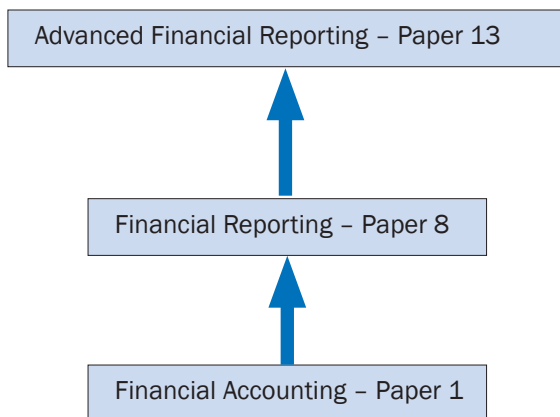


FINANCIAL REPORTING – PAPER 8 SYLLABUS CHART



OVERALL AIM

To equip the learner with analytical and evaluation skills necessary for preparing financial statements and explaining their importance to various stakeholders as per the requirements of the regulatory framework for financial reporting in Uganda and the International Financial Reporting Standards

LEARNING OBJECTIVES

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

1. Measure the elements of financial statements
2. Prepare financial statements and accounting records for business organisations
3. Analyse financial statements and interpret accounting information
4. Apply the selected International Financial Reporting Standards (IFRS)
5. Prepare consolidated financial statements of a simple group structure



6. Prepare accounting records for entities under receivership and. liquidation

LEVEL OF ASSESSMENT

To equip the learner with analytical, evaluation and synthesis skills which will help the learner to consolidate the knowledge in financial accounting leading into advanced financial reporting.

EXAMINATIONS STRUCTURE

There will be a three hour examination made up sections A and B. Section A will comprise of one compulsory question of 40 marks. Section B will comprise of four questions of 20 marks each, of which the candidate will be required to attempt any three.

DETAILED SYLLABUS

A. MEASUREMENT OF THE ELEMENTS OF FINANCIAL STATEMENTS

1. Accounting Bases
 - (a) (i) Meaning of accounting base
 - (a) (ii) Accounting bases: - historical cost, modified historical cost, current cost, realisable (settlement) value and present value
 - (c) Valuation of assets: open market/ fair value; depreciated replacement cost
 - (d) Measurement of profit: financial capital maintenance concept; physical capital maintenance concept
 - (e) Strengths/ advantages and weaknesses/ disadvantages of each base
 - (f) Preparation of financial statements under historical cost, current cost, realisable value and present value.
2. Financial analysis and interpretation
 - (a) Meaning, purpose/ need for ratios, techniques of computation and interpretation
 - (b) Types, computation and interpretation of ratios including: profitability, liquidity, growth, assets, gearing, activity, and investment ratios
 - (c) Benefits/ advantages and limitations/ disadvantages of ratios

B. PRESENTATION OF FINANCIAL STATEMENTS (IAS 1)

1. The objective and scope of the standard
2. Components of financial statements
3. Key concepts of the standard:
 - (a) Fair presentation
 - (b) Current assets
 - (c) Non-current assets



- (d) Operating cycle
 - (e) Current liabilities
 - (f) Long-term interest bearing liabilities
4. Accounting treatment: information to be presented on the face of each financial statement
5. Presentation and disclosure: minimum information on the face of each of the components of financial statements
6. Statement of profit or loss and other comprehensive income:
- (a) Meaning of comprehensive income
 - (b) Reporting comprehensive income
 - (c) Results of operating activities
 - (d) Other comprehensive income
7. Statement of financial position:
- (a) Disclosure of property, plant and equipment
 - (b) Non-current assets and current assets
 - (c) Non-current liabilities and current liabilities
 - (d) Equity
 - (e) Other disclosures
8. Statement of cash flows:
- (a) Meaning of cash, cash equivalents and cash flows
 - (b) Disclosures under:
 - (i) Operating activities
 - (ii) Investing activities
 - (iii) Financing activities
 - (c) Preparation of statement of cash flows
 - (d) Direct and indirect methods of ascertaining cash flows from operating activities
9. Statement of changes in equity:
- (a) Component of a statement of changes in equity
 - (b) Disclosure of:
 - (i) Changes in accounting policy
 - (ii) Dividends
 - (iii) Issue of share capital
 - (iv) Transfers to and from reserves
10. Accounting policies and notes to financial statements:



- (a) Disclosure of:
 - (i) The measurement basis (or bases) used in preparing financial statements
 - (ii) Other accounting policies used that are relevant to the understanding of the financial statements
 - (iii) Estimation of uncertainty
- 11. Preparation of financial statements in accordance with IFRSs and the Companies Act:
 - (a) Presenting and analysing expenses basing on their (i) nature and (ii) function within the entity
 - (b) Disclosures required by the Companies Act

C. STATEMENTS OF CASH FLOWS (IAS 7)

1. The objective of the standard
2. Key concepts of the standard: - cash, cash equivalents, cash flows; cash flows from operating, investing and financing activities; financial structure, solvency, liquidity, timing and certainty of the cash flows, ability to generate cash and cash equivalents
3. Usefulness of a statement of cash flows
4. Classification of cash flows into operating, investing and financing activities
5. Direct and indirect methods of reporting cash flows from operating activities including advantages and disadvantages of each of them
6. Determination of cash flows from operating, investing and financing activities
7. Presentation and disclosure
8. Interpretation of a statement of cash flows
9. Limitations of the standard

D. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (IAS 8)

1. Objective and scope addressed by the standard
2. Key concepts of the standard:
 - (a) Accounting policies
 - (b) Changes in accounting estimates
 - (c) Prior period errors
 - (d) Impractical changes
 - (e) Materiality
 - (f) Retrospective application and its limitations



- (g) Prospective application
- 3. Recognition and measurement of the effect of changes in the accounting estimates, errors and accounting policies
- 4. Presentation and disclosure

E. INVENTORIES (IAS 2)

- 1. Objective and scope of the standard
- 2. Exceptions to the standard
- 3. Key concepts of the standard: - measurement of inventories: cost, net realisable value and fair value
- 4. Accounting treatment: composition of cost of inventory; exclusions from the cost of inventory; cost formulas; techniques for measuring cost of inventory (standard cost and retail method)
- 5. Presentation and disclosure: accounting policies, total carrying amounts for every class of inventory, write-offs, recognized as expenses, circumstances or events leading to write-offs, carrying amounts of inventory pledged as security for liabilities.

F. CONSTRUCTION CONTRACTS (IAS 11)

Note: A new standard, IFRS 15 – Revenue from contracts with customers has been developed by IASB and will replace IAS 11 with effect from 1 January 2017.

- 1. Objective and scope of the standard
 - (a) Accounting for construction
 - (b) Destruction or restoration of assets and rendering service contracts
 - (c) Types of contracts: fixed price contracts and cost plus contracts
- 2. Key concepts of the standard
 - (a) Construction contract
 - (b) Fixed price contract
 - (c) Cost plus contract
- 3. Accounting treatment:
 - (a) Recognition and measurement of:
 - (i) Contract revenue and cost
 - (ii) Contract revenue, expenses and expected losses
 - (iii) Profits on incomplete contracts
 - (iv) Work in progress
 - (b) Determination of the stage of contract completion



- (c) Presentation and disclosure:
 - (i) Accounting policies (methods used for revenue and stage of completion recognition)
 - (ii) Advances, retentions, contract progress and amounts due to/ from customers; contingent assets or liabilities

G. INCOME TAXES (IAS 12)

1. Objective and scope of the standard
2. Key terms of the standard
 - (a) Accounting profits and taxable profits/ tax loss
 - (b) Tax expense/ tax income
 - (c) Current tax
 - (d) Deferred tax liability and deferred tax asset
 - (e) Temporary tax differences
 - (f) Tax base of an asset or liability
3. Accounting treatment
 - (a) Recognition of current tax liabilities and assets
 - (b) Measurement of current tax assets and liabilities
 - (c) Recognition of current deferred tax assets and liabilities
 - (d) Presentation and disclosure
 - (i) Tax balances both current and deferred
 - (ii) Accounting policy
 - (iii) Reconciliation of tax profit/loss and accounting profit/ loss in monetary terms or numerical reconciliation of the rate

H. PROPERTY, PLANT AND EQUIPMENT (IAS 16)

1. Objective and scope of the standard
2. Exceptions to the standard
3. Key concepts of the standard
 - (a) Property, plant and equipment
 - (b) Cost (initial and subsequent)
 - (c) Elements of cost
 - (d) Measurement of cost
 - (e) Measurement after recognition (cost model and revaluation model).
 - (f) Fair value; carrying amount; depreciation; impairment loss; property, plant and equipment; recoverable amount; useful life; entity specific value; residual value



4. Accounting treatment

- (a) Recognition of an asset
- (b) Component of cost
- (c) Disposal of assets
- (d) Capitalisation
- (e) Write-offs and expenses
- (f) Revaluation surpluses/ deficits
- (g) Reversal of revaluation surpluses
- (h) Presentation and disclosure:
 - (i) Measurement bases
 - (ii) Depreciation methods and depreciation rates
 - (iii) Reconciliation of assets at the beginning and end of period showing additions, disposals, revaluations, impairments and write-offs; assets pledged as security for liabilities; date of revaluations and names of valuers
 - (iv) Preparation of non-current assets schedule

I. FAIR VALUE MEASUREMENT (IFRS 13)

- 1. Objective and scope of the standard
- 2. Exceptions to standards
- 3. Key concepts:
 - (a) Fair value
 - (b) Fair value as a current exit price
 - (c) Identification of asset or liability
 - (d) The transaction
 - (i) Market identification
 - (ii) Market participants
 - (e) Price
- 4. Application to non-financial assets, liabilities and own equity instruments
 - (a) Valuation of non-financial assets, liabilities and own equity instruments
 - (b) Valuation techniques and inputs
 - (c) Fair value hierarchy
- 5. Non-performance risk
- 6. Presentation and fair value disclosures

J. EFFECT OF CHANGE IN FOREIGN EXCHANGE RATES (IAS 21)



1. Objective and scope of the standard
2. Key concepts:
 - (a) Foreign currency
 - (b) Functional currency
 - (c) Presentation currency
 - (d) Exchange rate
 - (e) Exchange difference
 - (f) Closing rate
 - (g) Spot exchange rate
 - (h) Monetary items
 - (i) Foreign operations
 - (j) Net investment in a foreign operation
3. Translation methods (entity's functional currency to presentation currency)
4. Recording and re-translation of monetary and non-monetary items at the reporting date
5. Recognition of exchange differences
6. Disclosures

K. INVESTMENT PROPERTY (IAS 40)

1. Objective and scope of the standard
2. Key concepts of the standard:
 - (a) Investment property; exceptions
 - (b) Owner-occupied property
 - (c) Fair value
 - (d) Cost
 - (e) Carrying amount
3. Accounting treatment:
 - (a) Recognition criteria
 - (b) Initial measurement and subsequent measurement to initial recognition
 - (i) The fair value model
 - (ii) The cost model
 - (c) Principles used to determine the fair value of the investment property
 - (d) Transfers to or from investment property
 - (e) Presentation and disclosure



L. LEASES (IAS 17)

Note: A new standard, IFRS 16 – Leases has been developed by IASB and will replace IAS 17 with effect from 1 January 2019

1. Objective and scope of the standard
2. Key concepts of the standard
3. Accounting treatment for:
 - (a) Operating leases
 - (b) Finance leases
 - (c) Sale and leaseback transactions
4. Methods of computation of installments payable: level spread; sum of digits; actuarial method
5. Presentation and disclosure

M. REVENUE (IAS 18)

Note: A new standard, IFRS 15 – Revenue from contracts with customers has been developed by IASB and will replace IAS 18 with effect from 1 January 2017.

1. Objective and scope of the standard
2. Exceptions to the standard
3. Key concepts of the standard
 - (a) Revenue
 - (b) Revenue recognition from sale of goods
 - (c) Revenue recognition from rendering a service
 - (d) Exception to recognition of revenue
 - (e) Fair value and effective yield
4. Accounting treatment:
 - (a) Identification of transactions; sale of goods; rendering of services:-
 - (i) Financial service fees
 - (ii) Royalties
 - (iii) Dividends
 - (b) Uncertainty of collectability of revenue
5. Presentation and disclosure
 - (i) Accounting policies on methods of recognition of the revenue
 - (ii) Measurement bases



- (iii) Amount of each significant category of revenue recognised during the period including revenue from sale of goods and rendering services

N. ACCOUNTING FOR GOVERNMENT GRANTS AND DISCLOSURE OF GOVERNMENT ASSISTANCE (IAS 20)

1. Objective and scope of the standard
2. Key concepts of the standard:
 - (a) Government
 - (b) Government assistance
 - (c) Government grants
 - (d) Grants related to assets
 - (e) Grants related to income
 - (f) Forgivable loans
 - (g) Fair value
3. Accounting treatment
 - (a) Treatment of capital and income related grants, plus forgiven loans
 - (b) Approaches to accounting for government loans
 - Capital approach
 - Income approach
 - (c) Arguments for or against each approach
4. Presentation and disclosure
 - (i) Grants related to assets
 - (ii) Grants related to income
 - (iii) Accounting policies and disclosures
 - (iv) Income statement disclosures

O. BORROWING COSTS (IAS 23)

1. Objective and scope of the standard
2. Key concepts of the standard:
 - (a) Arguments for/ against capitalisation
 - (b) Borrowing costs
 - (c) Qualifying asset
3. Accounting treatment:
 - (a) Methods for accounting for borrowing costs



- (b) Commencement of capitalisation
 - (c) Cessation of capitalisation
 - (d) Exceptions of capitalisation
 - (e) Amounts to be capitalised
4. Presentation and disclosure:
- (a) Accounting policies
 - (b) Capitalisation rates
 - (c) Distinction in total borrowing costs
 - (d) Compare and contrast the accounting treatment for borrowing costs and tax treatment

P. IMPAIRMENT OF ASSETS (IAS 36)

1. Objective and scope of the standard
2. Key concepts of the standard:
- (a) Impairment
 - (b) Impairment loss
 - (c) Carrying amount
 - (d) Recoverable amount of an asset
 - (e) Fair value less cost to sell
 - (f) Value in use and determination of value in use
 - (g) A cash generating unit
3. Identifying a potentially impaired asset
4. Accounting treatment:
- (a) Estimation of recoverable amount of:
 - (i) Tangible assets
 - (ii) Intangible assets
 - (b) Recognition and measurement of an impairment loss
 - (c) Determination of recoverable amounts for cash generating units
 - (d) Impairment of intangible assets
5. Presentation and disclosure:
- (a) Amount recognised in the statement of profit or loss
 - (b) The amount of reversals recognised in the statement of profit or loss
 - (c) The amount of impairment losses on revalued assets recognised in other comprehensive income



- (d) The amount of reversals of impairment losses on revalued assets recognised in other comprehensive income

Q. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (IAS 37)

1. Objective and scope of the standard
2. Key concepts of the standard:
 - (a) Provision
 - (b) Liability
 - (c) Constructive obligation
 - (d) Contingent assets and liabilities; contingent assets and liabilities not recognised
 - (e) Onerous contracts
3. Accounting treatment:
 - (a) Conditions for recognition of a provision
 - (b) Legal and constructive obligations
 - (c) Recognition and measurement principles
4. Presentation and disclosure
 - (a) Disclosures on provisions, contingent liabilities and contingent assets
 - (b) Exceptions to disclosures

R. INTANGIBLE ASSETS (IAS 38)

1. Objective and scope of the standard
2. Key concepts of the standard:
 - Meaning of an intangible asset
3. Accounting treatment:
 - (a) Conditions for recognition of intangible asset
 - (b) Initial recognition of intangible asset
 - (c) Cost and revaluation models
 - (d) Conditions for recognition of research and development expenditure
 - (e) Impairment of intangible assets
4. Presentation and disclosure:
 - (a) Internally and other generated intangible assets
 - (b) Accounting policies on measurement bases, amortisation methods, and useful lives or amortisation rates



- (c) Disclosure notes in the statement of profit or loss and other comprehensive income and statement of financial position as required by the standard

S. AGRICULTURE (IAS 41)

1. Objective and scope of the standard
2. Key concepts of the standard:
 - (a) Agricultural activity
 - (b) Agricultural produce
 - (c) Biological asset
 - (d) Biological transformation
 - (e) A group of biological assets
 - (f) Harvest and active market
 - (g) Fair value
 - (h) Carrying amount
3. Accounting treatment:
 - (a) Recognition of biological asset or agricultural produce
 - (b) Measurement of biological asset; fair value less estimated cost to sell
 - (c) Determination of fair value; gain or loss on initial recognition of biological asset or agricultural produce
 - (d) Government grants related to biological assets
4. Presentation and disclosure:
 - (a) Carrying amount of biological assets on face of the statement of financial position
 - (b) Aggregate gain or loss on initial recognition of biological assets and agricultural produce
 - (c) Description of the biological assets
 - (d) Reconciliation of changes in carrying amounts between the beginning and end of the period

T. EXPLORATION FOR & EVALUATION OF MINERAL RESOURCES (IFRS 6)

1. Objective and scope of the standard
2. Key concepts:
 - (a) Expenditure
 - (b) Assets
 - (c) Mineral resources
3. Recognition of exploration and evaluation assets



4. Measurement:
 - (a) At recognition
 - (b) After recognition
5. Presentation of exploration and evaluation assets
6. Classification and reclassification
7. Impairment
8. Disclosures

U. BUSINESS COMBINATIONS (IFRS 3)

1. Objective and scope of the standard
2. Basic principles of the standard:
 - (a) Identification of the acquiree and the acquirer
 - (b) Determination the acquisition date
 - (c) Recognition and measurement of the acquired assets and liabilities
 - (d) Recognition and accounting for the non-controlling interest in the acquiree
 - (e) Recognition, measurement and accounting for goodwill or a gain on a bargain purchase
3. Preparation of group financial statements

Prepare a consolidated statement of:

 - (a) Profit or loss and other comprehensive income
 - (b) Financial position
4. Measurement principles relating to fair values of the consideration and net assets acquired
5. Nature of acquisition achieved in stages
6. Preparation and presentation of consolidated financial statements where control is achieved in stages

V. CONSOLIDATED FINANCIAL STATEMENTS (IFRS 10)

1. Objective and scope of the standard
2. Key concepts of the standard:
 - (a) Controlling and non-controlling interests
 - (b) Parent and subsidiary



3. Accounting treatment:

- (a) Consolidation procedure
 - (i) Combination of like items of assets, liabilities, incomes and expenses
 - (ii) Elimination of the carrying amounts of the parent investments in the subsidiary
 - (iii) Elimination in full of inter group assets and liabilities, equity and other inter group transactions
- (b) Use of uniform accounting policies for similar transactions and where they differ necessary adjustments should be made to conform to the group accounting policies
- (c) Presentation and disclosure:
 - (i) Accounting policies on consolidation
 - (ii) Disclosure notes in financial statements as required by the standard

W. LIQUIDATION AND RECEIVERSHIP

1. Meaning of liquidation (winding up) and receivership
2. Preparation of statement of affairs and liquidator's final statement of account

3. REFERENCES

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