bases for assets
- (b) Discuss the impact of price level changes on business performance
- (c) Evaluate the potential for corporate failure

25 The impact of environmental, social and cultural factors on corporate reporting

- (a) Appraise the impact of environmental, social and ethical factors on performance measurement
- (b) Describe current reporting requirements and guidelines for environmental reporting
- (c) Discuss the effect of culture on accounting and the cultural relativity of accounting
- (d) Discuss why entities might include

socially orientated disclosures in performance statements

- (e) Evaluate ethical conduct in the context of corporate reporting

26 International issues

- (a) Evaluate the developments and the impact on companies of moves towards global and regional harmonisation and standardisation
- (b) Assess proposed changes to national and international regulation
- (c) Identify the reasons for major differences in accounting practices
- (d) Restate overseas financial statements in line with UK accounting policies and UK statements in line with given information on IFRS
- (e) Evaluate the effect on corporate reporting of a move to International Financial Reporting Standards
- (f) Understand the key differences between UK GAAP and International Financial Reporting Standards
- (g) Identify the key problems for companies of a move to reporting under International Financial Reporting Standards

27 Current issues and developments

- (a) Identify ways of improving communication of corporate performance, current proposals relating to year end financial reports and business reporting on the internet

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- (b) Identify problem areas in interim reporting
- (c) Discuss current issues in corporate reporting including disclosure of accounting policies, discounting and discontinued activities
- (d) Discuss the implications of the first time adoption of International Financial Reporting Standards to financial statements drawn up under UK GAAP including definition of first-time adoption, adjustments, exceptions, estimates, disclosure and adoption dates

28 Revision