ADVANCED LEVEL

CORPORATE REPORTING

Module aim

To enable candidates to apply technical knowledge, analytical techniques and professional skills to resolve compliance and business issues that arise in the context of the preparation and evaluation of corporate reports and from providing audit services.

Candidates will be required to use technical knowledge and professional judgement to identify, explain and evaluate alternatives and to determine the appropriate solutions to compliance issues, giving due consideration to the needs of clients and other stakeholders. The commercial context and impact of recommendations and ethical issues will also need to be considered in making such judgements.

On completion of this module, candidates will be able to:

- Formulate, implement and evaluate corporate reporting policies for single entities and groups of varying sizes and in a variety of industries. They will be able to discern and formulate the appropriate financial reporting treatment for complex transactions and complex scenarios. Candidates will be able to evaluate and apply technical knowledge from individual accounting standards and apply professional skills to integrate knowledge where several accounting standards are simultaneously applicable and interact.
- Analyse, interpret, evaluate and compare financial statements of entities both over time and across a range of industries.
- Explain the processes involved in planning an audit, evaluating internal controls, appraising risk, gathering evidence and drawing conclusions in accordance with the terms of the engagement. In addition, they will be able to perform a range of assurance engagements and related tasks.
- Evaluate corporate reporting policies, estimates and disclosures in a scenario in order to be able to assess whether they are in compliance with accounting standards and are appropriate in the context of audit objectives.
- Identify and explain ethical issues. Where ethical dilemmas arise, candidates will be able to recommend and justify and determine appropriate actions and ethical safeguards to mitigate threats.

Prior knowledge

This module assumes and develops the knowledge and skills acquired in the Financial Accounting and Reporting module and in the Audit and Assurance module.

Background knowledge based upon the strategic elements of the Business Planning: Taxation, Business Strategy and Financial Management modules will also be required in evaluating the business and financial risks of reporting entities.

Regulation

The regulations relating to auditing and corporate reporting will have international application and are therefore based upon standards and other regulations issued by the IASB and the IAASB. Knowledge of specific national standards will not be tested.

Ethics

Ethical codes will be those issued by IFAC and ICAEW. The ethical implications will be at both the organisational level and for individuals, particularly with respect to the accountant in business.

Method of assessment

The Corporate Reporting module will be examined using a paper-based assessment of 3.5 hours. Each exam will contain questions requiring integration of knowledge and skills, including ethics. Candidates will be allowed to take any written or printed material into the exam hall subject to practical space restrictions.

The exam will consist of three questions. Ethical issues and problems could appear in any of the three questions.

Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will be within the ranges of weightings below, but slight variations may occur in individual papers to enable suitably rigorous questions to be set.

	Weighting (%)
Corporate Reporting – Compliance Corporate Reporting – Financial statement analysis	55-65
Audit and Assurance	30-40
Ethics	5-10

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids from page 60 of this document.

Corporate Reporting - Compliance

Candidates will be able to formulate, implement and evaluate accounting and reporting policies for single entities and groups of varying sizes and in a variety of industries. They will be able to discern and formulate the appropriate financial reporting treatment for complex transactions and complex scenarios. Candidates will be able to evaluate and apply technical knowledge from individual accounting standards and apply professional skills to integrate knowledge where several accounting standards are simultaneously applicable and interact.

In the assessment, candidates may be required to:

1 Principles

a. explain the impact of accounting principles and bases on measurement in corporate reporting, for example fair value measurement
b. appraise corporate reporting regulations, and related legal requirements, with respect to presentation, disclosure, recognition and measurement
c. explain and appraise accounting standards that relate to the impact of changes in accounting policies and estimates
d. explain and evaluate the impact of underlying assumptions on financial statements
e. identify and explain current and emerging issues in corporate reporting.

2 Reporting performance

a. explain how different methods of recognising and measuring assets and liabilities can affect reported financial performance
b. explain and appraise accounting standards that relate to reporting performance: in respect of presentation of financial statements; revenue; operating segments; continuing and discontinued operations; EPS; construction contracts; interim reporting
c. formulate and evaluate accounting and reporting policies for single entities and groups of varying sizes and in a variety of industries

d. calculate and disclose, from financial and other data, the amounts to be included in an entity's financial statements according to legal requirements, applicable financial reporting standards and accounting and reporting policies.

3 Assets and non-financial liabilities

a. explain how different methods of recognising and measuring assets and liabilities can affect reported financial position
b. explain and appraise accounting standards that relate to assets and non-financial liabilities for example: property, plant and equipment; intangible assets, held-for-sales assets; inventories; investment properties; provisions and contingencies.

4 Financing

a. determine and calculate how different bases for recognising, measuring and classifying financial assets and financial liabilities can impact upon reported performance and position
b. appraise and evaluate cash flow measures and disclosures in single entities and groups
c. evaluate the impact of accounting policies and choice in respect of financing decisions for example hedge accounting and fair values
d. explain and appraise accounting standards that relate to an entity's financing activities which include: financial instruments; leasing; cash flows; borrowing costs; and government grants.

5 Employee remuneration

a. explain how different methods of providing remuneration for employees may impact upon reported performance and position
b. explain and appraise accounting standards that relate to employee remuneration which include different forms of short-term and long-term employee compensation; retirement benefits; and share-based payment.

6 Groups

a. identify and show the criteria used to determine whether and how different types of investment are recognised and measured as business combinations
b. calculate and disclose, from financial and other data, the amounts to be included in an entity's consolidated financial statements in respect of its new, continuing and discontinued interests (which include situations when acquisitions occur in stages and in partial disposals) in subsidiaries, associates and joint ventures.

7 Reporting overseas activities

a. determine and calculate how exchange rate variations are recognised and measured and how they can impact on reported performance, position and cash flows of single entities and groups
b. demonstrate, explain and appraise how foreign exchange transactions are measured and how the financial statements of overseas entities are translated.

8 Taxation

a. explain, determine and calculate how current and deferred tax is recognised and appraise accounting standards that relate to current tax and deferred tax.

Corporate Reporting – Financial statement analysis

Candidates will be able to analyse, interpret, evaluate and compare financial statements of entities both over time and across a range of industries.

In the assessment, candidates may be required to:

9 Financial statement analysis

a. comment on and critically appraise the nature and validity of items included in published financial statements
b. comment on and critically appraise the nature and validity of information disclosed in annual reports, including voluntary disclosures
c. appraise the limitations of financial analysis
d. analyse and evaluate the performance, position, liquidity, efficiency and solvency of an entity through the use of ratios and similar forms of analysis
e. interpret the potentially complex economic environment in which an entity operates and its strategy based upon financial and operational information contained within the annual report (for example: financial and business reviews; reports on operations by management, corporate governance disclosures, financial summaries and highlights)
f. appraise the significance of inconsistencies and omissions in reported information in evaluating performance
g. compare the performance and position of different entities allowing for inconsistencies in the recognition and measurement criteria in the financial statement information provided
h. make adjustments to reported earnings in order to determine underlying earnings and compare the performance of an entity over time
i. analyse and evaluate business risks and assess their implications for corporate reporting
j. analyse and evaluate financial risks (for example financing, currency and interest rate risks) and assess their implications for corporate reporting
k. compare and appraise the significance of accruals basis and cash flow reporting.

Audit and Assurance

Candidates will be able to explain the processes involved in planning an audit, evaluating internal controls, appraising risk, gathering evidence and drawing conclusions in accordance with the terms of the engagement. In addition, they will be able to perform a range of assurance engagements and related tasks.

In the assessment, candidates may be required to:

10 Professional practice

a. appraise and explain the role and context of auditing
b. explain the nature and purpose of quality assurance (both at the level of the firm and the individual audit) and assess how it can contribute to risk management
c. evaluate and explain current and emerging issues in auditing.

11 Planning

a. identify the components of risk and how these components may interrelate
b. appraise the entity and the, potentially complex, economic environment within which it operates as a means of identifying and evaluating the risk of material misstatement
c. identify the risks arising from, or affecting, a potentially complex set of business processes and circumstances and assess their implications for the engagement
d. identify significant business risks and assess their potential impact upon the financial statements and the audit engagement
e. evaluate the impact of risk and materiality in preparing the audit plan, for example the nature, timing and extent of audit procedures
f. determine analytical procedures, where appropriate, at the planning stage using technical knowledge of corporate reporting and skills of financial statement analysis

g. evaluate the components of audit risk for a specified scenario, for example the interactions of inherent risk, control risk and detection risk, considering their complementary and compensatory nature
h. show professional scepticism in assessing the risk of material misstatement, having regard to the reliability of management
i. evaluate, where appropriate, the extent to which reliance can be placed on expertise from other parties to support audit processes
j. prepare, based upon planning procedures, an appropriate audit strategy and detailed audit plan or extracts therefrom.

12 Internal control systems

a. analyse and evaluate the control environment for an entity based on an understanding of the entity, its operations and its processes
b. evaluate an entity's processes for identifying, assessing and responding to business and operating risks as they impact on the financial statements
c. appraise an entity's accounting information systems and related business processes relevant to corporate reporting and communication
d. analyse and evaluate strengths and weaknesses of preventative and detective control mechanisms and processes, highlighting control weaknesses
e. evaluate controls relating to information technology and e-commerce
f. explain and appraise the entity's system for monitoring and modifying internal control systems
g. devise, explain and evaluate tests of controls.

13 Corporate governance

a. describe and explain the nature and consequences of corporate governance and accountability mechanisms in controlling the operating and financial activities of entities of differing sizes, structures and industries
b. explain the rights and responsibilities of the board, board committees (e.g. audit and risk committees), those charged with governance and individual executive and non-executive directors, with respect to the preparation and audit of financial statements
c. describe and explain the rights and responsibilities of stakeholder groups (e.g. executive management, bondholders, government, securities exchanges, employees, public interest groups, financial and other regulators, institutional and individual shareholders) with respect to the preparation and audit of financial statements
d. evaluate and appraise appropriate corporate governance mechanisms
e. explain and evaluate the nature and consequence of relevant corporate governance codes and set out the required compliance disclosures
f. explain the OECD principles of corporate governance
g. explain the respective responsibilities of those charged with governance and auditors for corporate risk management and risk reporting
h. explain the respective responsibilities of those charged with governance and auditors in respect of internal control systems
i. explain and evaluate the role and requirement for effective two-way communication between those charged with governance and auditors
j. describe and explain the roles and purposes of meetings of boards and of shareholders.

14 Audit evidence

a. explain and evaluate the relationship between audit risk and audit evidence
b. determine audit objectives for each financial statement assertion
c. determine for a particular scenario what comprises sufficient, appropriate audit evidence
d. design and determine audit procedures in a range of circumstances and scenarios, for example identifying an appropriate mix of tests of controls, analytical procedures and tests of details
e. demonstrate how professional scepticism may be applied to the process of gathering audit evidence and evaluating its reliability
f. demonstrate and explain, in the application of audit procedures, how relevant ISAs affect audit risk and the evaluation of audit evidence

g. evaluate, applying professional judgement, whether the quantity and quality of evidence gathered from various audit procedures is sufficient to draw reasonable conclusions
h. prepare appropriate audit documentation
i. recognise issues arising whilst gathering assurance evidence that should be referred to a senior colleague.

15 Reporting and concluding

a. review the appropriateness of the going concern assumption
b. review events after the reporting period
c. review and evaluate, quantitatively and qualitatively, for example using analytical procedures, the results and conclusions obtained from audit procedures
d. draw conclusions on the nature of the report on an audit engagement, and formulate an opinion for a statutory audit, which are consistent with the results of the audit evidence gathered
e. draft suitable extracts for reports (for example any report to the management or those charged with governance issued as part of the engagement).

16 Assurance engagements

a. explain the nature of a range of different assurance engagements
b. evaluate the evidence necessary to report at the appropriate level of assurance
c. evaluate risk in relation to the nature of the assurance engagement and the entity or process for a given scenario
d. design and determine procedures necessary to attain the relevant assurance objectives in a potentially complex scenario.

17 Other engagements

a. evaluate the role of internal audit and design appropriate procedures to achieve the planned objectives
b. appraise and explain the nature and purposes of forensic audit and prepare and plan procedures required to achieve a range of differing objectives
c. explain the roles and responsibilities that auditors may have with respect to a variety of different types of information and design procedures sufficient to achieve agreed objectives
d. explain the nature and purposes of due diligence procedures (for example: financial, commercial, operational, legal, tax, human resources) and plan procedures required to achieve a range of differing financial objectives.

Audit and Corporate Reporting – integrated learning outcomes

Candidates will be able to evaluate corporate reporting policies, estimates and disclosures in a scenario in order to be able to assess whether they are in compliance with accounting standards and are appropriate in the context of audit objectives.

In the assessment, candidates may be required to:

18 Integrated learning outcomes

a. identify and explain corporate reporting and assurance issues in respect of social responsibility, sustainability and environmental matters for a range of stakeholders
b. critically evaluate accounting policies choices and estimates, identifying issues of earnings manipulation and creative accounting
c. critically appraise corporate reporting policies, estimates and measurements for single entities and groups in the context of an audit.

Ethics

Candidates will be able to identify and explain ethical issues. Where ethical dilemmas arise, they will be able to recommend, justify and determine appropriate actions and ethical safeguards to mitigate threats. In the assessment, candidates may be required, in the context of corporate reporting and auditing, to:

19 Ethics

a. identify and explain ethical issues in reporting, assurance and business scenarios
b. explain the relevance, importance and consequences of ethical issues
c. evaluate the impact of ethics on a reporting entity, relating to the actions of stakeholders
d. recommend and justify appropriate actions where ethical issues arise in a given scenario
e. design and evaluate appropriate safeguards to mitigate threats and provide resolutions to ethical problems.

STRATEGIC BUSINESS MANAGEMENT

Module aim

To enable candidates to demonstrate quantitative and qualitative skills, in order to make realistic business recommendations in complex scenarios. Business awareness will need to be demonstrated at strategic, operating and transactional levels.

To achieve this aim, candidates will be required to use technical knowledge and professional judgement to apply appropriate models and to analyse data from multiple sources, including corporate reports, in order to evaluate alternatives and determine appropriate solutions.

On completion of this module, in a national or global context, and for a range of different business structures and industry scenarios, candidates will be able to:

- Analyse and identify the external environment and internal strategic capability of an entity; evaluate the consequences of strategic choices; recommend strategies to achieve stakeholder objectives, recommend appropriate methods of implementing strategies and monitoring strategic performance; manage business risks; and advise on corporate governance.
- Identify and advise upon appropriate finance requirements; evaluate financial risks facing a business and advise upon appropriate methods of managing those risks; provide valuations for businesses and securities; and advise upon investment and distribution decisions.
- Identify and explain ethical issues. Where ethical dilemmas arise, candidates will be able to recommend and justify and determine appropriate actions and ethical safeguards to mitigate threats.
- Interpret and apply corporate reporting information in evaluating business and financial performance; recognise and explain the corporate reporting consequences of business and financial decisions; apply corporate reporting information in appropriate models to determine asset, equity and entity valuations, demonstrating an understanding of the usefulness and limitations of accounting information in this context.
- Appraise and explain the role of assurance in raising new equity and debt funding and in the subsequent monitoring of such funding arrangements; understand, explain and evaluate the role of assurance in selecting and implementing key business decisions including acquisitions and strategic alliances; understand and explain the role of assurance in financial and business risk management.

Prior knowledge

This module assumes and develops the knowledge and skills acquired in the Financial Accounting and Reporting module, the Business Strategy module and the Financial Management module.

Background knowledge based upon the strategic elements of the Business Planning: Taxation and the Audit and Assurance module will also be required in evaluating the business and financial risks of reporting entities.

Ethics

Ethical codes will be those issued by IFAC and the ICAEW. The ethical implications will be at both the organisational level and for individuals, particularly with respect to the accountant in business.

Method of assessment

The Strategic Business Management module will be examined using a paper-based assessment of 3.5 hours. Each exam will contain questions requiring integration of knowledge and skills, including ethics. Candidates will be allowed to take any written or printed material into the exam hall subject to practical space restriction.

The exam will consist of two questions, and ethical issues and problems could appear in either question.

Specification grid

The grid below shows the relative weightings of subjects within this module and should guide the study time spent on each. Over time the marks available in the assessment will be within the ranges of weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

	Weighting (%)
Business Strategy and Management	35-45
Financial Strategy Financial Structure and Financial Reconstruction Financial Instruments and Financial Markets	25-35
Corporate Reporting	15-20
Assurance	10
Ethics	5-10

Business contexts

The learning outcomes may all be assessed within an integrated business scenario.

The following are examples of possible scenarios:
- developing management information strategies
- developing management and corporate governance mechanisms
- business and financial risk management
- business start-up planning
- business and security valuations
- developing policies for sustainability and corporate responsibility
- raising, structuring and restructuring of finance
- resource management issues
- developing performance management strategies
- developing remuneration and reward packages
- reorganisation and restructuring of entities, and the management of change
- financial distress and business recovery
- developing global financial and business strategies and operations
- developing global divisional and transfer pricing strategies for tax and performance management
- appraisal methods for businesses undertaking major projects and/or organisational or process transformation
- issues arising from use of complex financial instruments in business finance in the context of risk and treasury management
- ethical issues arising in business and finance.

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids from page 60 of this document.

Integrated learning outcomes

Business Strategy and Management

Candidates will be able to analyse and identify the external environment and internal strategic capability of an entity; evaluate the consequences of strategic choices; recommend strategies to achieve stakeholder objectives, recommend appropriate methods of implementing strategies and monitoring strategic performance; manage business risks; and advise on corporate governance. Candidates will also be able to apply corporate reporting and assurance principles and practices in the context of key business decisions and events.

In the assessment, candidates may be required to:

1 Strategic analysis

a. describe and explain the strategic objectives of an entity considering the interests of stakeholders
b. analyse and evaluate, for a given scenario, the external economic, market and industry environment which may impact upon a business's performance and position
c. identify and evaluate the significance of the internal factors in a given scenario which may influence an entity's ability to achieve its chosen strategic objectives
d. analyse and evaluate an entity's current position and performance, from both a financial perspective and a non-financial perspective, using a variety of internal and external information sources
e. demonstrate how strategic analysis tools can be used in a complex scenario
f. demonstrate how business strategy and financial strategy can interrelate in a complex scenario
g. evaluate and advise upon the strategic capability of an entity
h. evaluate strategy at corporate, business unit and operational levels.

2 Strategic choice

a. assess, advise on and propose appropriate business strategies to meet stated objectives
b. identify and evaluate business unit strategies to achieve sustainable competitive advantage
c. explain and demonstrate how financial and non-financial data can be analysed in order to select an optimal business strategy
d. explain and demonstrate how strategic business models can be used in a given scenario, to identify factors that a business can consider in choosing between competing strategies
e. explain international strategies; appraise international value chains and markets; and show the impact on individual and group financial statements in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

3 Strategic implementation

a. demonstrate and explain the impact of acquisitions and strategic alliances in implementing corporate strategy and evaluate the nature and role of assurance procedures in selecting and monitoring such strategies
b. evaluate and explain the relationship between business strategy and organisational structure
c. explain and evaluate the nature and methods of change management and advise on the implementation of change in complex scenarios
d. demonstrate and explain the techniques that may be used in implementing a strategy to reduce costs, for example supply chain management, business process re-engineering and outsourcing
e. evaluate, in a given scenario, the functional strategies necessary to achieve a business's overall strategy
f. develop business plans and proposals and advise on technical issues relating to business and organisational plans, assessing the impact on historic and projected corporate reporting information.

4 Strategic performance management

a. advise on, and develop, appropriate performance management approaches for businesses and business units
b. explain and demonstrate how a business can analyse complex data from multiple sources to provide strategic management accounting information to implement, monitor and modify a strategy at an appropriate organisational level in order to create competitive advantage
c. use financial and non-financial performance data to measure multiple aspects of performance at a variety of organisational levels
d. advise on, and develop, appropriate remuneration and reward packages for staff and executives linked to performance, considering agency relationship issues; and evaluate the impact on corporate reports arising from IAS19, *Employee Benefits,* and IFRS2, *Share-based Payment*
e. develop measures to evaluate performance in the context of social responsibility, sustainability and environmental matters.

5 Strategic marketing and brand management

a. assess strategic marketing issues and demonstrate the application of marketing techniques in complex scenarios
b. evaluate and analyse markets and the marketing environment and develop a marketing strategy consistent with the overall business strategy
c. explain, using information provided, how to position particular products and services in the market place (domestic or international) to maximise competitive advantage, and assess the impact on revenue recognition and profit in accordance with IAS 18, *Revenue*
d. demonstrate, across a range of industries, how elements of the marketing mix can be used to promote competitive advantage
e. develop and explain marketing strategies using databases and information technology applications such as social media and other internet sources
f. develop and explain the strategies for managing and sustaining existing brands
g. prepare marketing strategies and show how they can be used to develop brands
h. demonstrate how appraisal techniques can be used for valuing brands, patents, R&D projects and intellectual property and evaluate relevant corporate reporting recognition and measurement implications according to IAS 38, *Intangible Assets*.

6 Business risk management

a. analyse and evaluate the key types of business risks and assess their implications within a given scenario, for business strategy and corporate reporting disclosures
b. advise on the risks involved in business and organisational plans and show how these risks can be managed by assurance procedures and other forms of risk mitigation
c. explain the responsibility of those charged with governance for managing risk and assess the role of assurance in risk mitigation
d. assess the impact of risk on a variety of stakeholders
e. explain and assess the various steps involved in constructing a business risk management plan, by establishing context, identifying risks and the assessment and quantification of risk
f. evaluate and explain the limitations of business risk management
g. assess and explain enterprise risk management, evaluating its framework and its benefits
h. using data provided, analyse quantitatively, business risks under a range of complex scenarios.

7 Corporate governance

a. assess the nature of governance and the explain the characteristics and principles of good governance in a variety of scenarios
b. assess the interests and impact of organisational stakeholders in determining strategy and the consequences for stakeholders of strategic choices
c. evaluate the impact of governance mechanisms on a range of stakeholders

d. assess and advise on appropriate corporate governance mechanisms, and evaluate stakeholder management
e. analyse and evaluate the strengths and weaknesses of corporate governance mechanisms and processes
f. explain the role of boards in determining and evaluating an entity's policy for social responsibility, sustainability and environmental matters and advise on corporate reporting disclosures relating to these policies
g. evaluate the suitability of corporate governance and organisational structures for implementing strategy
h. explain the role of boards in monitoring corporate performance and risk, and assess the role of assurance procedures in this context
i. explain the nature, and assess the consequences, of the legal framework within which businesses, assurance and governance systems operate (with particular reference to company law, fraud, money laundering, civil liabilities, social security law, employment law, contract law, tort and environmental law).

8 Data analysis

a. undertake appropriate data analysis, business analysis and financial statement analysis
b. explain financial and operational data and other management information, drawing inferences relating to its completeness, accuracy and credibility, as a basis for a meaningful analysis of the position, future prospects and risks for a business
c. demonstrate how suitable financial, strategic and operational analysis techniques can be used to analyse financial and operational data and to evaluate business position, prospects and risks
d. communicate an explanation (stating any reservations regarding transparency and objectivity of data and information) of the position, prospects and risks of a business, based on analysis of financial and operational data and information, and assess the extent to which limited assurance and reasonable assurance engagements can identify and mitigate information risks in this context.

9 Information strategy

a. outline proposals and advise on outline requirements for information technology applications to support business strategy, for example in the context of e-commerce, e-business and virtual arrangements
b. use management accounting information (for example, costs, prices, budgets, transfer prices) and management accounting tools (for example, break-even, variances, limiting factors, expected values, ABC, balanced scorecard) to evaluate short and long term aspects of strategy
c. explain and appraise how management information systems can provide relevant data to analyse markets, industry and performance
d. demonstrate and explain methods for determining the value of information in the context of developing an information strategy
e. assess financial and operational data and information from management information systems, drawing inferences relating to its completeness, accuracy and credibility, and provide an evaluation of assurance procedures in evaluating information risks
f. demonstrate and explain how businesses capture, analyse and utilise information to develop competitive advantage.

10 Human resource management

a. assess, explain and advise on the role of human resource management in implementing strategy
b. demonstrate and explain how human resource management can contribute to business strategy
c. identify the impact of remuneration structures on organisational behaviour and other aspects of human resource management, and show the corporate reporting consequences

d. demonstrate and explain the role and impact of human resource management in change management.

Financial Strategy

Candidates will be able to identify and advise upon appropriate finance requirements; evaluate financial risks facing a business and advise upon appropriate methods of managing those risks; provide valuations for businesses and securities; and advise upon investment and distribution decisions. Candidates will also be able to apply corporate reporting and assurance principles and practices in the context of key financing decisions and events.

In the assessment, candidates may be required to:

11 Finance awareness

a. demonstrate and explain the financing alternatives available for projects and assets, and make informed choices as to which alternative is the most compatible with the overall financial strategy of the entity, showing the corporate reporting consequences relating to presentation, disclosure, recognition and measurement of projects and their financing
b. assess and explain current and emerging issues in finance
c. identify social responsibility, sustainability and environmental factors for a range of financial stakeholders, and assess assurance and corporate reporting issues relating to such factors
d. explain how financial crises, which have occurred in the past over a long time period, may impact on approaches and attitudes to financial risk and may inform corporate reporting practice.

12 Business and securities valuation

a. explain, advise on and demonstrate appropriate valuation methods for businesses and equity securities using: asset-based; adjusted earnings-based; and cash-based methods (for example SVA, EVAR, VBM, MVA and other appropriate techniques)
b. critically appraise business and securities valuation methods in the context of specified complex scenarios
c. explain and demonstrate appropriate valuation techniques in the context of acquisitions and mergers; assess the contribution of due diligence procedures; and show the impact on corporate reporting issues from IFRS 3, *Business Combinations*, and IFRS 10*, Consolidated Financial Statements*
d. explain and demonstrate appropriate valuation techniques in the context of demergers and for disposal of entities and business units, and show the impact on corporate reporting issues from IFRS5, *Non-current Assets Held for Sale and Discontinued Operations*
e. determine the value of debt and explain the techniques used.

Financial Structure and Financial Reconstruction

13 Capital structure

a. appraise and evaluate the sources of finance and the process for raising finance
b. advise on and develop proposals for determining the appropriate financing mix for new businesses and projects
c. explain and advise on issues relating to the cost of capital
d. show and explain how dividend policy impacts upon equity value and upon financing and investment decisions
e. appraise and explain how the choice of financing impacts on reported corporate performance, and on the recognition and measurement of financial assets and financial liabilities.

14 Financial reconstruction

a. show and explain how financial reconstruction takes place and explain the consequences of such reconstructions for corporate reporting

b. appraise and evaluate financial reconstruction proposals in a given scenario, and determine the nature and role of assurance procedures in this context
c. explain the different reasons for refinancing, and demonstrate how companies in financial distress can be managed, having regard to insolvency law
d. explain and appraise the workings of, and reasons for, securitisation, showing the impact on financial statement information
e. explain and appraise the nature and consequences of leveraged buy outs
f. appraise and evaluate various forms of reconstruction (for example, spin-off, MBO, divestment, demergers, purchase of own shares, use of distributable profits), explaining the corporate reporting impact.

15 Small and medium company financing

a. appraise and explain the small and medium-sized enterprise financing problem
b. appraise and evaluate the various methods of financing available to small and medium-sized enterprises, and explain the nature and role of assurance for small and medium-sized companies in raising such finance
c. assess and explain the characteristics of sources of equity for smaller companies and the financial institutions operating in these markets (for example, venture capital and private equity).

Financial Instruments and Financial Markets

16 Equity instruments

a. assess and explain the types of equity securities, and evaluate the implications for disclosure, presentation, recognition and measurement in financial statements
b. appraise and explain the characteristics of equity markets and the financial institutions operating in these markets
c. analyse and evaluate the cost of equity, portfolio theory and the use of appropriate asset pricing models, applying principles of financial economics.

17 Fixed interest

a. explain the types of fixed interest securities and evaluate the implications for disclosure, presentation, recognition and measurement in financial statements
b. appraise and explain the characteristics of bond markets and the financial institutions operating in these markets
c. appraise and evaluate the use of bonds/loans as a method of finance, and explain the implications of terms included in loan agreements in a given scenario (for example, covenants and guarantees) and the explain the procedures by which monitoring and assurance can be provided in respect of such agreements
d. explain and appraise bond valuation techniques and assess flat and gross redemption yields
e. explain and appraise yield curves, sensitivity to yield and components of the yield
f. evaluate and explain interest rate risk
g. appraise and evaluate credit risk and credit spread.

18 Derivatives

a. explain the types of derivative securities and evaluate the implications for disclosure, presentation, recognition and measurement in financial statements
b. assess and explain the characteristics of derivative markets and the financial institutions operating in these markets
c. appraise and evaluate the characteristics of forwards, futures, options, swaps, credit derivatives.

19 Financial risk management

a. analyse and evaluate financial risks and their implications (for example financing, currency and interest rate risks) and show the application of qualitative and quantitative risk disclosures according to IFRS 7, *Financial Instruments: Disclosure,* and other corporate reporting disclosures relevant to risk assessment

b. appraise and advise on appropriate methods to assess and manage financial risk in specific business scenarios
c. explain and appraise financial instruments available for hedging against interest rate and foreign exchange rate risk, for example, swaps, collars and floors
d. demonstrate and explain the nature and operation of financial instruments underlying the disclosure, recognition and measurement requirements of IAS 32, IAS 39, IFRS 7 and IFRS 9
e. demonstrate and explain how interest rate hedging strategies and foreign currency risk management strategies can be formulated, both at the level of the individual transaction and for macro hedging arrangements.

20 International financial management

a. explain and appraise the various methods of financing available for overseas investments and evaluate the implications for disclosure, presentation, recognition and measurement in financial statements in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*
b. appraise and explain global treasury organisation and international liquidity management
c. appraise and evaluate the factors affecting the capital structure of a multinational company
d. explain and appraise the advantages and risks associated with international borrowing
e. demonstrate and explain the risks associated with international trade and the ways in which these risks can be managed, and assess the nature and role of assurance procedures in mitigating risk and the financial reporting consequences of currency hedging
f. appraise and evaluate the different methods open to multinationals wishing to set up overseas operations and the choices of finance available, identifying tax and corporate reporting consequences
g. assess and explain the impact of exchange controls and how companies can overcome the effects of these controls
h. appraise and evaluate the management of dividends in multinational organisations
i. appraise and evaluate the management of transfer prices in multinational organisations and the implications for reported profit and tax.

21 Investment appraisal

a. select and advise on investment appraisal techniques which are appropriate to the objectives and circumstances of a given business
b. appraise and advise on appropriate measures of return and risk for assessing business projects
c. demonstrate and evaluate investment appraisal techniques for international projects, identifying the impact of tax and the effects on corporate reporting
d. explain and appraise real options and determine the impact of options to abandon, expand, delay and redeploy
e. appraise and evaluate the quantitative and qualitative issues surrounding international investment appraisal
f. evaluate the impact of externalities when making investment appraisal decisions
g. identify social responsibility, sustainability and environmental consequences of investment decisions, explaining corporate reporting issues in relation to such policies.

22 Treasury and working capital management

a. demonstrate and explain the role and responsibilities of the treasury management function
b. demonstrate and explain the role of treasury management in short-term finance, short-term investment and liquidity risk
c. appraise and evaluate the contribution of working capital management to short term and long term financing
d. evaluate the risks arising from working capital management and how these may be mitigated
e. evaluate and explain working capital requirements for a range of different organisations and circumstances

f. demonstrate and explain the nature and role of working capital management within financial management
g. appraise, evaluate and advise with respect to working capital management techniques.

Ethics

Candidate will be able to identify and explain ethical issues. Where ethical dilemmas arise, candidates will be able to recommend, justify and determine appropriate actions and ethical safeguards to mitigate threats.

23 Ethics

In the assessment, candidates may be required to:
a. recognise and explain ethical issues
b. explain the relevance, importance and consequences of ethical issues
c. evaluate the impact of ethics on an entity, its stakeholders and the scope of its strategies and operations
d. recommend and justify appropriate actions where ethical dilemmas arise in a given scenario
e. design and evaluate appropriate ethical safeguards.

CASE STUDY

Module aim

To ensure that candidates can provide advice in respect of complex business issues in the form of a written report.

The objective of the Case Study is to assess candidates' understanding of complex business issues and the ability to analyse financial and non-financial data, exercise professional and ethical judgement, and develop conclusions and recommendations.

Case Study format

The Case Study scenario may be based on any one of a variety of different organisational structures or operations. Candidates will be provided with advance information on the organisation and its business environment ahead of the exam.

This information will not give specific indication of the eventual requirements of the Case Study. Candidates will be expected to familiarise themselves with the information provided about the organisation and the industry in which it operates, undertaking some additional analysis and research. Candidates may take the results of their work into the examination room.

Assessment

The Case Study will not require the detailed computations needed for the Certificate, Professional and Advanced Levels; but candidates will be required to undertake financial and business analysis.

Requirements will be open in that there will be no predetermined correct answers to the Case Study. All areas of the syllabus may be tested over time.

Preparation and approach to the case

The Case Study is designed to reproduce a typical situation in which chartered accountants find themselves. This will involve using information arising from meetings and communicated in memoranda, letters or reports from a variety of business and professional advisors and stakeholders. The situation will generally relate to a business plan or transaction and will require preparation for the submission of a report.

The reality of such situations is that in drafting a report you would:

- receive some materials in advance;
- carry out some work beforehand and make use of it in the report;
- include additional analysis in appendices to the report;
- develop additional lines of enquiry as you assemble the report; and
- expect to discuss and advise on relevant matters.

The limited class time available with a tutor, even when supplemented by extensive home study, is insufficient for success in the Case Study. Candidates must bring work experience into their preparation and development programme.

Success at the Case Study requires an integration of the technical knowledge and skills acquired from all of the ACA modules, namely:

- the core technical knowledge and skills and practical application acquired at the Certificate and Professional levels;
- the technical, analytical, evaluative and integration skills from Corporate Reporting and Strategic Business Management; and
- the advisory, judgemental and communication skills acquired through practical work experience undertaken during the training agreement.

TECHNICAL KNOWLEDGE

The tables contained in this section show the technical knowledge in the disciplines of financial reporting, audit and assurance, business analysis, ethics and taxation covered in the ACA syllabus by module.

For each individual standard the level of knowledge required in the relevant Certificate and Professional Level module and at the Advanced Level is shown.

The knowledge levels are defined as follows:

Level D

An awareness of the scope of the standard.

Level C

A general knowledge with a basic understanding of the subject matter and training in its application thereof sufficient to identify significant issues and evaluate their potential implications or impact.

Level B

A working knowledge with a broad understanding of the subject matter and a level of experience in the application thereof sufficient to apply the subject matter in straightforward circumstances.

Level A

A thorough knowledge with a solid understanding of the subject matter and experience in the application thereof sufficient to exercise reasonable professional judgement in the application of the subject matter in those circumstances generally encountered by chartered accountants.

Key to other symbols:

→ the knowledge level reached is assumed to be continued

ASSURANCE AND AUDIT

Topic	Assurance	Audit and Assurance	Advanced Level
The International Auditing and Assurance Standards Board		D	C
The Authority Attaching to Standards Issued by the International Auditing and Assurance Standards Board		C	A
The Authority Attaching to Practice Statements Issued by the International Auditing and Assurance Standards Board			A
Discussion Papers			C
Working Procedures			C
International Standards on Auditing (UK and Ireland)			
200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing	B	A	→
210 Agreeing the Terms of Audit Engagements		B	→
220 Quality Control for an Audit of Financial Statements		B	→
230 Audit Documentation	C	B	A
240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	C	B	A
250 A Consideration of Laws and Regulations in an Audit of Financial Statements		B	A
250 B The Auditor's Right and Duty to Report to Regulators in the Financial Sector			C
260 (Revised October 2012) Communication with Those Charged with Governance		B	A
265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management		B	A
300 Planning an Audit of Financial Statements	B	A	→
315 (Revised June 2013) Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment	C	A	→
320 Materiality in Planning and Performing an Audit	C	A	→
330 The Auditor's Responses to Assessed Risks		B	A
402 Audit Considerations Relating to an Entity Using a Service Organisation		C	B
450 Evaluation of Misstatements Identified during the Audit	C	A	
500 Audit Evidence	B	A	→
501 Audit Evidence - Specific Considerations for Selected Items		B	A
505 External Confirmations	B	B	A
510 Initial Audit Engagements - Opening Balances	C	B	A
520 Analytical Procedures	B	A	A
530 Audit Sampling	B	B	A
540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures	C	B	A
550 Related Parties	C	B	A
560 Subsequent Events		B	A

Topic	Assurance	Audit and Assurance	Advanced Level
570 Going Concern		A	→
580 Written Representations	C	B	A
600 Special Considerations – Audits of Group Financial Statements (including the Work of Component Auditors)		C	A
610 (Revised June 2013) Using the Work of Internal Auditors	C	B	A
620 Using the Work of an Auditor’s Expert		C	A
700 (Revised June 2013) The Independent Auditor’s Report on Financial Statements	B	A	→
705 (Revised October 2012) Modifications to the Opinion in the Independent Auditor’s Report		A	→
706 (Revised October 2012) Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report		A	→
710 Comparative Information – Corresponding Figures and Comparative Financial Statements		B	A
720 A (Revised October 2012) The Auditor’s Responsibility Relating to Other Information in Documents Containing Audited Financial Statements		B	A
720 B The Auditor’s Statutory Reporting Responsibility in Relation to Directors’ Reports		A	→
International Standards on Auditing			
800 Special Considerations – Audits of Financial Statements prepared in Accordance with Special Purpose Frameworks			B
805 Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or items of a Financial Statement		B	A
810 Engagements to Report on Summary Financial Statements		B	A
International Auditing Practice Note (IAPN)			
1000 Special Considerations in Auditing Financial Instruments			C
International Standards on Review Engagements (ISREs)			
2400 (Revised September 2012) Engagements to Review Financial Statements		C	B
2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity			B
International Standards on Assurance Engagements (ISAEs)			
3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information		C	B
3400 The Examination of Prospective Financial Information		C	B
3402 Assurance Reports on Controls at a Service Organisation		C	A
3410 Assurance Engagements on Greenhouse Gas Statements		C	→
International Standards on Related Services (ISRSs)			
4400 Engagements to Perform Agreed-upon Procedures Regarding Financial Information			B
4410 Compilation Engagements (Revised March 2012)			B
IFAC Statements			
ISQC1 Quality Control for Firms that Perform Audits and Reviews of Financial		C	B

Topic	Assurance	Audit and Assurance	Advanced Level
Statements, and Other Assurance and Related Services Engagements			
Other Guidance			
2010/2 (Revised March 2012) Compendium of illustrative Auditor's Reports on UK Private Sector Financial Statements		B	B
FRC Briefing Paper Professional Scepticism – establishing a common understanding and reaffirming its central role in delivering audit quality		C	B

BUSINESS ANALYSIS

Topic	Certificate and Professional Levels				
	Management Information	Business & Finance	Financial Management	Business Strategy	Advanced Level
STRATEGIC ANALYSIS					
Environmental and market analysis tools					
PESTEL analysis		C		A	→
Porter's five forces		B		A	→
Product life cycle		B		A	→
Boston consulting group matrix		B		A	→
Competitor analysis		B		A	→
Positional and other analysis tools					
Resource audit		C		A	→
Resource-based strategy		C		A	→
Value chain analysis		B		A	→
SWOT analysis		C		A	→
Gap analysis		C		A	→
Marketing analysis		B		A	→
Competitive advantage		C		A	→
Benchmarking		C		A	→
Directional policy matrix					B
Business process analysis				B	A
Strategic risk analysis				A	→
Balanced scorecard		C		A	→
STRATEGIC CHOICE					
Strategy formulation, evaluation and choice		C		A	→
Business risk management		C		A	→
Financial analysis and data analysis				A	→
Stakeholder analysis		B		A	→
Objectives and stakeholders' preferences		C		A	→
Corporate responsibility and sustainability		C		B	A
STRATEGIC IMPLEMENTATION					
Business plans		C		A	→
Organisational structure		C		A	→
Information management		C		B	A
Change management				A	→
Project management					A
BUSINESS MANAGEMENT					

Topic	Certificate and Professional Levels				Advanced Level
	Management Information	Business & Finance	Financial Management	Business Strategy	
Performance management				C	A
Strategic marketing and brand management				B	A
Corporate Governance		C		B	A
Information strategy				B	A
Human resource management				C	A
COST ANALYSIS FOR DECISION MAKING					
Costing					
Cost classification	A			→	→
Costing systems – direct, marginal, absorption	B			→	→
Activity based costing (ABC)	C			→	B
Break even analysis	B			→	A
Multi-product break even analysis					B
Budgeting and performance management	B			→	A
Pricing					
Pricing decisions	B			A	→
Transfer pricing	B			A	→
Decision making techniques					
Expected values				B	A
Relevant cash flows				B	A
Sensitivity analysis				B	A
BUSINESS AND SHAREHOLDER VALUE					
Valuation Techniques					
Income – dividend yield			B		A
Income – P/E			B		A
Income – discounted cash flow			B		A
Asset based measures			B		A
Options approach					B
Shareholder value					
Value based management (VBM)					B
Value drivers			B		A
Shareholder value analysis (SVA)			B		A
Short and long term growth rates and terminal values					A
Economic profit					A
Cash flow return on investment (CFROI)					A
Total shareholder return (TSR)					A

Topic	Certificate and Professional Levels: Management Information	Business & Finance	Financial Management	Business Strategy	Advanced Level
Market value added (MVA)					A
INVESTMENT APPRAISAL AND RISK ANALYSIS					
Project appraisal					
NPV	B		A		→
IRR	B		A		→
Payback	B		A		→
Relevant cash flows			A		→
Tax and inflation			A		→
Replacement Analysis			A		→
Capital rationing			A		→
Adjusted present value (APV)			A		→
Assessing risk					
Project appraisal and sensitivity analysis			B		A
Project appraisal and simulation			B		A
Expected values			B		A
Scenario planning					A
Gap analysis				B	→
Continuous vs. event risk				B	→
FINANCIAL ANALYSIS					
Cost of capital					
Cost of equity			B		A
Cost of debt			B		A
Cost of preference shares			B		A
Cost of bank loans			B		A
Weighted average cost of capital (WACC)			B		A
Effective interest rates					A
Splitting convertibles into equity and debt elements					A
Equity instruments					A
Portfolio theory and CAPM					
Portfolio theory			B		A
CAPM			B		A
APT and MCPM					A
CAPM and cost of capital			B		A
International cost of capital					A
Bonds and fixed interest securities					

Topic	Certificate and Professional Levels				Advanced Level
	Management Information	Business & Finance	Financial Management	Business Strategy	
Bond pricing using NPV					A
Yields to maturity					A
Duration and price volatility					A
Convexity					A
Term structure of interest rates					A
Corporate borrowing and default risk					A
SOURCES OF FINANCE AND FINANCING ARRANGEMENTS					
Short, medium and long term sources of finance		B			A
Loan agreement conditions (warranties; covenants; guarantees)			B		A
Raising capital		B			A
Gearing and capital structure			A		→
Loan agreements and covenants			A		→
Dividend policy			A		→
Financing reconstructions (eg: group reconstruction, spin off, purchase of own shares, use of distributable profits)			B		A
Treasury and working capital management	C				A
Small and medium company financing					B
History of finance					C
FINANCIAL ENGINEERING					
Futures, options and swaps					
Options			B		A
Interest rate futures			B		A
Interest rate options			B		A
Interest forward rate agreements (FRAs)			B		A
Interest rate swaps			B		A
Foreign exchange					
Currency forward contracts			B		A
Currency money market cover			B		A
Currency options			B		A
Currency swaps			B		A
Operational techniques for managing currency risk			B		A
Theoretical determinants of foreign exchange rates			B		A
Option value					
Value of a call and put option			C		B
Black Scholes option pricing model					B

Topic	Certificate and Professional Levels: Management Information	Business & Finance	Financial Management	Business Strategy	Advanced Level
Binomial Option Pricing Model					B
Real options			C		B

ETHICS CODES AND STANDARDS

Ethics Codes and Standards	Level	Modules
		Certificate Level
	C/D	Accounting
	B	Assurance
	C/D	Business and Finance
	D	Law
	C	Management Information
	C	Principles of Taxation
IESBA Code of Ethics for Professional Accountants (parts A, B and C and Definitions) ICAEW Code of Ethics		**Professional Level**
	A	Audit and Assurance
	B	Business Strategy
	B	Financial Accounting and Reporting
	B/C	Financial Management
	B	Tax Compliance
	B	Business Planning: Taxation
		Advanced Level
	A	Corporate Reporting
	A	Strategic Business Management
	A	Case Study
FRC Ethical Standards 1-5 (revised)	B	Assurance
Provisions Available for Small Entities (revised)	A	Audit and Assurance
		Advanced Level
	A	Corporate Reporting
	A	Strategic Business Management
	A	Case Study

FINANCIAL REPORTING

Topic	Certificate & Professional Level		Advanced Level
	Accounting	Financial Accounting and Reporting	Corporate Reporting
Preface to International Financial Reporting Standards		A	A
Conceptual Framework for Financial Reporting	B	A	A
IAS 1 Presentation of Financial Statements	A	A	A
IAS 2 Inventories	B	A	A
IAS 7 Statement of Cash flows	B	A	A
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	B	A	A
IAS 10 Events after the Reporting Period		A	A
IAS 11 Construction Contracts		-	A
IAS 12 Income Taxes		C	A
IAS 16 Property, Plant and Equipment	B	A	A
IAS 17 Leases		B	A
IAS 18 Revenue	C	A	A
IAS 19 Employee Benefits		-	A
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance		A	A
IAS 21 The Effects of Changes in Foreign Exchange Rates		C	A
IAS 23 Borrowing Costs		C	A
IAS 24 Related Party Disclosures		B	A
IAS 26 Accounting and Reporting by Retirement Benefit Plans		-	D
IAS 27 Separate Financial Statements		B	A
IAS 28 Investments in Associates and Joint Ventures		B	A
IAS 29 Financial Reporting in Hyperinflationary Economics		-	D
IAS 32 Financial Instruments: Presentation		B	A
IAS 33 Earnings Per Share		C	A
IAS 34 Interim Financial Reporting		-	A
IAS 36 Impairment of Assets		B	A
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	C	A	A
IAS 38 Intangible Assets	C	A	A
IAS 39 Financial Instruments: Recognition and Measurement		C	A
IAS 40 Investment Property		-	A
IAS 41 Agriculture		-	D
IFRS 1 First-Time Adoption of IFRS		-	A

Topic	Certificate & Professional Level		Advanced Level
	Accounting	Financial Accounting and Reporting	Corporate Reporting
IFRS 2 Share-based Payment		-	A
IFRS 3 Business Combinations		B	A
IFRS 4 Insurance Contracts		-	D
IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations		B	A
IFRS 6 Exploration for and Evaluation of Mineral Resources		-	D
IFRS 7 Financial Instruments: Disclosures		B	A
IFRS 8 Operating Segments		-	A
IFRS 9 Financial Instruments		-	C
IFRS for SMEs		-	A
IFRS 10 Consolidated Financial Statements		B	A
IFRS 11 Joint Arrangements		B	A
IFRS 12 Disclosure of Interests in Other Entities		B	A
IFRS 13 Fair Value Measurement		C	A

DIFFERENCES BETWEEN IFRS AND UK GAAP

The following table identifies the scope of the differences examinable in the ACA qualification and where they will be introduced. In general, the differences will become examinable where the relevant IFRS is set at knowledge level ‘A’. The differences may also be examined in subsequent modules but only in a different context, for example at the Advanced Level where knowledge of the differences forms part of an integrated question. Where a general awareness only of an accounting standard is expected (knowledge level ‘D’) any differences will also be dealt with at this level.

Title	Key examinable differences between IFRS and FRS 102 (UK GAAP)
Preface to International Financial Reporting Standards	Not applicable.
Conceptual Framework for Financial Reporting	• Qualitative characteristics are simplified as a list on one tier rather than being based on fundamental qualitative characteristics of relevance and faithful representation and then having enhancing qualitative characteristics. • Two common measurement bases are described, being historical cost and fair value rather than four.
IAS1 Presentation of Financial Statements	• Choice of presenting performance in a single statement of comprehensive income or in two statements being an income statement and a statement of comprehensive income. • A single statement of income and retained earnings rather than a statement of comprehensive income and statement of changes in equity may be used in specific circumstances. • The “bottom line” of the statement of comprehensive income may be presented as “profit or loss” where there are no items of comprehensive income. • Different terminology for line items in the statement of financial position (which is referred to as a balance sheet in the Companies Act) such as debtors and creditors, rather than receivables and payables and fixed assets rather than non-current assets. • Non-current (due after more than one year) debtors and creditors may be combined on the face of the statement of financial position. • Minor differences in the classification of headings on the face of the financial statements.

IAS2 Inventories	• Inventories held for distribution at no or nominal consideration, or through a non-exchange transaction, should be measured at adjusted cost (to recognise any loss of service potential). IAS 2 includes no such requirement. • Additional guidance is provided on what should be included in production overheads. • Impairment losses can be reversed if there are changes in economic circumstances or circumstances which led to the impairment no longer exist. No such guidance is provided in IAS 2.
IAS7 Statement of Cash Flows	• An exemption from the preparation of a statement of cash flows is available for a member of a group where the parent entity prepares publicly available consolidated financial statements and that member is included in the consolidation.
IAS8 Accounting Policies, Changes in Accounting Estimates and Errors	• The standard explicitly states that a change to the cost model when a reliable measure of fair value is no longer available is not a change in accounting policy. IAS 8 contains no such statement.
IAS10 Events after the Reporting Period	• Consistent with IAS 10 a dividend declared after the end of the reporting period should not be recognise as a liability. However, the standard states that the amount of the dividend may be presented as a segregated component of retained earnings at the end of the reporting period.
IAS11 Construction Contracts	• A very simplified approach is adopted, although the overriding principles are the same as IAS 11.
IAS12 Income Taxes	• The standard requires deferred taxation to be recognised on the basis of timing differences rather than IAS 12's temporary differences. • The treatment of VAT is included. IAS 12 does not include such guidance. • Simplified guidance is provided. • Reduced disclosures are set out compared with IAS 12.

IAS16 Property, Plant and Equipment	• Very clear and simple guidance is provided on the treatment of major spare parts and standby equipment. IAS 16 provides much higher level guidance. • If indicators of a change exist then residual value, depreciation method and the useful life of an asset should be reviewed. IAS 16 requires the residual value, depreciation method and the useful life of an asset to be reviewed at least at each financial year-end. • Compensation from third parties for items of property, plant and equipment that have been impaired/lost should be recognised in profit or loss when the receipt of the amount is “virtually certain”. IAS 16 states that the amount should be recognised when it becomes “receivable”. • A plan to dispose of an asset before the previously expected date is an indicator of impairment that triggers the calculation of the asset’s recoverable amount for the purpose of determining whether the asset is impaired. IFRS 5 deals with non-current assets held for sale and would require the asset to be valued at the lower of carrying amount and fair value less costs to sell.
IAS17 Leases	• Reduced disclosures are set out compared with IAS 17.
IAS18 Revenue	• The standard is specific in its guidance and uses clear examples whilst being all encompassing – there are no examinable differences.
IAS19 Employee Benefits	• General recognition principles are set out for all types of employee benefits. IAS 19 has specific recognition requirements for each type of employee benefit. • Undiscounted amounts should be used in the measurement of outstanding short-term employee benefits and absences. IAS 19 is not explicit in this respect. • Simplified guidance is provided. • Reduced disclosures are set out compared with IAS 19.
IAS20 Accounting for Government Grants and Disclosure of Government Assistance	• A government grant may be recognised using either the performance model or the accrual model (prohibiting the deduction of a government grant from the carrying amount of the related asset). IAS 20 has the more general requirements that they should be recognised on a systematic basis matching the related expenditure (which in practice means using a capital or income approach).

	• There is a specific requirement that the accounting policy should be applied on a class-by-class basis. No such requirement exists in IAS 20. • IAS 20 provides specific guidance on the treatment of a repayment of a government grant. FRS 102 includes no such requirement.
IAS21 The Effects of Change in Foreign Exchange Rates	• On the disposal of a net investment in a foreign operation any related exchange differences accumulated in equity should not be recognised in profit or loss. IAS 21 requires such accumulated exchange differences to be reclassified from equity to profit or loss. • IAS 21 requires the cumulative amount of exchange differences recognised in other comprehensive income to be presented in a separate component of equity. FRS 102 includes no such specific requirement. • Reduced disclosures are set out compared with IAS 21.
IAS23 Borrowing Costs	• Entities are provided with the choice of capitalising borrowing costs. This is a choice of accounting policy and must be applied consistently to a class of assets. IAS 23 requires borrowing costs to be included as part of the directly attributable costs of a qualifying asset. • Where general borrowings are used, the amount of borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the expenditure on that asset, which is consistent with IAS 23. However, for this purpose the expenditure on the asset is the average carrying amount of the asset during the period, including borrowing costs previously capitalised. No such guidance is provided in IAS 23.
IAS24 Related Party Disclosures	• Unlike IAS 24, wholly owned UK subsidiaries are not required to disclose transactions between two or more members of a group.
IAS26 Accounting and Reporting by Retirement Benefit Plans	• Reduced disclosures are set out compared with IAS 26. • Specific disclosures are required around different risks, for example credit risk. • UK pension schemes are required to apply the Pensions SORP in addition to the requirements of FRS 102.
IAS27 Separate Financial Statements	• There are three options for accounting for investments in subsidiaries, associates and joint ventures in a parent entity's separate financial statements. IAS 27 only allows cost or measurement and recognition in accordance with IFRS 9. • Additional disclosures are required under IAS 27. • The accounting treatment for exchanges of businesses and other non-monetary assets for an interest in a

	subsidiary, joint venture or associate is provided. IAS 27 provides no such guidance. • The standard includes guidance on the accounting treatment for intermediate payment arrangements. IAS 27 provides no such guidance.
IAS28 Investments in Associates and Joint Ventures	• Simplified guidance is provided on recognising an associate where the investor is not a parent and hence only prepares individual company financial statements. Under IFRS, accounting for such financial instruments in individual financial statements would instead follow guidance in IAS 27 and IFRS 9. • Simplified disclosures are set out. Detailed disclosures are instead set out in a single accounting standard, being IFRS 12.
IAS29 Financial Reporting in Hyperinflationary Economies	No examinable differences
IAS32 Financial Instruments: Presentation	Simplified language is used with specific examples – there are no examinable differences.
IAS33 Earnings per Share	No separate guidance is provided, instead it states that IAS 33 should be followed.
IAS34 Interim Financial Reporting	No UK accounting standard on interim financial reporting. IAS34 is broadly comparable with the ASB statement on interim reports.

IAS36 Impairment of Assets	• Additional guidance is provided on the measurement of fair value less costs to sell. • Where future cash flows are estimated using financial budgets or forecasts, extrapolation techniques should be used. IAS 36 states that such financial forecasts or budgets should cover a maximum of five years unless there is justification for a longer period. • Reversals of impairment losses are permitted on all assets, including goodwill. IAS 36 prohibits the reversal of impairments of goodwill. • Reduced disclosures are provided.
IAS37 Provisions, Contingent Liabilities and Contingent Assets	• The standard' scope extends to include certain types of financial guarantee contracts. Such contracts are instead within the scope of IAS 39/IFRS 9.
IAS38 Intangible Assets	• The capitalisation of development expenditure is optional, although a consistent accounting policy should be adopted. IAS 38 requires development expenditure to be capitalised where it meets the recognition criteria. • Heritage assets are specially excluded from its scope, with separate guidance instead provided for such assets. IAS 38 does not include a similar exclusion. • An intangible asset acquired in a business combination should not recognised when it arises from legal or other contractual rights and there is no history or evidence of exchange transactions for the same or similar assets and otherwise estimating fair value would be dependent on immeasurable variables. IAS 38 does not include this specific requirement for recognition. • If an intangible asset is acquired by way of a grant, the cost of that intangible asset is its fair value at the date the grant becomes receivable. IAS 38 states that there is a choice of recognition at fair value or at the nominal value of the grant. • All intangible assets are considered to have a finite useful life. IAS 38 permits both intangible assets with finite and indefinite useful lives. • If an entity is unable to make a reliable estimate of the useful life of an intangible asset, a maximum useful life of five years is allocated. IAS 38 contains no such limitation. • If indicators of a change exist then the amortisation method and period for an intangible asset should be reviewed. IAS 38 requires the amortisation method and period for an intangible asset to be reviewed at least at each financial year-end.
IAS39 Financial Instruments: Recognition and Measurement	• The choice to use simplified measurement provisions is available for basic financial instruments. • Measurement after initial recognition is generally at amortised cost or fair value through profit or loss, whereas IAS 39 has more complex categories with four for financial assets and two for financial liabilities. • Simplified guidance in relation to hedge accounting is provided.

	• IAS 39 includes more detailed and specific guidance on derecognition of financial assets and liabilities and the accounting for non-closely related embedded derivatives.
IAS40 Investment Property	• Mixed use property can be separately accounted for provided that separate fair values can be determined for each component. IAS 40 however includes the stipulation that the separate components could be sold separately, otherwise the non-investment property element should be insignificant. • Property held for the primary provision of social benefit is excluded. IAS 40 does not include such an exclusion. • The standard requires measurement at fair value provided that it can be measured reliably without undue cost or effort. IAS 40 allows a choice between cost and fair value. • IAS 40 covers guidance on the exchange of investment property for non-monetary assets. No such guidance is included in FRS 102. • Simplified guidance is provided on the disposal/transfer of investment properties. • Reduced disclosures are provided.
IAS41 Agriculture	• For each class of biological assets and its related agricultural produce an entity has the choice whether to apply a fair value model or a cost model. IAS 41 requires that biological assets are measured at fair value less costs to sell. • Reduced disclosures are provided.
IFRS1 First-Time Adoption of IFRS	• IFRS 1 and FRS 102 provide transitional provisions for first time adopters of IFRS and FRS 102 respectively. The provisions are specific to the accounting regimes and therefore differ.
IFRS2 Share-based Payment	• Simplified guidance is provided generally, for example if there is a cancellation or settlement this is recognised immediately as if vesting has occurred. IFRS 2 contains extensive guidance and treats a cancellation or settlement as a repurchase of an equity instrument. • For a group plan, an alternative simplified treatment of measuring the share-based payment expense on the basis of a reasonable allocation of the expense for the group is permitted. No such alternative is available in IFRS 2. • Reduced disclosures are provided.

IFRS3 Business Combinations	• The definition of a business combination is included in its simplest form and provides expanded guidance on what it might include. IFRS 3 includes a more open definition although additional discussion/guidance is provided in the basis of conclusions. • The standard includes the separation of group reconstructions from other business combinations and the use of merger accounting for such transactions. Common control transactions are outside of the scope of IFRS 3. • Business combinations should be accounted for using the purchase method. IFRS 3 stipulates the use of the acquisition method. • Guidance on the identification of the acquirer is provided. IFRS 3 includes a more open definition although additional discussion/guidance is provided in the basis of conclusions. • The standard requires acquisition-related costs to be included in the cost of the business combination. IFRS3 requires them to be treated as period costs recognised in profit or loss. • Where control is achieved following a series of transactions, the cost of the business combination is the aggregate of the fair values of the assets given, liabilities assumed and equity instruments issued by the acquirer at the date of each transaction in the series. IFRS 3 instead requires the acquirer to remeasure its previously held equity interest at its acquisition date fair value. • Post-acquisition changes to the estimates of contingent consideration affect the amount of goodwill recognised (assuming the adjustment is probable and can be reliably estimated). IFRS 3 permits few subsequent changes to be reflected in goodwill. • Goodwill arising from a business combination is considered to have a finite useful life. IFRS 3 prohibits amortisation and requires annual impairment reviews. • If an entity is unable to make a reliable estimate of the useful life of goodwill arising from a business combination, a maximum useful life of five years is required. IFRS 3 prohibits amortisation. • Negative goodwill is capitalised as a separate item within goodwill and amortised over the period over which any related losses are expected and as acquired non-monetary assets are realised. IFRS 3 requires immediate recognition as a gain in profit or loss and also refers to “negative goodwill” as a “bargain purchase”. • The non-controlling interest should be measured based on the share of ownership not held by the parent (ie on a proportionate basis). IFRS 3 contains an option the measure the non-controlling interest at fair value. • Reduced narrative disclosures are provided compared with IFRS 3.
IFRS4 Insurance Contracts	The Companies Act contains specific requirements for insurance companies, along with extensive guidance set out in FRS 103.

IFRS5 Non-current Assets Held for Sale and Discontinued Operations	• Continuing and discontinued activities must be analysed. Unlike IFRS 5 detailed analysis is shown on face of the income statement. • Classification and measurement of assets generally continues as normal without regard for the disposal. This includes depreciation until the date of disposal. IFRS 5 on the other hand requires depreciation to cease while a non-current asset is held for sale.
IFRS6 Exploration for and Evaluation of Mineral Resources	No examinable differences
IFRS7 Financial Instruments: Disclosures	Simplified disclosures are provided in line with the simplified measurement and valuation basis.
IFRS8 Operating Segments	No separate guidance is provided; instead it states that IFRS 8 should be followed.
IFRS9 Financial Instruments	The choice to use simplified measurement provisions is available for basic financial instruments.
IFRS10 Consolidated Financial Statements	• The exemptions from the preparation of consolidated financial statements are slightly different and include an exclusion of a subsidiary from consolidation on the grounds of severe long-term restrictions, no such exemption exists under IFRS 10. • The definition of control is linked to the power to govern the financial and operating policies. IFRS 10 is slightly wider in its definition. • Special purpose entities are specifically identified as being included in consolidated financial statements where they are controlled by the entity. • The standard includes extensive guidance on the treatment of total and partial acquisitions and disposals of subsidiaries. IFRS 10 includes less detailed guidance.

IFRS11 Joint Arrangements	• The accounting treatment for all types of joint venture arrangements are covered, including the separate treatment of jointly controlled assets. IFRS 11 instead classifies jointly controlled assets as jointly controlled operations. • Simplified guidance is provided on recognising a joint venture where the investor is not a parent and hence only prepares individual company financial statements. Accounting for such financial instruments in individual financial statements would instead follow guidance in IAS 27 and IFRS 9. • Simplified disclosures are set out. Detailed disclosures are instead set out in a single accounting standard, being IFRS 12.
IFRS12 Disclosure of interests in Other Entities	Simplified disclosures are generally set out.
IFRS13 Fair Value Measurement	Simplified guidance is provided on how fair value should be determined and suitable valuation techniques.

IFRS in individual company accounts

Candidates may be required to discuss the key issues that need to be considered when considering whether UK companies should retain UK GAAP for their individual company accounts or to move to IFRS. This is examinable in the Financial Accounting and Reporting module.

TAXATION

Topic	Certificate & Professional Level modules		
	Principles of Taxation	Tax Compliance	Business Planning: Taxation
Objectives of taxation	C	→	→
HM Revenue & Customs	B	→	→
Tax evasion and avoidance	C	B	A
Disclosure of tax avoidance schemes (DOTAS)			A
General anti-abuse rule R			A
ADMINISTRATION			
Administration	B	→	→
Appeals	C	→	→
PAYE	B	→	→
Payments	B	A	→
Penalties and interest	B	→	→
Self assessment	B	A	→
CAPITAL GAINS TAX			
Chargeable gains			
Annual exempt amount	B	A	→
Capital gains tax for trusts		B	→
Chargeable assets	C	B	→
Chargeable disposals	C	B	→
Chargeable persons	C	B	→
Chattels: wasting and non wasting	B	→	→
Connected persons		A	→
Converted trading losses			B
Costs of acquisition and disposal	C	B	→
Leases		A	
Nil gain/nil loss transfers		B	A
Part disposals		B	→
Pre 31 March 1982 assets		A	→
Qualifying corporate bonds		B	→
Rate of tax	B	→	A
Relief for capital losses			A
Reorganisations and reconstructions			A
Shares and securities (including bonus and rights issues)		A	→

Chargeable gains reliefs			
Entrepreneurs' relief			A
Gift relief			A
Incorporation relief			A
Letting relief		A	→
Principal private residence relief		A	→
Reinvestment relief under EIS/SEIS			B
Roll-over relief			A
Overseas aspects of capital gains tax			
Arising basis		B	A
Domicile		B	A
Double tax relief		A	→
Gains on foreign assets		B	A
Remittance basis		B	A
Residence		C	A
Temporary absence			A
UK taxation of non-domiciled individuals		B	A

INCOME TAX

Trading profits			
Adjustments to profits	B	A	→
Badges of trade	B	A	→
Capital allowances	B	A	→
Cash basis of accounting	B	A	→
Foreign currency transactions			A
Pension contributions		A	→
Pre-trading expenditure		A	→
Patent royalties		B	→
Owner-managed businesses			
Basis of assessment – current year basis	B	A	→
Change of accounting date		B	A
Commencement and cessation of trade	B	A	→
Overlap profits	B	A	→
Partnerships	B	A	→
Trading losses			A
Treatment of opening year losses			A
Employment income			
Allowable deductions against employment income		A	→
Employment income	B	A	→
Share schemes			A
Statutory Mileage Rates Scheme		A	→
Taxable and exempt benefits	B	A	→
Termination payments			B
Other income/expenditure			

Dividends from UK companies	B	A	→
Enterprise Investment Scheme			B
Investment income	B	A	→
ISAs	B	B	B
Lease premiums		A	→
Miscellaneous incomes		A	→
Property income	C	A	→
Savings income	B	A	→
Seed Enterprise Investment Scheme			B
Venture Capital Trusts			B
Overseas aspects of income tax			
Arising basis		B	A
Domicile		B	A
Double tax relief		A	A
Income on foreign assets and income from foreign employment		B	A
Remittance basis		B	A
Residence		C	A
UK taxation of non-domiciled individuals		B	A
Income tax computation			
Exempt income	B	A	→
Gifts of assets and cash to charity	B	A	→
Income tax liability and income tax payable	B	A	→
Income tax charge on child benefit		B	→
Independent taxation and jointly owned assets		B	A
Income tax for trusts		B	→
Limit on income tax reliefs		B	A
Married couples' allowance	B	A	→
Pension contributions – provisions for retirement		B	A
Pension contributions – tax reliefs		B	A
Personal allowances	B	A	→
Qualifying interest payments		B	→
Rates of tax	B	A	→
Taxable persons	C	A	→
INHERITANCE TAX			
Fundamental principles of inheritance tax			
Chargeable persons		B	→
Chargeable property		B	→
Excluded property		B	→
Inter-spouse transfers		A	→
Rates of tax		A	→
Related property		B	→
Seven year accumulation period		A	→
Transfers of value		A	→

Trusts		B	→
Valuation		A	→
Inheritance tax on lifetime transfers			
Relevant property trusts		A	→
Potentially exempt transfers		A	→
Inheritance tax on death			
Death estate		A	→
Deeds of variation			B
Lifetime transfers		A	→
Overseas aspects of inheritance tax			
Deemed domicile for IHT		A	→
Domicile		A	→
Double tax relief		A	→
Lex-situs rules		A	→
Reliefs & exemptions from inheritance tax			
Agricultural property relief			B
Annual exemption		A	→
Business property relief			A
Fall in value relief		A	→
Gifts to charities and political parties		A	→
Gifts with reservation of benefit			A
Inter-spouse transfers		A	→
Marriage/civil partnership exemption		A	→
Normal expenditure out of income		A	→
Quick succession relief		B	→
Small gifts exemption		A	→
Taper relief		A	→
NATIONAL INSURANCE CONTRIBUTIONS			
Classes of NIC	C	B	→
Directors		B	→
Maximum contributions		C	→
Taxable benefits		B	→
CORPORATION TAX			
Chargeable gains			
Chargeable assets	C	B	→
Chargeable disposals	C	B	→
Chargeable persons	C	B	→
Chattels: wasting and non wasting	B	→	→
Costs of acquisition and disposal	C	B	→
Indexation	B	A	→
Leases		A	
Nil gain/nil loss transfers			A

Part disposals		B	→
Pre 31 March 1982 assets		A	→
Purchase of own shares			A
Qualifying corporate bonds		B	→
Relief for capital losses		B	A
Reorganisations and reconstructions			A
Shares and securities (including bonus and rights issues)		A	→
Substantial shareholding exemption		B	A
Trading profits			
Adjustments to profits	B	A	→
Badges of trade	B	A	→
Capital allowances	B	A	→
Foreign currency transactions			A
Long periods of account	C	A	→
Pension contributions		A	→
Patent royalties		B	→
Taxable total profits			
Chargeable gains	B	A	→
Intangible assets		B	A
Loan relationships	B	B	A
Loan relationships – worldwide debt cap			A
Miscellaneous income	B	A	→
Patent box			B
Property income (including lease premiums)		A	→
Qualifying donations	B	A	→
Research and development expenditure		A	→
Research and development tax credits			A
Trading losses			A
Trading profits	B	A	→
Use of deficit on non-trading loan relationships			A
Corporation tax computation			
Accounting periods	C	B	A
Close companies			A
Corporation tax liability	B	A	→
Distributions		B	→
Double tax relief (including underlying tax and withholding tax)		B	→
Liquidation			A
Provision of services through a company			A
Rates of tax	B	A	→
Residence	C	B	→
Tax treaties and the OECD Model Tax Convention			C

Groups			
Associated companies	C	B	A
Capital gains groups			A
Change in group structure			A
Change in ownership			A
Consortium relief			A
Controlled foreign companies			A
Degrouping charges			A
Group loss relief			A
Group relationships			A
Non-coterminous accounting periods			A
Overseas companies and branches			A
Pre-acquisition gains and losses			A
Roll-over relief			A
Transfer of assets			A
Transfer pricing			A
STAMP TAXES			
Basic principles		B	→
Chargeable occasions		B	→
Exemptions		B	→
Stamp taxes for groups			B
VAT			
Capitals goods scheme		A	→
Classification of supplies		B	→
Distinction between goods and services		C	→
EU and overseas aspects		A	→
Group aspects			A
Input VAT	A	→	→
Single and multiple supplies		B	→
Output VAT	A	→	→
Partial exemption		B	→
Payments	A	→	
Penalties and interest	A	→	→
Property transactions		B	A
Registration and deregistration	A	→	→
Small business reliefs	A	→	→
Taxable person	A	→	→
Taxable supplies	A	→	→
Transfer of a business as a going concern			A
VAT records and accounts	A	→	→