

## LEVEL III

# ADVANCED FINANCIAL REPORTING

## SYLLABUS CHART



Advanced Financial Reporting-Paper 12



Financial Reporting-Paper 7



Financial Accounting- Paper 1

### **OVERALL AIM:**

To equip the learner with knowledge and skills to apply all international financial reporting standards (IFRS) and relevant laws to financial reporting

### **LEARNING OUTCOMES**

On completion of this course, the learner should be able to:

	<b>Learning outcomes</b>	<b>K</b>	<b>C</b>	<b>A</b>	<b>An</b>	<b>S</b>	<b>E</b>
1.	Apply the financial reporting framework			✓			
2.	Present a complete set of financial statements, including group financial statements, with complete disclosures			✓			
3.	Analyse financial statements/ information				✓		
4.	Analyse information in the annual report				✓		
5.	Assess the usefulness of financial information to various stakeholders						✓
6.	Evaluate emerging financial reporting issues and developments					✓	
7.	Advise on the statutory and non-statutory financial communication requirements						✓
8.	Apply the requirements of all IFRS in issue			✓			
9.	Evaluate ethical issues relating to financial reporting						✓

### **LEVEL OF ASSESSMENT**

The examination will test the learner's ability to apply knowledge and skills in all matters of corporate reporting

## **EXAMINATION STRUCTURE**

There will be a three-hour examination made up of sections A and B. Section A will comprise one compulsory question of 50 marks. Section B will comprise three questions of 25 marks each, of which the candidate will be required to attempt any two

## **DETAILED SYLLABUS**

### **A. CONCEPTUAL AND REGULATORY FRAMEWORK**

1. Conceptual framework for financial reporting:
  - (a) Scope and authority
  - (b) Problems addressed
  - (c) Structure of the standards setting process
  - (d) Effects of the framework on the preparation and presentation of financial statements
  - (e) Recognition and measurement of the elements of financial statements
2. The regulatory framework:
  - (a) Importance of regulating financial reporting
  - (b) Roles of:
    - (i) International Accounting Standards Committee (IASC)
    - (ii) International Accounting Standards Board (IASB) (including its membership)
    - (iii) IFRS Advisory Council
    - (iv) Standards Interpretations Committee (SIC)
    - (v) IFRS Interpretations Committee (IFRIC)
  - (c) Factors that have shaped financial accounting and reporting to current/ present state
  - (d) Main influences on possible future developments of financial accounting/ reporting
  - (e) Role of IFRS
  - (f) Forms of regulation:
    - (i) The Companies Act:
      1. Accounting and reporting requirements

2. Impact of the Act on financial accounting and reporting
  3. Non-financial statements required by the Act: Directors' report, auditor's report, chairman's report, operating and financial review (listed companies)
- (ii) Accounting Standards:
1. Purpose
  2. The standards setting process
- (iii) Financial Institutions Act
- (iv) Insurance Act
- (v) The Microfinance Deposit Taking Institutions Act
- (vi) Reconciliation of different IFRS with the above Acts
- (vii) The role of other regulatory bodies: Bank of Uganda, Insurance Regulatory Authority of Uganda, Capital Markets Authority, Uganda Retirement Benefits Regulatory Authority:
1. Objectives and functions of each regulatory body
  2. Legal and compliance guidelines
  3. Financial reporting requirements and reconciliation with the requirements of IFRS
  4. Institutions that must comply with each regulatory body
  5. Purpose and content of accountant's report for listing

## **B. PREPARATION OF AND DISCLOSURES IN GROUP FINANCIAL STATEMENTS**

1. Acquisition accounting:
  - (a) Recognition of acquiree and acquirer
  - (b) Establishment of acquisition date
  - (c) Recognition and measurement of acquired assets and liabilities
  - (d) Recognition and accounting for non-controlling interests in the acquiree
  - (e) Recognition, measurement and accounting for goodwill or gain on a bargain purchase
2. Preparation of financial statements
3. Measurement principles relating to fair value of the consideration and net assets acquired

4. Acquisitions: Nature and stages
5. Preparation of financial statement where control is achieved in stages
6. Disclosures

**C. ADVANCED GROUP FINANCIAL STATEMENTS:**

- (i) International Financial Reporting Standard (IFRS) 3, Business Combinations
  - (ii) International Financial Reporting Standard (IFRS) 10, Consolidated Financial Statements
  - (iii) International Financial Reporting Standard (IFRS) 12, Disclosure of Interests in other Entities
  - (iv) International Financial Reporting Standard (IFRS) 13, Fair Value Measurement
1. Objectives and scope of the Standards
  2. Identification of a business combination
  3. Changes in group structure where control is lost/ retained
  4. Disposal of group companies (principles, goodwill on disposal, accounting for partial and/ or deemed disposal)
  5. Creation of a new holding company
  6. Changes in the ownership of companies within a group
  7. Preparation of financial statements after group re-organisation and reconstruction
  8. Application of Islamic finance to business combinations, consolidated financial statements, interests in other entities and fair value measurement

**D. ACCOUNTING FOR ASSOCIATES AND JOINT VENTURES:**

- (i) International Accounting Standard (IAS) 28, Investments in Associates
  - (ii) International Financial Reporting Standard (IFRS) 11, Joint Arrangements
1. Scope of the Standards
  2. Key concepts of the Standards

3. Accounting treatment:
  - (a) Principles and methods of accounting for associates and joint ventures
  - (b) Preparation of group financial statements with associates and joint ventures
  - (c) Application of Islamic finance to accounting for associates and joint arrangements

#### **E. INTERNATIONAL ACCOUNTING STANDARD (IAS) 7, STATEMENT OF CASH FLOWS**

1. Usefulness and limitations of group statement of cash flows
2. Preparation of group statement of cash flows including/ incorporating:
  - (a) Elements of acquisition and disposal of subsidiaries
  - (b) Associates, joint ventures and foreign interests

#### **F. INTERNATIONAL ACCOUNTING STANDARD (IAS) 27, SEPARATE FINANCIAL STATEMENTS**

1. Objective and scope of the Standard
2. Key concepts of the Standard
3. Preparation of separate financial statements
4. Disclosures

#### **G. INTERNATIONAL ACCOUNTING STANDARD (IAS) 24, RELATED PARTY DISCLOSURES**

1. Objective of the Standard
2. Scope of the Standard including identification of related parties and disclosure requirements
3. Purpose of related party disclosures
4. Definition of key concepts
5. Exemptions including disclosure requirements when exemptions apply
6. Significant adjustments and assumptions
7. Interest in subsidiaries, joint arrangements and associates and unconsolidated structured entities
8. Effectiveness of the Standard currently

## **H. ACCOUNTING FOR AND DISCLOSURE OF 'OFF-BALANCE SHEET' TRANSACTIONS**

1. Meaning of 'off-balance sheet' transactions and 'substance over form'
2. Off-balance sheet and substance over form problems
3. Common forms of off-balance sheet arrangements
4. Current attempts to deal with off-balance sheet problems
5. Application of Islamic finance to contracts involving the concept of substance over form

## **I. INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) 8, OPERATING SEGMENTS**

1. Core principle of the Standard
2. Scope of the Standard
3. Aggregation of operating segments
4. Determination of reportable segments including consideration of quantitative thresholds
5. Disclosures

## **J. INTERNATIONAL ACCOUNTING STANDARD (IAS) 29, FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES**

1. Objective and scope of the Standard
2. Treatment of financial statements at the year-end:
  - (a) Historical cost financial statements
  - (b) Current cost financial statements
3. Taxes
4. Statement of cash flows
5. Consolidated financial statements
6. Economies ceasing to be hyperinflationary
7. Disclosures

## **K. INTERNATIONAL ACCOUNTING STANDARD (IAS) 21, EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES**

1. Objective and scope of the Standard
2. Key concepts of the Standard

3. Accounting for foreign subsidiaries, associates, joint ventures, investments and other similar arrangements
4. Preparation of consolidated financial statements involving foreign subsidiaries/ associates and joint ventures
5. Problem areas in foreign currency transactions for individual and group entities
6. Disposal/ partial disposal of a foreign operation/ entity
7. Preparation of financial statements in hyperinflationary economies
8. Disclosures

## **L. INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) 17, INSURANCE CONTRACTS**

1. Objective of the Standard
2. Scope of the Standard
3. Key concepts of the Standard
4. Separating components from an insurance contract
5. Recognition and measurement of:
  - (a) Temporary exemptions from other IFRS
  - (b) Changes in accounting policies
  - (c) Insurance contracts acquired in a business combination or portfolio transfer
  - (d) Onerous contracts
  - (e) Adjustment to reflect the time value of money
  - (f) Subsequent measurement of liability for remaining coverage and incurred claims
  - (g) Levels of aggregation
6. Modification and de-recognition
7. Presentation:
  - (a) Statement of financial position:
  - (b) Statement of financial performance
8. Disclosures
9. Application of Islamic finance to insurance contracts

**Note:** IFRS 17 effective date 1 January 2023. Until then, IFRS 4 remains operational with some amendments like how to apply it with IFRS 9

## **M. FINANCIAL INSTRUMENTS:**

- (i) International Accounting Standard (IAS) 32, Financial Instruments: Presentation
  - (ii) International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures
  - (iii) International Financial Reporting Standard (IFRS) 9, Financial Instruments
1. Objectives and scopes of the Standards
  2. Key concepts of the Standards
  3. Exceptions to the Standards where applicable
  4. Classification of financial instruments as liabilities/ equity
  5. Measurement rules for financial instruments
  6. Accounting for debt instruments, equity instruments and allocation of finance costs
  7. Accounting for fixed interest rate and convertible bonds
  8. Recognition and de-recognition of financial instruments
  9. Embedded derivatives:
    - (a) Host contracts versus embedded derivatives
    - (b) Accounting treatment of embedded derivatives
    - (c) Current values, treatment of gains and losses and derivatives
  10. Hedge accounting
  11. Presentation:
    - (a) Liabilities and equity
    - (b) Compound financial instruments
    - (c) Treasury shares
    - (d) Interests, dividends, losses and gains
    - (e) Offsetting a financial asset and a financial liability
  12. Classes of financial instruments and levels of disclosure in financial statements and other disclosures
  13. Significance of financial instruments for financial statements
  14. Nature and extent of risks arising from financial instruments
  15. Transfer of financial assets
  16. Islamic financial instruments



**N. INTERNATIONAL ACCOUNTING STANDARD (IAS) 33, EARNINGS PER SHARE (EPS)**

1. Objectives/ issues addressed by the Standard
2. Scope of the Standard
3. Definition of key concepts of the Standard:
4. Measurement:
  - (a) Basic EPS
  - (b) Diluted EPS
  - (c) Effect of changes in capital structure on EPS
  - (d) Restatement of EPS
5. Presentation and disclosure
6. Significance of EPS

**O. INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) 2, SHARE-BASED PAYMENT**

1. Objective and scope of the Standard
2. Meaning of share-based payment
3. Recognition of equity-settled and cash-settled share-based payment transactions
4. Measurement
5. Deferred tax implications
6. Disclosure requirements
7. Effectiveness of the Standard currently

**P. INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) 5, NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

1. Objective and scope of the Standard
2. Key concepts of the Standard
3. Accounting treatment:
  - (a) Measurement of non-current assets held for sale
  - (b) Presentation and disclosure

**Q. INTERNATIONAL ACCOUNTING STANDARD (IAS) 12, INCOME TAXES**

1. Objective and scope of the Standard

2. Key concepts of the Standard
3. Recognition of current tax liabilities and current tax assets
4. Recognition of deferred tax liabilities and deferred tax assets
5. Measurement of current tax liabilities and current tax assets
6. Recognition of current tax and deferred tax
7. Presentation of tax assets, liabilities and expense
8. Disclosures

**R. INTERNATIONAL ACCOUNTING STANDARD (IAS) 19, EMPLOYEE BENEFITS**

1. Objective and scope of the Standard
2. Key concepts of the Standard
3. Short-term and post-employee benefits
4. Past service cost, gains and losses on settlement
5. Recognition and measurement of plan assets
6. Components of defined benefit cost
7. Presentation (offset, current/ non-current distinction, components of defined benefit cost)
8. Analysis and interpretation of financial statements

**S. INTERNATIONAL ACCOUNTING STANDARD (IAS) 34, INTERIM FINANCIAL REPORTING**

1. Objective and scope of the Standard
2. Key concepts of the Standard
3. Minimum components of an interim financial report
4. Recognition and measurement:
  - (a) Revenues received occasionally
  - (b) Costs incurred unevenly during the year
  - (c) Payroll taxes or insurance contribution paid by employees
  - (d) Costs of planned major periodic maintenance or overhaul
  - (e) Depreciation
  - (f) Tax on income
  - (g) Inventory evaluation
5. Statutory and non-statutory requirements for financial communication

6. Disclosure in annual financial statements

**T. INTERNATIONAL FINANCIAL REPORTING STANDARD FOR SMALL AND MEDIUM-SIZED ENTITIES (IFRS for SMEs)**

1. Objective and scope of the Standard

2. Institute of Certified Public Accountants of Uganda (ICPAU)'s Guidelines for Implementation of IFRS for SMEs in Uganda

3. Difference between full IFRS and the IFRS for SMEs

4. Sections of the Standard:

(a) Primary sources of each section of IFRS for SMEs in the full IFRS;

(b) Sections excluded from the IFRS for SMEs

(c) Basis for conclusions of SMEs

(d) Presentation and disclosures of financial statements of SMEs

5. Recognition and measurements implications:

(a) Goodwill

(b) Investment in associates and joint ventures

(c) Research and development costs

(d) Borrowing costs

(e) Property, plant and equipment and intangible assets

(f) Assets held for sale

(g) Biological assets

(h) Share-based payment expense

(i) Financial statements presentation:

- Statement of financial position
- Statement of comprehensive income and income statement
- Statement of changes in equity and statement of comprehensive income and retained earnings
- Statement of cash flows

(j) Notes to the financial statements

(k) Consolidated and separate financial statements

(l) Accounting policies, estimates and errors

(m) Basic financial instruments

(n) Additional financial instruments issues

- (o) Inventories
- (p) Investments in associates
- (q) Investments in joint ventures
- (r) Investment property
- (s) Property, plant and equipment
- (t) Intangible assets other than goodwill
- (u) Business combinations and goodwill
- (v) Leases
- (w) Provisions and contingencies
- (x) Liabilities and equity
- (y) Revenue
- (z) Government grants
- (aa) Borrowing costs
- (ab) Share-based payment
- (ac) Impairment of assets
- (ad) Employee benefits
- (ae) Income tax
- (af) Foreign currency translation
- (ag) Hyperinflation
- (ah) Events after the end of the reporting period
- (ai) Related party disclosures
- (aj) Specialised activities
- (ak) Transition to the IFRS for SME

**U. INTERNATIONAL ACCOUNTING STANDARD (IAS) 10, EVENTS AFTER THE REPORTING PERIOD**

1. Objective and scope of the Standard
2. Key concepts of the Standard
3. Recognition, measurement and process of authorisation of adjusting and non-adjusting events
4. Presentation and disclosure

## **V. IMPACT OF ENVIRONMENTAL, SOCIAL AND CULTURAL FACTORS ON CORPORATE REPORTING**

1. Sustainability (environmental and social) reporting
2. Requirements and guidelines for environmental reporting
3. Impact of social and cultural influence on corporate reporting
4. Disclosure of social issues in corporate reporting
5. Ethical conduct in corporate reporting
6. Corporate governance:
  - (a) Concept of corporate governance
  - (b) Effect on corporate behaviour
  - (c) Need for good corporate governance
  - (d) Unethical behaviour
  - (e) Divergence of governance mechanisms from jurisdiction to jurisdiction
  - (f) Effects of good corporate governance on capital markets
  - (g) Role of accounting in corporate governance
  - (h) External audit in corporate governance
  - (i) Corporate governance in relation to the board of directors
  - (j) Risk management
  - (k) Areas of potential conflict of interest

## **W. INTERNATIONAL HARMONISATION**

1. The benefits and need for one set of reporting requirements
2. Barriers to and benefits of international harmonisation
3. Progress of international harmonisation
4. Work and of views International Accounting Standards Board, Financial Accounting Standards Board and Accounting Standards Board

## **X. CURRENT AND INTERNATIONAL ISSUES AND DEVELOPMENTS**

1. Reasons for major differences in accounting practices
2. Restatement of financial statements of foreign entities in line with IFRS
3. Ways of improving communication of corporate performance, current proposals relating to year-end financial statements and business reporting over the internet
4. Current issues relating to improvement of corporate reporting

## **Y. CORPORATE REPORTING**

1. Annual report:
  - (a) IFRS Practice Statement 1: Management Commentary
  - (b) Regulatory considerations:
    - (i) Key provisions on account
    - (ii) Key provisions on audit
    - (iii) Financial information approval
    - (iv) Annual return
    - (v) Other considerations
  - (c) Contents of the annual report:
    - (i) Company information
    - (ii) Management discussion and analysis (MDA)
    - (iii) Report on corporate governance
    - (iv) Directors' report
    - (v) Auditor's report
    - (vi) Accounts (financial statements)
      1. Balance sheet (statement of financial position)
      2. Profit or loss (statement of profit or loss and other comprehensive income)
      3. Cash flows (statement of cash flows)
      4. Statement of changes in equity
  - (d) Notes to the financial statements
  - (e) Preparation of annual report
2. Integrated thinking and reporting:
  - (a) Introduction to and meaning of integrated thinking and reporting
  - (b) Regulatory considerations
  - (c) Purpose, objectives and users of integrated reports
  - (d) International Integrated Reporting Framework:
    - (i) Fundamental concepts
    - (ii) Guiding principles to the preparation of integrated report
    - (iii) Elements of integrated report
  - (e) Benefits of integrated reporting

- (f) Relationship between corporate governance reporting and integrated reporting; sustainability reporting and integrated reporting
- (g) Triple bottom line reporting
- (h) Preparation of an integrated report

### **REFERENCES**

1. ICPAU, Advanced Financial Reporting, Kampala.
2. Elliot B and Elliot J., 2019. Financial Accounting & Reporting, 19<sup>th</sup> ed, London: Pearson Education Limited.
3. International Accounting Standards Board, Current Edition. International Financial Reporting Standards, London: International Accounting Standards Board.
4. King Committee on Corporate Governance., 2016. King IV Report on Corporate Governance, Johannesburg: King Committee.
5. MIA Islamic Finance Committee, 2020. Accounting for Islamic Finance, Kuala Lumpur: Malaysian Institute of Accountants.